

Ratio Working Paper No. 274

Why Family Matters: The Impact of Family Resources on Immigrant Entrepreneurs' Exit from Entrepreneurship

Miriam Bird*

Karl Wennberg**

* miriam.bird@unisg.ch, University of St. Gallen, Center for Family Business, Dufourstrasse 40a 9000 St. Gallen, Switzerland

** karl.wennberg@ratio.se, The Ratio Institute, P.O. Box 3203, SE-103 64 Stockholm, Sweden and Stockholm School of Economics, PO Box 6501, 11383 Stockholm, Sweden Institute of Analytical Sociology (IAS), Linköping University, Sweden



Forthcoming, Journal of Business Venturing

**Why Family Matters: The Impact of Family Resources on Immigrant
Entrepreneurs' Exit from Entrepreneurship***

Miriam Bird

University of St. Gallen
Center for Family Business
Dufourstrasse 40a
9000 St. Gallen
Switzerland
Email: miriam.bird@unisg.ch
Tel: +41 71 224 71 10

Karl Wennberg

Stockholm School of Economics
PO Box 6501, 11383 Stockholm, Sweden
Institute of Analytical Sociology (IAS), Linköping University, Sweden
Ratio Institute, Stockholm, Sweden
Email: karl.wennberg@liu.se
Tel: +46 705 10 53 66

Keywords: Immigrant entrepreneurship, entrepreneurial exit, family capital resources, social capital

* We are grateful for feedback from Howard Aldrich, Nedim Efendic, Nadine Kammerlander, Phil Kim, Philipp Sieger, Sebastian Tatzreiter, Emre Yildiz and Thomas Zellweger, and seminar participants at the Babson College Entrepreneurship Research Conference 2015 and Linköping University. Bird gratefully acknowledges financial support by Torsten and Ragnar Söderberg foundation. Wennberg gratefully acknowledge financial support by the Swedish Research Council (340-2013-5460), Riksbankens Jubileumsfond (M12-0301:1) and the Swedish Wholesale and Retail Development Council. All errors remain those of the authors.

Why Family Matters: The Impact of Family Resources on Immigrant Entrepreneurs' Exit from Entrepreneurship

Abstract: We integrate insights from the social embeddedness perspective with research on immigrant entrepreneurship to theorize on how family resources influence exit from entrepreneurship among previously unemployed immigrant entrepreneurs. Results from a cohort study of immigrant entrepreneurs in Sweden reveal that family resources are important for immigrants to integrate economically into a country. We find that having family members in geographical proximity increases immigrant entrepreneurs' likelihood of remaining in entrepreneurship. Further, family financial capital enhances immigrant entrepreneurs' likelihood of remaining in entrepreneurship as well as their likelihood of exiting to paid employment. Although often neglected in immigrant entrepreneurship studies, resources accruing from spousal relationships with natives influence entrepreneurs' exit behavior. We discuss contributions for research on entrepreneurial exit, entrepreneurs' social embeddedness, and immigrant entrepreneurship.

JEL Classification:

J6 – Mobility, Unemployment, Vacancies, and Immigrant Workers

L26 – Entrepreneurship

Keywords:

Immigrant entrepreneurship, entrepreneurial exit, family resources, social embeddedness, relational embeddedness

1. Introduction

Most developed countries have witnessed a steady inflow of immigrants in the last few decades, with immigrants' economic integration constituting a prominent challenge for these countries (Castles and Miller, 2009). Immigrants often face limited opportunities in the labor market, resulting in low labor market participation rates due to their limited human, financial, and social capital resources (Bates, 2011; Redstone Akresh, 2006) and frequent discrimination from potential employers (Carlsson and Rooth, 2007). These limited labor market opportunities are often highlighted as a major reason for the high rates of immigrant entrepreneurship in developed nations (Chaganti et al., 2008; Li, 2001). Entrepreneurship has thus been portrayed as a potential path for immigrants to become integrated into the formal economy (Sanders and Nee, 1996).

Prior research has highlighted the importance of immigrants' embeddedness within their family and access to family resources as crucial for immigrants' entrepreneurial success (Bates, 2011; Sanders and Nee, 1996). The theoretical premises for these arguments are rooted in social embeddedness theory, which argues that individuals' relationships are crucial for them to mobilize the resources necessary to support their economic endeavors (Granovetter, 1985). Specifically, *relational embeddedness* within the family increases the transfer of family resources as well as enhances family members' willingness to listen to new business ideas and provide advice, all of which constitute a "set of family resources" supporting immigrants' economic endeavors (Granovetter, 1985; Portes, 1995b). Here, family resources comprise intangible resources, such as access to information, networks, knowledge, and support, and tangible resources consisting of financial capital and unpaid family labor (Aldrich and Cliff, 2003; Bates, 2011).

While prior studies have suggested that family resources influence immigrant entrepreneurs' decision to enter into entrepreneurship (Sanders and Nee, 1996), there is a dearth

of studies investigating the long-term impact of such resources in regard to exit from entrepreneurship. If entrepreneurship represents a path taken by immigrant entrepreneurs to counteract unemployment (Dencker et al., 2009) and integrate economically into their new host country, research should investigate the long-term outcomes of entrepreneurship. Exit from entrepreneurship at the individual level may have important economic implications for the individual, particularly if he or she enters entrepreneurship out of necessity (Millan et al., 2012; Taylor, 1999).

The scarcity of research on family resources' impact on immigrant entrepreneurs' exit routes motivates our research question: *How do family resources influence whether previously unemployed immigrant entrepreneurs remain in entrepreneurship, exit to unemployment, or exit to paid employment?*

In the context of necessity immigrant entrepreneurs who entered entrepreneurship from unemployment, we denote exit from entrepreneurship as individuals' discontinuing entrepreneurship by either returning back to their initial state of unemployment or transitioning into paid employment (Millan et al., 2012; Taylor, 1999). We empirically distinguish between these two exit routes because exit to paid employment – besides remaining in entrepreneurship – represents an important form of economic integration through which a previously unemployed immigrant obtains a position in the labor market (Barrett and Duffy, 2008; Bates, 2011; Hammarstedt, 2009). Thus, in our paper, economic integration refers to whether a formerly unemployed immigrant entrepreneur remains in entrepreneurship or exits to paid employment. Conversely, exiting entrepreneurship back to unemployment represents a failed attempt to integrate economically into the host country (Bates, 2011).

Our study seeks to shed light on our research question by developing a theoretical framework explaining how immigrants' relational embeddedness influences immigrant

entrepreneurs' exit from entrepreneurship. We hypothesize that geographical proximity to other family members enhances immigrant entrepreneurs' likelihood of remaining in entrepreneurship since proximity facilitates access to family resources, such as advice, support, and unpaid family labor (Nahapiet and Ghoshal, 1998). We further posit that general resources, such as the family's human and financial capital, constitute important group resources that are useful for entrepreneurs to successfully establish themselves in entrepreneurship. Finally, we argue that immigrant entrepreneurs with a native spouse are more likely to establish contacts with native members of society, which can provide important resources to remain in entrepreneurship or to find another way of integrating economically – namely, transitioning to paid employment.

Our hypotheses are tested using rich individual-level data of 1,825 immigrant entrepreneurs in Sweden who entered entrepreneurship in 2001 and were followed over a six-year period using a cohort sampling approach. We used competing risks regressions to investigate the influence of family resources on immigrant entrepreneurs' exit from entrepreneurship either to paid employment or to unemployment.

Our study provides several theoretical and empirical contributions to entrepreneurship research, specifically the literatures on entrepreneurial exit, immigrant entrepreneurship, and entrepreneurs' social embeddedness. First, we contribute to research on entrepreneurial exit by considering not only individual-level factors but also factors related to entrepreneurs' family (DeTienne, 2010). Prior studies investigating exit from entrepreneurship on the individual (e.g. Millan et al., 2012; Taylor, 1999) and the firm level (Wennberg et al., 2010) have not considered family resources in assessing factors influencing exit from entrepreneurship despite their long-argued theoretical salience (Aldrich and Cliff, 2003; Powell and Eddleston, 2016; Ruef, 2010). Further, while entrepreneurial exit has primarily been studied at the firm level of analysis (DeTienne and Wennberg, 2016), we show that family resources influence individuals' exit

routes which have important economic implications for the individual entrepreneur (Caliendo and Kritikos, 2010; Dencker et al., 2009). Second, we contribute to the immigrant entrepreneurship literature by showing which resources at the family level contribute to the economic integration of formerly unemployed immigrants (Bates, 2011; Sanders and Nee, 1996). Our study is among the first to show that immigrant entrepreneurship can lead to positive long-term outcomes in terms of sustained entrepreneurship or exit to paid employment, both representing paths toward economic integration for formerly unemployed immigrants (Portes, 1995b; Waldinger, 1982).

Third, we contribute to the literature on entrepreneurs' social embeddedness that has discussed the family's importance in influencing entrepreneurial outcomes (Aldrich and Cliff, 2003; Bird and Wennberg, 2014; Powell and Eddleston, 2016). We show that geographical proximity to other family members increases immigrant entrepreneurs' likelihood of remaining in entrepreneurship. We further find that family group resources are not of equal importance for immigrants, with family financial capital being particularly vital for immigrants' decision to remain in entrepreneurship or to choose an alternative path of economic integration – namely, exiting to paid employment. Our study also shows that relationships between immigrants and natives (in the form of immigrant entrepreneurs' having a native spouse) positively influence immigrant entrepreneurs' decision to remain in entrepreneurship (Portes and Zhou, 1996; Waters and Jiménez, 2005).

2. Theory and Hypotheses

2.1. Immigrants and Entrepreneurship

Research has shown that immigrants' skills, education, and work experience are valued less in the developed nations they migrate to compared to their home country (Sanders and Nee, 1996). This phenomenon is reinforced by rising education levels among natives in developed nations, making it even more difficult for immigrants to gain ground in the labor market (Duleep

and Regets, 1999; Redstone Akresh, 2006). From the immigrants' side, difficulties adapting to the host country's cultural environment might reinforce these effects. Immigrants' labor market difficulties are reflected in higher unemployment rates among immigrants as well as wage differentials compared to the native population (Hammarstedt, 2003). Entrepreneurship is a viable means for immigrants to use their often-undervalued human capital in a meaningful way, thereby helping them integrate economically (Sanders and Nee, 1996) while also leading to high rates of necessity entrepreneurship among immigrants (Li, 2001).

On the country level, factors related to the destination country, such as the size of the respective immigrant group, the country's economic conditions, and immigration policy, provide immigrants with opportunities and certain social conditions that can foster or derail immigrant entrepreneurship (Collier, 2013; Portes, 1995b; Van Tubergen et al., 2004). On the individual level, factors considered to have a positive impact on immigrants' entrepreneurial activities include their human capital (particularly education) (Redstone Akresh, 2006), the presence of family members (Sanders and Nee, 1996), and a long-term commitment to remaining in the host country (Portes, 1995b).

Immigrant entrepreneurs are also known to be influenced by membership in certain social groups, such as their family, and by the available resources within those groups (Roberts, 1995). Financial and human capital constitute family's general resources that facilitate entrepreneurship independent of the environment (Bates, 2011). However, there may be differences in the quantity and quality of families' resource endowments (Light and Rosenstein, 1995; Ruef, 2010). Immigrant entrepreneurs' mobilization of these resources through relational embeddedness may thus be critical for them to remain in entrepreneurship (Aldrich and Kim, 2007; Light and Rosenstein, 1995).

Situational aspects affecting immigrant entrepreneurship include enduring personal commitments, such as having family members in the host country, and the length of time immigrants have been residing in the country (Kossoudji, 1989). Such factors are likely to influence how permanent immigrants view their move to be. When an immigrant joins his or her peer family members (i.e., in the form of family reunification) in a host country, this implies there is a shared understanding of how long family members expect to reside in the country (i.e., long-term commitment to permanent settlement), which in turn impacts the family's normative commitment and thus the support the immigrant entrepreneur can expect from his or her family (Roberts, 1995).

2.2. Relational Embeddedness and Exit from Entrepreneurship

Immigrant entrepreneurs' embeddedness within the family is crucial for them to successfully start and run a new business (Bates, 2011; Portes and Sensenbrenner, 1993; Sanders and Nee, 1996). Social embeddedness is broadly defined as individuals' exposure to social relationships that may facilitate or impede economic action (Granovetter, 1985; Uzzi, 1996). The social embeddedness perspective thus assumes that individuals' economic action is shaped through membership in certain groups, such as the family (Granovetter, 1985; Portes, 1995b). When studying social embeddedness, it is important to distinguish between structural and relational embeddedness (Granovetter, 1992). While structural embeddedness concerns the "impersonal configuration of linkages between people or units" (Nahapiet and Ghoshal, 1998, p. 244) – that is, the broader networks of aggregate social relationships – relational embeddedness denotes individuals' personal relationships with other individuals, such as family members, and has been highlighted as supporting immigrants' economic endeavors (Granovetter, 1992; Moran, 2005; Portes, 1995b). Thus, relational embeddedness captures the notion that "behavior towards

others depends on a structure of mutual expectations that has become a constitutive part of the relationship” (Granovetter, 1992, p. 35).

Relational embeddedness allows entrepreneurs to access scarce resources, such as intangibles (e.g., information; support; know-how, such as tacit and complex knowledge) and economic tangibles (e.g., loans), with the expectation that these resources will be reciprocated by the recipient (Moran, 2005; Portes, 1995b). The relational dimension of embeddedness emphasizes the “assets created and leveraged through relationships” (Nahapiet and Ghoshal, 1998, p. 244). In this respect, relational embeddedness represents a property (i.e., consisting of a set of resources) derived from the individual’s relationships with other individuals, such as family members (Portes, 1995b). Prior research has argued that entrepreneurs’ ability to mobilize resources from being embedded in certain social structures is critical for them to succeed with their entrepreneurial endeavors (Aldrich and Kim, 2007).

The key feature of these resources is that from a market standpoint, they are “free” to the recipient. However, resources acquired through relational embeddedness carry the expectation of reciprocity, which implies that the mode of “repayment” is flexible in nature. This flexibility means that donors of such resources expect something in return – either in the form of economic benefits or non-material rewards (e.g., social standing within the family). Relational embeddedness thus entails “normative commitment” to help others in the group in return for reciprocity (Adler and Kwon, 2002). For the successful immigrant entrepreneur, these mechanisms imply that family members expect him or her to share the wealth acquired with them; therefore, the expectation of reciprocity is built up through social interactions (Nee and Sanders, 2001; Portes, 1995b).

The concept of “bounded solidarity” explains why strong relational embeddedness within a family emerges. Bounded solidarity thus explains why individuals are able to draw on family

resources as well as why family members act as donors of scarce resources. Bounded solidarity is believed to emerge “out of the situational reaction of a class of people faced with common adversities” (Portes and Sensenbrenner, 1993, p. 1325). The feeling of foreignness among immigrants often triggers a sentiment of “we-ness” among those facing the similar difficult situation of trying to adjust to the new circumstances of the host society while lacking important resources, facing discrimination in the host society, and having higher barriers to returning to their home country – factors contributing to a shared contextual understanding (Lancee, 2010). Immigrants’ exposure to a foreign country generally activates trust and feelings of closeness within the immigrant family (Portes, 1998). The common culture and language brought from the home country unifies the social group of the family and thus strengthens bounded solidarity (Moran, 2005; Portes, 1995a). In addition, bounded solidarity to help one another can also emerge from very intimate types of relationships (e.g., spousal relationships) characterized by high levels of trust and obligation (Parsons, 1949). Bounded solidarity encourages the development of family members’ normative commitment to support other family members, influencing family members’ willingness to share their resources with a nascent entrepreneur.

The ability to mobilize such family resources has been shown to support nascent entrepreneurs in general (Aldrich and Kim, 2007; Kim et al., 2013), but we know little about how family resources impact previously unemployed necessity entrepreneurs’ likelihood of remaining in entrepreneurship or exiting from entrepreneurship into unemployment or to paid employment. To date, the main streams of entrepreneurial exit research have focused on either individual-level (Justo et al., 2015; Millan et al., 2012; Taylor, 1999) or firm-level exit routes (Wennberg et al., 2010; Wiklund et al., 2013). Research investigating individual-level exit routes has primarily investigated entrepreneurs’ transitions into labor market states, such as unemployment or paid employment (Taylor, 1999). This stream of research has suggested – but has not formally studied

– the importance of family resources for exit from entrepreneurship (Millan et al., 2012; Taylor, 1999). Below, we integrate research on relational embeddedness with the immigrant entrepreneurship literature to derive a set of hypotheses about how family resources influence immigrant entrepreneurs' exit into unemployment or into paid employment.

2.3. Family's Geographical Proximity and Immigrant Entrepreneurs' Exit from Entrepreneurship

Interpersonal connections between family members constitute an important source for providing advice and support to nascent entrepreneurs. Family members can provide access to information flows, such as markets, and technological knowledge (Aldrich and Cliff, 2003). For immigrant entrepreneurs in particular, strong relational embeddedness within the family makes family members perhaps their most important discussion partners and resource providers (Sanders and Nee, 1996).

One important prerequisite for the immigrant entrepreneur to capitalize on family resources is geographical proximity. Family members who are close to entrepreneurs are better positioned to help them recognize business opportunities and influence their economic decisions (Aldrich and Cliff, 2003; Powell and Eddleston, 2016; Renzulli et al., 2000). Geographical proximity may also foster individuals' willingness to engage in social exchange, resulting in a higher level of cooperative interaction and increased resource transfer (Nahapiet and Ghoshal, 1998). In a study of Danish entrepreneurs' location choices, Dahl and Sorenson (2009) found that entrepreneurs particularly focus on being in close proximity to family members, arguing that proximity to family facilitates their ability to access family resources. Resources provided by family members, for instance, comprise informal advice on business matters as well as ideas, access to unpaid family labor, and help in recruiting key personnel (Dahl and Sorenson, 2009; Sanders and Nee, 1996). If geographical proximity is high, norms develop more strongly within the family, and violating reciprocity obligations carries a heavy cost (Portes, 1995b). As such, in this context,

entrepreneurs are likely to expend at least some effort fulfilling the family's expectations of reciprocity (Coleman, 1990; Moran, 2005).

Being close to other family members also enhances communication, cooperation, and dialogue within the family (Kramer et al., 1996). Specifically, proximity to family members facilitates a joint understanding of the challenges associated with living in a new host country among family members. In turn, this mutual understanding encourages the development of feelings of "we-ness" within the social group of the family – an important antecedent for the emergence of bounded solidarity (Portes and Sensenbrenner, 1993). Bounded solidarity ensures that family members feel enticed to act as resource donors. Given that the family is often the only social group willing to share resources with necessity immigrant entrepreneurs (Nee and Sanders, 2001; Portes and Sensenbrenner, 1993), we suggest that immigrant entrepreneurs who have family members living in geographical proximity are less likely to exit entrepreneurship to unemployment.

Hypothesis 1a: Having family members living in geographical proximity decreases immigrant entrepreneurs' likelihood of exiting entrepreneurship to unemployment.

However, having family members living in geographical proximity may also impose behavioral norms on the entrepreneur, which may constrain the immigrant entrepreneur's decision-making freedom if he or she wishes to pursue other job market opportunities, such as exiting to paid employment. Immigrant entrepreneurs' reliance on other family members and their resources makes them dependent on the obligations imposed by their families and tied to the family's collective will (Bates, 2011; Portes and Sensenbrenner, 1993). Relying on family members' resources may lead to social costs when the entrepreneur considers deviating from the family's norms and expectations (Portes, 1998).

When family members live in geographical proximity to the entrepreneur, greater levels of communication and social exchange generally result, which may in turn facilitate family members' enforcing their expectations for the entrepreneur (Nahapiet and Ghoshal, 1998). If family members live close to the entrepreneur and are either employed by or informally work for the entrepreneur, with their social standing being dependent on the entrepreneur's status, they might hinder the immigrant entrepreneur from leaving entrepreneurship for paid employment (Portes and Sensenbrenner, 1993). To enforce their expectations, family members may exert group pressure, which is believed to be especially strong when family members live in a foreign country, with high economic interdependence¹ between family members leading to expectations of reciprocity for the immigrant entrepreneur (Portes, 1995b). Together, these mechanisms can constrain immigrant entrepreneurs' pursuit of alternative labor market opportunities, such as exiting into paid employment (Portes, 1998).

Thus, we hypothesize that geographical proximity to family members ensures that feelings of bounded solidarity develop, thereby inhibiting immigrant entrepreneurs from transitioning to paid employment. More formally, we posit the following:

Hypothesis 1b: *Having family members living in geographical proximity decreases immigrant entrepreneurs' likelihood of exiting entrepreneurship to paid employment.*

2.4. Family Human Capital and Immigrant Entrepreneurs' Exit from Entrepreneurship

Entrepreneurship researchers have argued that human capital increases an individual's cognitive abilities to successfully build and sustain a firm (e.g. Shane, 2003). Education, constituting general human capital, matters for firms' success because well-educated individuals are able to recognize underexploited resources and to exploit economic opportunities (Davidsson

¹ The relative low yearly average family financial capital of 56,594 SEK (equivalent to approximately 7,000 USD) supports the assumption of relatively high economic interdependence between family members.

and Honig, 2003; Shane and Venkataraman, 2000). While the current scholarly literature primarily argues that the individual entrepreneur's human capital matters for exit from entrepreneurship (Wennberg et al., 2010), we argue that human capital reaches beyond that of the individual immigrant entrepreneur and that family human capital is equally important for immigrant entrepreneurs (Becker and Tomes, 1994). Immigrant entrepreneurs strongly rely on family human capital, with family human capital varying greatly between immigrant families (Light and Rosenstein, 1995).

Family human capital – that is, the average level of education within the family – represents the collective knowledge and cognitive abilities among family members (Becker and Tomes, 1994; Coleman, 1988). Family human capital should enhance immigrant entrepreneurs' likelihood of remaining in entrepreneurship through two mechanisms. First, family members' human capital influences an individual's own human capital formation, which should be of particular importance for previously unemployed immigrant entrepreneurs. As Coleman (1988, 100) argued, the social structures provided by the family enhance individuals' human capital formation as “changes in persons bring about skills and capabilities that make them able to act in new ways.”

Second, the immigrant entrepreneur's relational embeddedness within the family incentivizes family members to share their knowledge with the entrepreneur (Bates, 2011). Bounded solidarity fosters family members' normative commitment to support the immigrant entrepreneur by transferring their knowledge to the entrepreneur (Portes and Sensenbrenner, 1993). Through informal discussions and advice given to the immigrant entrepreneur, family members' human capital can “spill over” to the nascent business owner, contributing to the entrepreneur's success (Kim et al., 2013; Ruef, 2010). For example, family members often work in entrepreneurs' firms without pay, thereby supporting these entrepreneurs with their labor and

knowledge (Dyer, 2006). These arguments lead us to suggest that family human capital will decrease immigrant entrepreneurs' likelihood of exiting into unemployment.

Hypothesis 2a: *Family human capital decreases immigrant entrepreneurs' likelihood of exiting entrepreneurship to unemployment.*

The human capital stock available within the family will not only decrease the immigrant entrepreneur's likelihood of exiting to unemployment but may also have an impact on the other exit routes the individual entrepreneur may take, such as exit to paid employment (Lin et al., 2000; Taylor, 1999). An increased human capital stock available within the family is generally seen to contribute to economic integration (Becker and Tomes, 1994; Light and Rosenstein, 1995). Family members with a high level of education will have better job opportunities themselves and hence a higher likelihood of being employed, which may entail positive spillover effects in the form of immigrant entrepreneurs' being exposed to increased information flows (Portes, 1995b; Sanders and Nee, 1996).

A high level of family human capital raises family members' cognitive skills, thus enabling them to better understand and evaluate information about potential job opportunities. Information obtained through family members proves to be very valuable (Becker and Tomes, 1994) for immigrants as the information sources for this group are limited (Bates, 2011; Light and Rosenstein, 1995), especially if they lack prior job market experience, for instance, as former employees (Portes, 1995b). Families with a high level of education also provide a good "cognitive environment" for the individual entrepreneur (Coleman, 1988), implying that the immigrant entrepreneur will likely be more open to engaging in other job opportunities if the opportunity costs of staying in entrepreneurship are high (Gimeno et al., 1997).

Being exposed to a new country generally activates feelings of closeness and solidarity among family members, both of which are important antecedents of relational embeddedness

(Putnam, 1993). Through relational embeddedness within the family, immigrant entrepreneurs are granted access to family members' resources, such as information and knowledge (Nee and Sanders, 2001; Portes and Sensenbrenner, 1993), which may rise if the education level within the family is high. Thus, we argue that family human capital will increase immigrant entrepreneurs' likelihood of exiting entrepreneurship to paid employment.

***Hypothesis 2b:** Family human capital increases immigrant entrepreneurs' likelihood of exiting entrepreneurship to paid employment.*

2.5. Family Financial Capital and Immigrant Entrepreneurs' Exit from Entrepreneurship

The availability of financial capital is especially important for nascent entrepreneurs as they try to establish and sustain their businesses (Cassar, 2004). Financial capital helps mitigate unexpected shocks, allowing entrepreneurs to take appropriate countermeasures (Cooper et al., 1994). Financial capital from banks is particularly difficult to obtain for founding entrepreneurs because they have a short operating history and because start-ups often fail (Cassar, 2004). Therefore, family financial capital is generally a more viable funding source for nascent business owners who have no business history and have not yet established relationships with financial institutions, which is likely to be the case for immigrant entrepreneurs (Bates, 1997a, 2011). As such, immigrant entrepreneurs may have access to only a limited set of financial sources and may therefore mainly depend on their family members for financial capital (Renzulli et al., 2000; Sanders and Nee, 1996). For instance, in studying 2,000 immigrant firms in the United States, Bates (1997a) found that the majority of business loans financing start-up operations originate from family wealth. The reasons for this funding pattern are that family loans are more accessible to immigrant entrepreneurs and have less stringent repayment requirements (Bates, 2011).

The high degree of foreignness among immigrants has been shown to facilitate the emergence of feelings of bounded solidarity between family members (Portes and Sensenbrenner, 1993), explaining why immigrants become so deeply embedded within the social relations of the family and why normative commitment among family members emerges. Social attachment and normative commitment toward other family members generally entice family members to share their financial capital with the immigrant entrepreneur to help the immigrant entrepreneur sustain his or her business. Thus, we expect the availability of financial capital within the family to be negatively associated with immigrants' exit from entrepreneurship to unemployment.

Hypothesis 3a: Family financial capital decreases immigrant entrepreneurs' likelihood of exiting entrepreneurship to unemployment.

In addition to lowering immigrant entrepreneurs' likelihood of exiting into unemployment, family financial capital also affects the opportunity structure of transitioning to paid employment for two main reasons. First, families with a higher level of financial capital are more able to invest in and subsidize family members considering alternative career paths (Becker and Tomes, 1994). Realizing the value of human capital, immigrant families are often willing to subsidize family members' human capital investments with their incomes to enhance their competitiveness on the labor market (Baker and Benjamin, 1997; Sanders and Nee, 1996). In fact, immigrant families have been found to invest more in human capital than natives given that human capital acquired abroad is often of little value in a host country (Duleep and Regets, 1999; Redstone Akresh, 2006).

Second, the level of family income also indicates the extent to which the family has gained economic ground in the host society and is a strong sign of economic integration (Hammarstedt, 2009). A high income among family members also implies that family members have established ties with potential employers, suppliers, and entrepreneurs, all of which constitute important

information channels (Lancee, 2010). As information related to job opportunities mainly stems from either family social contacts (i.e., family members or friends) or from individuals known from work situations (Granovetter, 1995), the sources for obtaining job-related information will be broader in families with high financial income. These contacts are a major determinant for obtaining information about potential job market opportunities and are thus considered a strategic asset in immigrants' job searches (Granovetter, 1995; Sassen, 1995). Consequently, in addition to providing cash injections into nascent firms, family financial capital also widens the possible labor market options for previously unemployed immigrant entrepreneurs if they decide to choose another career path. Immigrant entrepreneurs entering entrepreneurship out of necessity may be particularly open to engaging in other employment opportunities if such opportunities are available. These arguments lead us to propose the following:

Hypothesis 3b: *Family financial capital increases immigrant entrepreneurs' likelihood of exiting entrepreneurship to paid employment.*

2.6. Native Spouses and Immigrant Entrepreneurs' Exit from Entrepreneurship

Spousal relationships constitute the focal point of any kinship system as this relationship is voluntary and certain expectations and obligations are tied to the other spouse (Parsons, 1949; Segalen, 1986). Hence, the spousal relationship constitutes the most intimate type of relationship between two adults and is characterized by solidarity, trust, and loyalty. Spousal relationships are also often characterized by partners' aspiring for common economic gains, resulting in mutual support of spouses' economic activities (Becker, 1973).

Spousal relationships between natives and immigrants can be seen as an "extreme" way of bridging different cultures (Waters and Jiménez, 2005), and when individuals have relationships across cultures, resources and social contacts spill over from the native partner to the immigrant partner (Takeuchi et al., 2002). From a relational embeddedness perspective, spouses enter into a

relationship mostly based on mutual affection and trust, which enhance both partners' willingness to share important resources and give access to fine-grained information (Parsons, 1949).

Since each spouse originates from outside each other's family, the native spouse has the potential to provide the immigrant partner with access to economic opportunities in his or her home country and introduce the spouse to his or her network (Waters and Jiménez, 2005). These kinds of resources may benefit nascent immigrant entrepreneurs when it comes to supporting their businesses in the long run (Davidsson and Honig, 2003; Hagan, 1998). Spousal relationships with natives help immigrants establish close and durable ties to other native individuals of the host country. Having a spousal relationship with a native also enables an immigrant entrepreneur to get introduced to his or her spouse's friends and acquaintances, facilitating the establishment of relationships that are also useful in business settings (Waters and Jiménez, 2005). These ties contribute to establishing relationships with suppliers and potential customers, obtaining valuable business information, and giving legitimacy to the immigrant entrepreneur's venture (Davidsson and Honig, 2003). In this respect, relationships between immigrants and natives entail a strong form of cultural assimilation, embedding the immigrant deeply into their native spouse's relationships and thereby providing access to potential business contacts in the host country (Alba and Nee, 1997; Waters and Jiménez, 2005). Therefore, we propose the following:

Hypothesis 4a: *Having a native spouse decreases immigrant entrepreneurs' likelihood of exiting entrepreneurship to unemployment.*

However, relationships with natives could also influence immigrant entrepreneurs' likelihood of transitioning into paid employment. Romantic relationships with natives have been shown to facilitate job search and entry into paid employment among immigrants in several European countries for two main reasons (Lancee, 2010). First, immigrant entrepreneurs with a native partner generally assimilate more quickly into the host country. Native spouses support

immigrants in adjusting to the culture and customs of the host country, learning cultural nuances, and improving their language proficiency (González-Ferrer, 2006).

Second, and most importantly, a native spouse helps the entrepreneur establish contacts with heterogeneous and native members of society, enabling the immigrant to broaden his or her network (Schuller et al., 2000). Contacts that can be accessed through a native partner can provide both information about potential jobs as well as potential recommendations to employers (Burt, 2001; Loury, 2006). These ties have been shown to be important for learning about job opportunities (Granovetter, 1995), especially among immigrants (Hagan, 1998; Sanders et al., 2002). Since we investigate immigrant entrepreneurs who enter entrepreneurship out of necessity, these individuals may be open to other job market opportunities if such opportunities are available. These arguments lead us to suggest that having a native spouse will also increase immigrant entrepreneurs' likelihood of exiting to paid employment.

***Hypothesis 4b:** Having a native spouse increases immigrant entrepreneurs' likelihood of exiting entrepreneurship to paid employment.*

3. Methods

3.1. Data and Sample

Detailed longitudinal data on individual immigrants, such as their education level and occupational status, and characteristics of immigrants' families was needed to answer the research questions posed by this study. By combining information from several registers managed by Statistics Sweden, we were able to link individuals to their region of birth (e.g., Asia, Africa, European Union [EU], non-EU Europe, North America, South America, Oceania [including Australia], and countries formerly belonging to the Soviet Union). Given our theoretical focus on factors influencing immigrant entrepreneurs' exit from entrepreneurship, we focused on immigrant groups with a high social distance relative to the native population due to cultural and linguistic barriers and on those whose immigration motives are primarily necessity

based (Baycan-Levent and Nijkamp, 2009; Van Tubergen et al., 2004). Thus, in our sample, we included immigrant entrepreneurs born in Asia, Africa, South America, and non-EU Europe. Immigrants stemming from these regions have been shown to face challenges in integrating into the labor market, and their motivations to immigrate are mainly necessity based, implying that these immigrants aspire to attain a higher living standard (Hammarstedt, 2004). For the analysis, we used data from the individual-level LISA database.² The LISA database includes all individuals aged 16 years and over registered in Sweden as of December 31 each year and includes data on income, education, and demographics, with data being updated yearly. The individual is the primary object in LISA, but individuals can also be linked to their family members.

We used a cohort sampling approach to decrease heterogeneity and minimize the risk of selection bias (Noonan et al., 2005). We identified all immigrants residing in Sweden who entered entrepreneurship out of unemployment in 2001 and followed these individuals until 2007.³ Immigrants' entry into entrepreneurship out of unemployment implies necessity entrepreneurship (Dencker et al., 2009), which makes this group suitable for investigating how family resources may affect exit patterns among immigrant entrepreneurs.

In this study, we define an immigrant entrepreneur as someone who is full-time self-employed⁴ and started his or her business in 2001, thereby viewing entrepreneurship as the process through which new entrepreneurial activity comes into existence.⁵ Entrepreneurship is associated with individuals' trying to exploit a business opportunity and involves organizing, problem solving, and assuming the risk of a new business venture (Aldrich, 1999; Casson, 2003).

² LISA is the acronym for "Longitudinell integrationsdatabas för Sjukförsäkrings- och Arbetsmarknadsstudier."

³ These immigrants were solo entrepreneurs starting their business on their own.

⁴ Individuals are classified as full-time self-employed by Statistics Sweden if their occupation is specified as being an entrepreneur either in a sole proprietorship, partnership, or a privately held business and they receive their highest source of income from being an entrepreneur (similar to e.g., Block & Sandner, 2009).

⁵ This definition excludes entrepreneurs who joined a pre-existing business as well as part-time entrepreneurs.

In this definition, entrepreneurship stands in contrast to being unemployed; therefore, entering into entrepreneurship can be viewed as a labor market transition: leaving unemployment for entrepreneurship (Shane, 2003; Sørensen, 2007).

In order to avoid exits from entrepreneurship due to age effects (e.g., retirement), we only included entrepreneurs between 25 and 65 years of age. Since we were able to track the labor market histories of all individuals in our sample back to 1993 (i.e., seven years), we were able to examine how individuals' accumulated human capital (e.g., entrepreneurial and industry experience) influences exit from entrepreneurship (Wennberg et al., 2010).

3.2. Measures

3.2.1. Dependent Variable

Our hypotheses examine how family resources affect the likelihood of two alternative exit events: exit to unemployment and exit to paid employment (Taylor, 1999; Van Praag, 2003).⁶ These two events constitute our dependent variables and were computed by investigating year-to-year transitions among the entrepreneurs in the sample. A discontinuation from entrepreneurship with a transition into another labor market state (i.e., either to paid employment or unemployment) was regarded as an exit from entrepreneurship (Block and Sandner, 2009).

Our first dependent variable, *exit from entrepreneurship into paid employment*, was coded 1 if an individual exited entrepreneurship and was classified as an “employee” by Statistics Sweden in the subsequent year, obtaining his or her main income from paid employment. Our second dependent variable, *exit from entrepreneurship into unemployment*, was coded 2 if the entrepreneur exited from entrepreneurship and was subsequently classified as unemployed. Self-

⁶ We chose to focus on individual-level exit routes as these allow us to investigate the economic implications for the individual. Firm-level exit routes, such as mergers and sales, are of little relevance in our sample. Yearly entrepreneurial income on average amounts to 80,834 SEK, which is equal to approximately 9,600 USD at the time entrepreneurs decide to leave their company, with entrepreneurs employing on average 0.279 employees.

employment survival (coded as 0) was computed annually and implies that the individual remained in entrepreneurship during the specific year.

3.2.2. Independent Variables

In order to calculate the independent variables, we needed to define what constitutes a family. We define a family as being composed of family members who are either linked by social ties (i.e., spouse) or by blood relationships (i.e., father, mother, and siblings) (Parsons, 1949; Segalen, 1986).⁷ This definition captures two family types: the family of procreation (i.e., when members are linked by bonds of affection) and the family of orientation (i.e., when members are linked by blood relationships) (Parsons, 1949). This definition comprises family members who share the same household (i.e., the case for spouses) as well as family members, such as parents and siblings, who potentially live elsewhere.

Family members living in geographical proximity. Family members living in geographical proximity have been argued to provide immigrants with unpaid family labor and support (Dahl and Sorenson, 2009). Therefore, we created a dummy variable coded 1 if the entrepreneur had at least one family member (i.e., either a spouse, parent, or sibling) living in the same municipality as him- or herself and 0 in all other cases. Sweden consists of 290 municipalities, and the municipality level constitutes the most fine-grained regional level available to us.

Family human capital (log). This variable represents the human capital stock available within the family and was measured as the average number of years of education received within the family (Becker and Tomes, 1994; Coleman, 1988). It is noteworthy that this variable only includes the education of family members residing in Sweden. This variable was logarithmized to correct for the skewed distribution.

⁷ This definition excludes cousins, uncles, aunts, and other family members who tend to be seen as extended family.

Family financial capital (log). Average family income serves as a proxy for the financial capital available within the family (Coleman, 1988). The variable was computed as follows. First, the sum of each family member's three largest incomes was calculated.⁸ In a second step, the total income of all family members was calculated, and in a last step, the average family income was calculated by dividing the total family income by the number of family members. To account for skewness, the variable was logarithmized before being included in the competing risks regressions.

Native spouse. Having a native spouse facilitates cultural integration (González-Ferrer, 2006). A spouse is defined by Statistics Sweden as someone with whom an individual is married, has a registered partnership, or is cohabiting with children. In this way, our measure of native spouse reflects the multiple forms of romantic relationships prevalent in modern societies (Hantrais, 2004). The variable was coded 1 if the immigrant entrepreneur had a native spouse and 0 if he or she had no native spouse.

3.2.3. Control Variables

We controlled for a number of variables that have been found to be important in prior studies of entrepreneurial exit in general and in studies of immigrant entrepreneurs in particular.

Gender. This variable is important for explaining different exit patterns since female entrepreneurs are more likely to exit from entrepreneurship. Gender could also indicate how much support someone needs to receive: women tend to rely more heavily on family resources in realizing economic opportunities (Justo et al., 2015). Gender was measured as a dichotomous variable, taking the value 1 for female entrepreneurs and 0 for male entrepreneurs.

⁸ In Sweden, the statement of income reports an individual's income that is received either from employment or self-employment. Individuals can have several sources of income, for instance, if someone has more than one job or if he or she is only self-employed part time in addition to being employed full time by another organization.

Entrepreneurial income (log). Income is an important performance indicator influencing whether an entrepreneur will stay in business (Gimeno et al., 1997). Entrepreneurial income was obtained from the LISA database, denoting the income the entrepreneur generated through his or her business. Entrepreneurial income was adjusted using consumer price index values, with 2001 serving as the base year. The variable was logarithmized to correct for the skewed distribution.

Entrepreneur's age. As individual entrepreneurs age, they may acquire useful contacts through involvement in associations and family activities (Renzulli et al., 2000). Therefore, we controlled for entrepreneur's age, measured as the individual's age in years.

Years of education. Formal education may provide skills that prove to be useful for entrepreneurship (Davidsson and Honig, 2003). However, a high level of education may also increase the likelihood of exiting from entrepreneurship since other attractive employment opportunities are available (Gimeno et al., 1997; Le, 1999). We measured education as the number of years of education the entrepreneur had obtained.

Entrepreneurial experience (log). The underlying assumption behind entrepreneurial experience is that the individual is able to transfer knowledge from one entrepreneurial setting and apply it to a new start-up (Taylor, 1999). We used data from the LISA database to create a variable denoting the number of years of prior entrepreneurial experience each individual had acquired between 1993 and 1999⁹ in Sweden (i.e., before entering into entrepreneurship in 2001). Hence, the variable was truncated over seven years of entrepreneurial experience. Since individuals could have also gained entrepreneurial experience prior to 1993 and thus could have gained more than seven years of experience, there is a risk of underestimating the effect of entrepreneurial experience. In our data, only 2.28% of the sample had seven years of experience,

⁹ It is noteworthy that in 2000, the entrepreneurs were "unemployed" (i.e., they were neither employed nor self-employed), so they could not acquire any entrepreneurial/industry experience in this specific year.

so the risk of a systematic bias is relatively small. The variable was logarithmized to correct for the skewed distribution.

Industry experience. We created a variable for industry experience using data from LISA on individuals' career histories. Industry experience represents the number of years of prior work experience the individual had in Sweden between 1993 and 1999 in the same two-digit industry level as the venture he or she started in 2001. The two-digit industry levels were determined using the Swedish Standard Industrial Classification (SNI). This variable was also truncated. Only 1.40% of the sample had seven years of experience in the same industry, decreasing the risk of systematic bias. Experience in a particular industry is important as it enhances an individual's ability to transfer relevant industry knowledge to a new entrepreneurial venture in the same industry (Toft-Kehler et al., 2014).

Type of firm founded. Firms in Sweden can be registered as privately held incorporations or as sole proprietorships/partnerships. Incorporating a privately held firm requires equity of roughly 13,000 USD and thus requires a higher level of financial capital by the founder. If an individual started his or her business as a privately held incorporation, this was denoted by a dummy variable coded 1; all other situations were coded 0.

Married. Marriage indicates that an individual has a close and intimate social relationship with another person (Renzulli et al., 2000). Earlier research has shown that being married influences the likelihood of exit from entrepreneurship (Taylor, 1999). The variable took the value 1 if the entrepreneur was married and 0 otherwise.

Number of children. Children not only reflect entrepreneurs' family structure (Parsons, 1949) but also influence their economic behavior (Aldrich and Cliff, 2003). This variable indicates an immigrant entrepreneur's total number of dependent children between the ages zero and 17.

Family reunification. If family members join their peer family members (i.e., in the form of family reunifications), this implies that there is shared understanding among the family members of the expected temporal duration of the move (i.e., long-term commitment to permanent settlement), which in turn positively impacts the family's normative commitment toward the nascent entrepreneur (Roberts, 1995). We controlled for family reunification with a dummy variable coded 1 if the family already resided in the country before the entrepreneur immigrated to the host country and 0 in all other cases.

Years since immigration. The number of years an entrepreneur has resided in the host country has been argued to influence immigrants' economic integration as they are more likely to become assimilated to a host country with increased time (Kossoudji, 1989). This variable denotes the number of years an individual resided in the host country since immigrating.

Region of birth. We controlled for region of birth by including separate dummy variables for individuals born in Asia, South America, and Africa. We used the non-EU European countries as a reference category.

Urban region. Urban regions are believed to provide entrepreneurs with a higher level of accessible resources (Keeble and Walker, 1994). We classified regions as urban according to a variable provided by Statistics Sweden that comprises nine categories of urbanization.¹⁰ We used 1 "urban municipality" and 2 "suburban municipality" to calculate the dummy variable indicating an urban or suburban area, which we coded as 1. All other regions served as the baseline category (coded 0).

¹⁰ For instance, 1 is "urban municipality," 2 is "suburban municipality," 7 is "rural municipality," 8 is "sparsely populated municipality," and 9 is "other small municipality."

Industry. Since industry could have a substantial influence on exit from entrepreneurship, we used the Swedish Standard Industrial Classification (SNI) at the one-digit level and employed a set of industry dummy variables to control for industry effects.

3.3. Analytical Procedures

We tested our hypotheses using competing risks regressions based on maximum-likelihood estimation. Competing risks regression (Stata command: `stcrreg`) is commonly used when one wishes to simultaneously model the risk of multiple types of events (or “failures”) that could potentially follow a steady state (i.e., in our case, remaining in entrepreneurship). In our study, immigrant entrepreneurs may experience two potential competing events if they do not remain in entrepreneurship: exiting to paid employment or exiting to unemployment. The competing risks regression employs an event-specific cumulative incidence function representing the probability (i.e., hazard) that an individual in a steady state (i.e., remaining in entrepreneurship) will transition into another state (i.e., either exiting to paid employment or unemployment) that causes him or her to leave the steady state. The competing risks regression simultaneously accounts for the hazard associated with the competing event (Fine and Gray, 1999). The competing events are mutually exclusive. The cumulative incidence is a function of both cause-specific hazards, $h_1(t)$ and $h_2(t)$. Our competing risks regressions are based on the Cox semi-parametric distribution¹¹, which produces estimates of the covariates of theoretical interest, known as subhazard ratios.

4. Results

Before discussing the results of the competing risks regressions, we present some descriptive statistics describing the sample of our cohort of immigrant entrepreneurs. In 2001, 1,825 Swedish residents born in Asia¹², non-EU Europe, South America, and Africa entered into

¹¹ The baseline subhazard (t) is left unspecified, whereas the effects of the covariates (X) are assumed to be proportional: $\bar{h}_i(t/x) = \bar{h}_{i,0}(t) \exp(x\beta)$.

¹² The number of immigrants from Israel and Japan to Sweden is negligible.

entrepreneurship from unemployment. The majority constituted Asian immigrants (67 %), followed by immigrants from non-EU Europe (23 %), Africa (6 %), and South America (4%). In regard to the immigrant entrepreneurs' exit patterns, 454 (25%) of the immigrant entrepreneurs exited to paid employment during the period of observation. During the same period, 777 (43%) immigrants exited to unemployment. We observe that exit rates are lower for those who exit to paid employment than for those who exit to unemployment.

The immigrant entrepreneurs in our sample spent an average of 15 years residing in Sweden, had a mean age of 41 years, and had accumulated 4.40 years of unemployment on average before entering entrepreneurship. In addition, 74% of the sample were men, 67% were married, and they had 1.4 children on average. A detailed summary of all individual- and family-level variables and their correlations can be found in Table 1.

Insert Table 1 here

As can be seen in Table 1, most variables are moderately correlated, the only exceptions being industry and entrepreneurial experience (0.513). The highest variance inflation factor (VIF) amounted to 1.49 which is far below the generally acceptable level of 10. To further gauge multicollinearity, we entered the industry and entrepreneurial experience variables in a hierarchical manner, testing the model by excluding one of the variables. This did not affect the direction or the significance levels of the results, so we display the fully saturated models only.

Table 2 shows the competing risks regressions. Model 1 displays the subhazard ratios of exiting from entrepreneurship to unemployment while accounting for the competing event of exiting to paid employment, whereas Model 2 displays the subhazard ratios of exiting from

entrepreneurship to paid employment while accounting for the competing event of exiting to unemployment. A subhazard ratio above (below) 1 indicates an increase (decrease) in the likelihood that the event of interest will occur. For instance, a ratio of 1.01 implies that a one-unit increase in covariate (X) increases the likelihood of entrepreneurial exit by 1%, whereas a subhazard ratio of 0.99 implies that a one-unit increase in the covariate (X) reduces the likelihood of entrepreneurial exit by 1%. At the bottom of Table 2, we outline our results with regard to our hypothesized effects (marked with “H1a,” “H1b,” etc.).

Insert Table 2 here

Hypothesis 1a predicted that immigrant entrepreneurs who have family members living in geographical proximity would be less likely to exit into unemployment. The subhazard ratio of 0.688 ($p < 0.05$) indicates that immigrant entrepreneurs with family members living in geographical proximity are 31.2% less likely to exit to unemployment compared to entrepreneurs without any family members living in geographical proximity, thus supporting Hypothesis 1a. Support was also found for Hypothesis 1b, which predicted that immigrant entrepreneurs who have family members living in geographical proximity would be less likely to exit into paid employment. The subhazard ratio of 0.514 ($p < 0.01$) indicates that immigrant entrepreneurs with family members living in geographical proximity are 48.6% less likely to exit to unemployment compared to entrepreneurs without any family members living in geographical proximity.

Hypothesis 2a predicted that family human capital would decrease immigrant entrepreneurs' likelihood of exiting entrepreneurship to unemployment, whereas Hypothesis 2b posited that family human capital increases immigrant entrepreneurs' likelihood of exiting

entrepreneurship to paid employment. We found no support for Hypothesis 2a (0.958, $p > 0.1$) nor Hypothesis 2b (0.991, $p > 0.1$).

Hypothesis 3a predicted that family financial capital would decrease immigrant entrepreneurs' likelihood of exiting entrepreneurship to unemployment, which we found strong support for (0.954, $p < 0.001$). When all other variables are held constant at their mean values, a one-standard deviation increase in family financial capital implies a decrease in the likelihood of exiting entrepreneurship to unemployment by 15.6%. Support was also found for Hypothesis 3b, which predicted that family financial capital will increase the likelihood of exiting entrepreneurship to paid employment for immigrant entrepreneurs (1.052, $p < 0.01$). When all other variables are held constant at their mean values, a one-standard deviation increase in family financial capital implies an increase in the likelihood of exiting entrepreneurship to paid employment by 17.6%. Finally, Hypothesis 4a predicted that having a native spouse would decrease immigrant entrepreneurs' likelihood of exiting to unemployment. We found strong support for this effect (0.667, $p < 0.05$), with the subhazard ratio implying that immigrant entrepreneurs who have a native spouse are 33.3% less likely to exit entrepreneurship to unemployment compared to those without a native spouse. However, we did not find support for Hypothesis 4b, which predicted that having a native spouse would also increase immigrant entrepreneurs' likelihood of exiting entrepreneurship to paid employment (1.183, $p > 0.1$).

4.1. Robustness Tests

We conducted a number of robustness tests to determine the reliability of our results. First, we re-estimated our models using cause-specific hazards models under a proportional hazards assumption.¹³ These models also allowed us to account for the potential of “tied events” by using the “exactp” option in Stata controlling for the potential bias of failures occurring at the same time.

¹³ These kinds of models, however, would treat the competing event as censored.

The effects of our predictor variables when modeling exit to unemployment and exit to paid employment in the cause-specific hazards models remained very similar. Further, since family human capital was not significant in the models, we investigated whether family human capital influences entrepreneurial exit if family members live in geographical proximity. We did this by creating an interaction term between “family human capital” and “family members living in geographical proximity.” We then re-estimated all the models by including this interaction term. Since the interaction term was not significant, we concluded that family human capital does not influence immigrants’ entrepreneurial exit behavior even if family members live in close geographical proximity to the immigrant entrepreneur.

Second, we estimated frailty models¹⁴, which introduce a gamma distributed random effect (i.e., “frailty”) into the Cox model to control for unobserved heterogeneity – that is, whether individuals differ in unobserved ways in their inherent probability of failure (Cleves et al., 2008). The results from frailty models based on a gamma distribution show that the frailty effect is statistically not significant, meaning that there is little evidence of unobserved heterogeneity in our investigated population of immigrant entrepreneurs.

To determine the generalizability of our findings in regard to different immigrant groups, we also analyzed identical models in which we included immigrants coming from all regions (i.e., including immigrants from relatively wealthy regions like the EU and North America). Prior research has indicated that immigrants from these regions tend to be wealthier, have higher human capital, and should not be pooled with immigrants from developing or transition economies (Hammarstedt, 2004). When re-estimating all models based on this larger sample, we found that the results remained approximately the same but with some hypothesized effects

¹⁴ A frailty is a latent multiplicative effect on the hazard function and is assumed to have a unit mean of 1 and variance θ , which is estimated along with the other model parameters.

becoming slightly weaker.¹⁵ We further investigated whether our results would hold if we ran our models on subsamples of immigrants from different regions. The robustness tests based on these subgroups had approximately the same results in terms of the direction of the hypothesized relationships; however, the effect sizes differed due to the different sample sizes of the immigrant groups investigated. Finally, we ran our models on a sample of Swedish entrepreneurs (excluding some of the immigrant-specific variables, such as years since immigration and family reunification). Interestingly, none of the hypothesized relationships were supported, underlining the theoretical salience of family resources for immigrant entrepreneurs. Further, we tested whether our results would hold if the immigrant entrepreneur had at least two family members (instead of one) living in the same municipality as him- or herself. Our results remained identical. Finally, we re-ran our models with the addition of immigrants aged 20-24. While the individual-year observations increased slightly, the results remained qualitatively similar except for the effect of immigrant entrepreneurs having a native spouse on their likelihood of exiting to unemployment, which became significant only at the 10% level. This finding is quite logical given that spousal partners are rare in the 20-24 age cohort. Together, these tests confirm that our results are robust to alternative model specifications and unobserved heterogeneity.

5. Discussion

Integrating insights from the social embeddedness perspective with research on immigrant entrepreneurship, we theorized on how family resources influence exit from entrepreneurship among previously unemployed immigrant entrepreneurs. We distinguished between two exit routes: exit to paid employment, constituting another form of economic integration for previously unemployed immigrants, and exit to the initial state of unemployment, constituting a failed

¹⁵ With regard to exit to unemployment (exit to paid employment), the variable for family financial capital was only statistically significant at $p < 0.05$ ($p < 0.05$), and the variable for having a Swedish spouse was only significant at $p < 0.10$.

attempt to integrate into the labor market. Overall, our study revealed that immigrants strongly depend on family resources to either remain in entrepreneurship or to exit into paid employment (Sanders and Nee, 1996). We showed that having family members living in the same municipality not only decreases immigrant entrepreneurs' likelihood of exiting back to unemployment but also decreases their likelihood of exiting entrepreneurship to paid employment, highlighting that geographical proximity to other family members strongly increases immigrant entrepreneurs' likelihood of remaining in entrepreneurship (Portes and Sensenbrenner, 1993). However, we did not find support for our hypotheses predicting that family human capital affects immigrant entrepreneurs' likelihood of exiting entrepreneurship to unemployment or to paid employment. One reason could be that immigrant entrepreneurs often operate businesses in less knowledge-intensive industries with low entry barriers, thus making family members' education less relevant (Bates, 2011; Efendic et al., 2015) or less transferable to that specific industry context (Toft-Kehler et al., 2014). We also note that when looking at *individual* entrepreneurs' human capital, we observed that more education increases exit from entrepreneurship to paid employment (at the 10 % level of significance), which is consistent with prior research on necessity entrepreneurship indicating that potential employers appreciate education (Block and Sandner, 2009; Hjerm, 2004). In studying the impact of family group resources on entrepreneurial exit, we found that family financial capital increases immigrant entrepreneurs' likelihood of remaining in entrepreneurship instead of exiting into unemployment. Family financial capital also enhances immigrant entrepreneurs' likelihood of exiting to paid employment, representing another avenue of economic integration in the host country (Koopmans, 2010). Finally, our results showed that immigrants' spousal relationships with natives increase their likelihood of remaining in entrepreneurship instead of exiting into unemployment. In addition, having a native spouse does not influence immigrant entrepreneurs'

likelihood of exiting entrepreneurship to paid employment. Below, we discuss the theoretical implications of these research findings for the literatures on entrepreneurial exit, immigrant entrepreneurship, and entrepreneurs' social embeddedness.

5.1. Contributions to Research on Entrepreneurial Exit

Our study contributes to research on entrepreneurial exit in two main ways. First, we showed that exiting from entrepreneurship has an important economic impact on the individual (Caliendo and Kritikos, 2010; Dencker et al., 2009). Our study followed the individual-level exit research tradition by investigating exit in terms of individual entrepreneurs' labor market transitions into unemployment or paid employment (Millan et al., 2012; Taylor, 1999). Studying the individual-level exit routes of necessity immigrant entrepreneurs provides an important context for investigating long-term outcomes from entrepreneurship as transitions into various labor market states carry important economic implications for previously unemployed immigrant entrepreneurs (Andersson Joonas, 2011; Waldinger, 1982).

Second, a key facet of our study, which goes beyond the research context of immigrant entrepreneurs, is the focus on resources provided by entrepreneurs' families. Although informal resource transfers have been discussed in some studies on nascent entrepreneurship (Aldrich and Kim, 2007) and on family businesses (Danes et al., 2009), to the best of our knowledge, we are the first to systematically theorize on and empirically probe the importance of family resources for individuals' exit from entrepreneurship. We showed that such resources have different effects on entrepreneurs' exit routes and are important factors in decreasing immigrant entrepreneurs' likelihood of exit to unemployment. As such, our paper extends prior studies investigating exit from entrepreneurship on the individual (e.g. Millan et al., 2012; Taylor, 1999) and the firm level (Wennberg et al., 2010; Wiklund et al., 2013), which have yet to consider family resources in

assessing factors influencing exit from entrepreneurship despite their long-argued theoretical salience (Aldrich and Cliff, 2003; Ruef, 2010)

5.2. Contributions to Research on Immigrant Entrepreneurship

Our study contributes to the literature on immigrant entrepreneurship by examining how family resources influence the economic integration of previously unemployed immigrants (Bates, 2011; Portes, 1995b). Although it has been argued that family plays an important role in influencing entry into entrepreneurship (Sanders and Nee, 1996), to the best of our knowledge, no prior study has investigated how family resources influence the long-term outcomes of entrepreneurship, such as exit from entrepreneurship. We distinguished between two exit routes: exit from entrepreneurship to paid employment, which – together with remaining in entrepreneurship – constitutes another form of economic integration, and exit to unemployment, which represents a failed attempt to gain ground in the labor market (Bates, 2011). In terms of economic integration, in our paper, we investigated the situation of a formerly unemployed immigrant either remaining in entrepreneurship or alternatively exiting to paid employment (Barrett and Duffy, 2008; Bates, 2011; Hammarstedt, 2009). This study thus addresses recent discussions on the role of entrepreneurship in alleviating unemployment for immigrants (Caliendo and Kritikos, 2010; Dencker et al., 2009).

Further, we extend prior studies on immigrant entrepreneurship that have investigated how resources within the family and ethnic community influence whether immigrant entrepreneurs remain in entrepreneurship or not, treating exit from entrepreneurship as a dichotomous event (Bates, 1997b; Blackburn and Ram, 2006). This stream of research implicitly neglects the fact that paid employment also constitutes a viable way of gaining ground in the formal economy (Koopmans, 2010). In regard to the importance of family resources' influence on immigrant entrepreneurs' exit to paid employment, we observed that geographical proximity to other family

members decreases immigrant entrepreneurs' likelihood of exiting to paid employment. While we cannot directly gauge the level of economic interdependence among family members, prior research suggests that such effects may stem from the mechanisms of bounded solidarity and high economic interdependence between family members, which may hinder immigrants from exiting to paid employment (Portes, 1995b, 1998).

Our results suggest that exit to paid employment may become a viable option for immigrant entrepreneurs if there is high family financial capital, indicating lower economic interdependence between family members. In addition to serving as a channel for cash injections for a nascent entrepreneur, family financial capital also widens the possible labor market options for the entrepreneur. This finding is in line with previous research arguing that family members with the necessary financial means often subsidize human capital investments for peer family members, highlighting that exit to paid employment may constitute another attractive opportunity for immigrants to enter the labor market and integrate into the formal economy (Baker and Benjamin, 1997; Duleep and Regets, 1999).

5.3. Contributions to Research on Entrepreneurs' Social Embeddedness

The overall theoretical contribution to the entrepreneurship literature from this study stems from the documented importance of entrepreneurs' embeddedness in social structures for the entrepreneurial process (Aldrich and Cliff, 2003; Dahl and Sorenson, 2009), particularly entrepreneurs' entrepreneurial exit. Social embeddedness theory argues that exposure to certain social structures and membership in social groups, such as the family, facilitate access to certain resources that may prove useful for entrepreneurs (Granovetter, 1985; Portes, 1995b). To date, the literature on entrepreneurs' embeddedness mostly consists of studies showing how entrepreneurs are influenced by the spatial context (Dahl and Sorenson, 2009) as well as by social institutions, such as workplaces (Kenney and Goe, 2004).

Our study theorized on and empirically showed that immigrants' relational embeddedness within the family facilitates access to important resources that influence their subsequent exit behavior. In particular, we showed that geographical proximity to family members increases immigrant entrepreneurs' likelihood of remaining in entrepreneurship. The strong effects of geographically proximate family members lends support to the notion that immigrant entrepreneurs depend on access to family labor and support for entrepreneurial success (Kramer et al., 1996; Sorenson and Bierman, 2009). Further, we showed that family group resources, such as human and financial capital, are not equally important, with financial capital being particularly important for remaining in entrepreneurship or pursuing an alternative path of economic integration – namely, exiting to paid employment (Light and Rosenstein, 1995). Finally, our findings highlight that having a native spouse plays a central role in immigrant entrepreneurs' ability to remain in entrepreneurship. A potential reason for the strong effect of having a native spouse for immigrant entrepreneurs could lie in the fact that immigrant entrepreneurs face difficulties integrating into a new society with its cultural particularities, such as language and customs (Hammarstedt, 2003; Portes and Sensenbrenner, 1993). Having a native spouse may enable immigrant entrepreneurs to overcome these integration barriers, thereby enabling them to establish durable relationships with customers, suppliers, and other important stakeholders (González-Ferrer, 2006; Meng and Gregory, 2005). However, immigrant entrepreneurs who have a native spouse do not have a higher likelihood of exiting into paid employment, indicating that a native spouse may not be able to help an immigrant entrepreneur overcome the reservations that potential employers may have against immigrants. These findings provide unique empirical evidence underlining immigrant entrepreneurs' distinct form of relational embeddedness within their families (Aldrich and Cliff, 2003), which is characterized by high dependence on family resources in establishing themselves in the labor market (Portes and Sensenbrenner, 1993).

5.4. Contributions to Policy Discussions

The results of this study also address important recent policy discussions in several European countries regarding immigrants' economic integration, which currently constitutes a major policy challenge for these countries. Unlike immigration to Canada, Australia, and the United States, recent immigration to European countries, such as Austria, Germany, and Sweden, has primarily been characterized by refugee immigration rather than labor immigration (Castles and Miller, 2009). Compared to labor immigrants, prior refugees often have difficulties integrating into the labor market and generally have low levels of financial and human capital resources (Collier, 2013).

Sweden, one of the European countries currently receiving high immigration inflows, provides a particularly interesting context to study the long-term outcomes of entrepreneurship as this country has one of the lowest labor market participation rates among non-EU-born immigrants (Koopmans, 2010). These low labor market participation rates exist despite the fact that Swedish immigration policy aims to establish legal equality between the native Swedish population and immigrants (Ring, 1995), indicating that labor market discrimination toward immigrants exists (Ahmed et al., 2009). Difficulties in the labor market have been shown to lead to high rates of entrepreneurship among immigrants in Sweden (Hammarstedt, 2004). Our results indicate that having family in close proximity and having access to family resources, such as family financial capital, increase immigrants' likelihood of remaining in entrepreneurship, thereby underlining the importance of the family for immigrant entrepreneurs. These results contribute to the current debate on family reunification by showing that policies allowing for family reunification may facilitate long-term labor market integration among formerly unemployed immigrant entrepreneurs.

5.5. Limitations and Avenues for Future Research

Our study also comes with limitations, several of which represent important avenues for future research. First, the type of quantitative data we employed does not allow us to draw exact conclusions about the intensity or quality of relationships between family members or about how these relational characteristics facilitate the emergence of bounded solidarity and trust among immigrant entrepreneurs. Gauging such relational aspects using qualitative research methods represents an important avenue for future research as family relationships may differ in their strength and quality (Klinthäll and Urban, 2014). In turn, these differences may influence, for instance, family members' willingness to provide the immigrant entrepreneur with important resources, such as financial capital. Understanding the exact mechanisms of how family financial capital supports immigrant entrepreneurs in remaining in entrepreneurship or exiting to paid employment represents an important avenue for future research on immigrant entrepreneurship.

Second, we did not find support for our hypotheses regarding the effects of family human capital. While education has been found to be one of the most decisive human capital indicators influencing economic outcomes at the family level (Becker and Tomes, 1994; Coleman, 1988), other types of family human capital, such as labor market experience, could provide more nuanced evidence to understand the effects of family human capital.

Third, our findings related to the long-term outcomes of entrepreneurship suggest that exiting to paid employment and remaining in entrepreneurship represent important forms of economic integration for formerly unemployed immigrants (Hammarstedt, 2009). Future research could also study complementary measures of economic integration, such as having access to bank loans or owning one's home (Aldén and Hammarstedt, 2016; McConnell and Marcelli, 2007).

Fourth, our focus in this paper was on necessity immigrant entrepreneurs entering entrepreneurship out of unemployment. Future research may seek to expand the scope of this

study by investigating growth-oriented immigrant entrepreneurs entering entrepreneurship with ample resources, for whom other types of exit routes, such as firm divestments, are of practical relevance (Ahmed et al., 2009). Further, our definition of immigrant includes immigrant entrepreneurs stemming from different regions as our aim was to show general patterns with regard to immigrant entrepreneurs' exit from entrepreneurship. While the overall results were robust to the exclusion or inclusion of specific immigrant groups, future research could investigate the heterogeneity among immigrant entrepreneurs depending on which country they originate from and whether this heterogeneity influences their ability to tap family resources.

Finally, the focus of our study was to investigate how family resources influence immigrant entrepreneurs' exit routes. Future research should investigate how different levels of family resources influence organizational performance and exit strategies in more mature immigrant businesses given that many of these firms are family businesses, which are often sustained across generations (Dyer, 2006). In fact, the family business literature has argued that family businesses are characterized by idiosyncratic resource endowments (Danes et al., 2009; Habbershon et al., 2003; Sirmon and Hitt, 2003). In this vein, future research should investigate how the family firm advantage can be attributed to different kinds of resources within the family and how family resources impact firm-level outcomes, thereby explaining the business's behavior from the family side (Jennings et al., 2014; Kammerlander et al., 2015). Further, the nature and type of relationships between family members may differ, which may influence family members' willingness to provide and share resources (Nahapiet and Ghoshal, 1998; Portes, 1995b). Future research should also expand our proxies of family human capital and financial capital, for instance, by investigating the influence of family wealth.

5.6. Conclusion

In this study, we aimed to integrate the social embeddedness perspective with research on immigrant entrepreneurship and entrepreneurial exit. Our paper provides a new perspective to explain why previously unemployed immigrant entrepreneurs exit from entrepreneurship to paid employment or back to unemployment and how these exit routes are shaped by access to family resources. We hope this study encourages other scholars to investigate the particular social conditions immigrant entrepreneurs face given the phenomenon of rapidly increasing migration across the globe.

References

- Adler, P.S., Kwon, S.-W., 2002. Social capital: prospects for a new concept. *Academy of Management Review* 27 (1), 17-40.
- Ahmed, A.M., Andersson, L., Hammarstedt, M., 2009. Ethnic discrimination in the market place of small business transfers. *Economics Bulletin* 29 (4), 3050-3058.
- Alba, R., Nee, V., 1997. Rethinking assimilation theory for a new era of immigration. *International Migration Review* 31 (4), 826-874.
- Aldén, L., Hammarstedt, M., 2016. Discrimination in the credit market? Access to financial capital among self-employed immigrants. *Kyklos* 69 (1), 3-31.
- Aldrich, H., 1999. *Organizations Evolving*. Sage, Newbury Park, US.
- Aldrich, H., Kim, P.H., 2007. Small worlds, infinite possibilities? How social networks affect entrepreneurial team formation and search. *Strategic Entrepreneurship Journal* 1 (1-2), 147-165.
- Aldrich, H.E., Cliff, J.E., 2003. The pervasive effects of family on entrepreneurship: toward a family embeddedness perspective. *Journal of Business Venturing* 18 (5), 573-596.
- Andersson Joonas, P., 2011. The native-immigrant income gap among the self-employed in Sweden. *International Migration* 49 (4), 118-143.
- Baker, M., Benjamin, D., 1997. The role of the family in immigrants' labor-market activity: an evaluation of alternative explanations. *The American Economic Review* 87 (4), 705-727.
- Barrett, A., Duffy, D., 2008. Are Ireland's immigrants integrating into its labor market? *International Migration Review* 42 (3), 597-619.
- Bates, T., 1997a. Financing small business creation: the case of Chinese and Korean immigrant entrepreneurs. *Journal of Business Venturing* 12 (2), 109-124.
- Bates, T., 1997b. *Race, self-employment, and upward mobility: An illusive American Dream*. The Johns Hopkins University Press, Baltimore, US.
- Bates, T., 2011. Minority entrepreneurship. *Foundations and Trends in Entrepreneurship* 7 (3-4), 151-311.
- Baycan-Levent, T., Nijkamp, P., 2009. Characteristics of migrant entrepreneurship in Europe. *Entrepreneurship and Regional Development* 21 (4), 375-397.
- Becker, G.S., 1973. A theory of marriage: Part I. *Journal of Political Economy* 81 (4), 813-846.
- Becker, G.S., Tomes, N., 1994. Human Capital and the Rise and Fall of Families, in: Becker, G.S. (Ed.), *Human capital: A Theoretical and Empirical Analysis with Special Reference to Education*. The University of Chicago Press, Chicago, US, pp. 1-39.
- Bird, M., Wennberg, K., 2014. Regional influences on the prevalence of family versus non-family start-ups. *Journal of Business Venturing* 29 (3), 421-436.
- Blackburn, R., Ram, M., 2006. Fix or fixation? The contributions and limitations of entrepreneurship and small firms to combating social exclusion. *Entrepreneurship and Regional Development* 18 (1), 73-89.
- Block, J.H., Sandner, P., 2009. Necessity and opportunity entrepreneurs and their duration in self-employment: evidence from German micro data. *Journal of Industry, Competition and Trade* 9 (2), 117-137.
- Burt, R., 2001. Structural Holes versus Network Closure as Social Capital, in: N. Lin, K. S. Cook, Burt, R.S. (Eds.), *Social Capital: Theory and Research*. Transaction Publishers, New Brunswick, pp. 31-56.
- Caliendo, M., Kritikos, A.S., 2010. Start-ups by the unemployed: characteristics, survival and direct employment effects. *Small Business Economics* 35 (1), 71-92.
- Carlsson, M., Rooth, D.-O., 2007. Evidence of ethnic discrimination in the Swedish labor market using experimental data. *Labour Economics* 14 (4), 716-729.
- Cassar, G., 2004. The financing of business start-ups. *Journal of Business Venturing* 19, 261-283.
- Casson, M., 2003. *The Entrepreneur: An Economic Theory*. Edward Elgar, Cheltenham, UK.

- Castles, S., Miller, D., 2009. *The Age of Migration: International Population Movements in the Modern World*. Guilford Publications, New York, US.
- Chaganti, R.S., Watts, A.D., Chaganti, R., Zimmerman-Treichel, M., 2008. Ethnic-immigrants in founding teams: effects on prospector strategy and performance in new internet ventures. *Journal of Business Venturing* 23 (1), 113-139.
- Cleves, M.A., Gould, W.W., Gutierrez, R.G., Marchenko, Y.U., 2008. *An Introduction to Survival Analysis using Stata*. Stata Press, Texas, US.
- Coleman, J., 1988. Social capital in the creation of human capital. *American Journal of Sociology* 94, 95-120.
- Coleman, J.S., 1990. *Foundations of Social Theory*. Belknap Press of Harvard University Press, Cambridge, US.
- Collier, P., 2013. *Exodus: How Migration is Changing our World*. Oxford University Press, Oxford, UK.
- Cooper, A.C., Gimeno-Gascon, F.J., Woo, C.Y., 1994. Initial human and financial capital as predictors of new venture performance. *Journal of Business Venturing* 9, 371-395.
- Dahl, M.S., Sorenson, O., 2009. The embedded entrepreneur. *European Management Review* 6, 172-181.
- Danes, S.M., Stafford, K., Haynes, G., Amarapurkar, S.S., 2009. Family capital of family firms: bridging human, social, and financial capital. *Family Business Review* 22 (3), 199-215.
- Davidsson, P., Honig, B., 2003. The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing* 18 (3), 301-331.
- Dencker, J.C., Gruber, M., Shah, S.K., 2009. Individual and opportunity factors influencing job creation in new firms. *Academy of Management Journal* 52 (6), 1125-1147.
- DeTienne, D.R., 2010. Entrepreneurial exit as a critical component of the entrepreneurial process: theoretical development. *Journal of Business Venturing* 25 (2), 203-215.
- DeTienne, D.R., Wennberg, K. 2016. Studying exit from entrepreneurship: New directions and insights. *International Small Business Journal* 34 (2), 151-156.
- Duleep, H.O., Regets, M.C., 1999. Immigrants and human-capital investment. *American Economic Review* 89 (2), 186-191.
- Dyer, W.G., 2006. Examining the "family effect" on firm performance. *Family Business Review* 19 (4), 253-273.
- Efendic, N., Andersson, F.W., Wennberg, K., 2015. Growth in first- and second-generation immigrant firms in Sweden. *International Small Business Journal* forthcoming.
- Fine, J.P., Gray, R.J., 1999. A proportional hazards model for the subdistribution of a competing risk. *Journal of the American Statistical Association* 94, 496-509.
- Gimeno, J., Folta, T.B., Cooper, A.C., Woo, C.Y., 1997. Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly* 42 (4), 750-783.
- González-Ferrer, A., 2006. Who do immigrants marry? Partner choice among single immigrants in Germany. *European Sociological Review* 22 (2), 171-185.
- Granovetter, M., 1992. Problems of Explanation in Economic Sociology, in: Nohria, N., Eccles, R. (Eds.), *Networks and Organizations: Structure, Form, and Action*. Harvard Business School Press, Boston, US, pp. 25-56.
- Granovetter, M., 1995. *Getting a Job: A Study of Contacts and Careers*. The University of Chicago Press, Chicago, US.
- Granovetter, M.S., 1985. Economic action and social structure: the problem of embeddedness. *American Journal of Sociology* 91 (3), 481-510.
- Habbershon, T.G., Williams, M.L., MacMillan, I.C., 2003. A unified systems theory of family firm performance. *Journal of Business Research* 18 (4), 451-465.

- Hagan, J.M., 1998. Social networks, gender, and immigrant incorporation: resources and constraints. *American Sociological Review* 63 (1), 55-67.
- Hammarstedt, M., 2003. Income from work among immigrants in Sweden. *Review of Income and Wealth* 49 (2), 185-203.
- Hammarstedt, M., 2004. Self-employment among immigrants in Sweden: An analysis of intra-group differences. *Small Business Economics* 23 (2), 115-126.
- Hammarstedt, M., 2009. Intergenerational mobility and the earnings positions of first-, second-, third-generation immigrants. *Kyklos* 62 (2), 275-292.
- Hantrais, L., 2004. *Family Policy Matters - Responding to Family Change in Europe*. The Policy Press, Bristol, UK.
- Hjerm, M., 2004. Immigrant entrepreneurship in the Swedish welfare state. *Sociology* 38 (4), 739-756.
- Jennings, J., Breitkreuz, R.S., James, A.E., 2014. Theories from Family Science: A Review and Roadmap for Family Business Research, in: L. Melin, M.N., & P. Sharma (Ed.), *The SAGE Handbook of Family Business* Sage, London, UK, pp. 25-46.
- Justo, R., DeTienne, D., Sieger, P., 2015. Failure or voluntary exit? Reassessing the female underperformance hypothesis. *Journal of Business Venturing* 30 (6), 775-792.
- Kammerlander, N., Dessi, C., Bird, M., Floris, M., 2015. The Impact of shared stories on family firm innovation: a multicase study. *Family Business Review* 28 (4), 332-354.
- Keeble, D., Walker, S., 1994. New firms, small firms and dead firms: Spatial patterns and determinants in the United Kingdom. *Regional Studies* 28 (4), 411-427.
- Kenney, M., Goe, W.R., 2004. The role of social embeddedness in professorial entrepreneurship: a comparison of electrical engineering and computer science at UC Berkeley and Stanford. *Research Policy* 33 (5), 691-707.
- Kim, P.H., Longest, K.C., Aldrich, H.E., 2013. Can you lend me a hand? Task-role alignment of social support for aspiring business owners. *Work and Occupations* forthcoming.
- Klinthäll, M., Urban, S., 2014. Second-generation immigrants in the small-business sector in Sweden. *Journal of Immigrant & Refugee Studies* 12 (3), 210-232.
- Koopmans, R., 2010. Trade-offs between equality and difference: Immigrant integration, multiculturalism and the welfare state in cross-national perspective. *Journal of Ethnic and Migration Studies* 36 (1), 1-26.
- Kossoudji, S.A., 1989. Immigrant worker assimilation: is it a labor market phenomenon? *The Journal of Human Resources* 24 (3), 494-527.
- Kramer, R.M., Brewer, M.B., Hanna, B.A., 1996. Collective Trust and Collective Action: The Decision to Trust as a Social Decision, in: Kramer, R.M., Tyler, T.R. (Eds.), *Trust in Organizations: Frontiers of Theory and Research* Sage, Thousand Oaks, US, pp. 357-389.
- Lancee, B., 2010. The economic return of immigrants' bonding and bridging social capital: the case of the Netherlands. *International Migration Review* 44 (1), 202-226.
- Le, A.T., 1999. Empirical studies of self-employment. *Journal of Economic Surveys* 13, 381-416.
- Li, P.S., 2001. Immigrants' propensity to self-employment: evidence from Canada. *International Migration Review* 35 (4), 1106-1128.
- Light, I., Rosenstein, C., 1995. Expanding the Interaction Theory of Entrepreneurship, in: Portes, A. (Ed.), *The Economic Sociology of Immigration: Essays on Networks, Ethnicity, and Entrepreneurship*. Russell Sage Foundation, New York, US, pp. 166-212.
- Lin, Z., Picot, G., Compton, J., 2000. The entry and exit dynamics of self-employment in Canada. *Small Business Economics* 15 (2), 105-125.
- Loury, L.D., 2006. Some contacts are more equal than others: Informal networks, job tenure, and wages. *Journal of Labor Economics* 24 (2), 299-318.
- McConnell, E.D., Marcelli, E.A., 2007. Buying into the American dream? Mexican immigrants, legal status, and homeownership in Los Angeles County. *Social Science Quarterly* 88, 199-221.

- Meng, X., Gregory, R.G., 2005. Intermarriage and the economic assimilation of immigrants. *Journal of Labor Economics* 23 (1), 135-174.
- Millan, J.M., Congregado, E., Concepcion, R., 2012. Determinants of self-employment survival in Europe. *Small Business Economics* 38 (2), 231-258.
- Moran, P., 2005. Structural vs. relational embeddedness: social capital and managerial performance. *Strategic Management Journal* 26 (12), 1129-1151.
- Nahapiet, J., Ghoshal, S., 1998. Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review* 23 (2), 242-266.
- Nee, V., Sanders, J., 2001. Understanding the diversity of immigrant corporation: a forms of-capital-model. *Ethnic and Racial Studies* 24 (3), 386-411.
- Noonan, M.C., Corcoran, M.E., Courant, P.N., 2005. Pay differences among the highly trained: cohort differences in the sex gap in lawyers' earnings. *Social Forces* 84 (2), 853-872.
- Parsons, T., 1949. The Social Structure of the Family, in: Anshen, R. (Ed.), *The Family: Its Function and Destiny*. Harper & Brothers, New York, US, pp. 241-274.
- Portes, A., 1995a. Children of Immigrants: Segmented Assimilation and its Determinants, in: Portes, A. (Ed.), *The Economic Sociology of Immigration: Essays on Networks, Ethnicity, and Entrepreneurship*. Russell Sage Foundation, New York, US, pp. 248-279.
- Portes, A., 1995b. *The Economic Sociology of Immigration: Essays on Networks, Ethnicity, and Entrepreneurship*. Russell Sage Foundation, New York, US.
- Portes, A., 1998. Social capital: its origins and applications in modern sociology. *Annual Review of Sociology* 24, 1-24.
- Portes, A., Sensenbrenner, J., 1993. Embeddedness and immigration: notes on the social determinants of economic action. *The American Journal of Sociology* 98 (6), 1320-1350.
- Portes, A., Zhou, M., 1996. Self-employment and the earnings of immigrants. *American Sociological Review* 61 (2), 219-230.
- Powell, G.N., Eddleston, K.A., 2016. Family involvement in the firm, family-to-business support, and entrepreneurial outcomes: an exploration. *Journal of Small Business Management* forthcoming.
- Putnam, R.D., 1993. The prosperous community: social capital and public life. *The American Prospect* 13, 35-42.
- Redstone Akresh, I., 2006. Occupational mobility among legal immigrants to the United States. *International Migration Review* 40 (4), 854-884.
- Renzulli, L.A., Aldrich, H., Moody, J., 2000. Family matters: gender, networks, and entrepreneurial outcomes. *Social Forces* 79 (2), 523-546.
- Ring, H., 1995. Refugees in Sweden: Inclusion and Exclusion in the Welfare State, in: Miles, R., Thränhardt, D. (Eds.), *European integration. The Dynamics of Inclusion and Exclusion*. Pinter Publishers, London, UK, pp. 159-176.
- Roberts, B.R., 1995. Socially Expected Durations and the Economic Adjustment of Immigrants, in: Portes, A. (Ed.), *The Economic Sociology of Immigration: Essays on Networks, Ethnicity, and Entrepreneurship* Russell Sage Foundation New York, US, pp. 42-86.
- Ruef, M., 2010. *The Entrepreneurial Group. Social Identities, Relations, and Collective Action*. Princeton University Press, Princeton and Oxford.
- Sanders, J., Nee, V., Sernau, S., 2002. Asian immigrants' reliance on social ties in a multiethnic labor market. *Social Forces* 81 (1), 281-314.
- Sanders, J.M., Nee, V., 1996. Immigrant self-employment: the family as social capital and the value of human capital. *American Sociological Review* 61 (2), 231-249.
- Sassen, S., 1995. *Immigration and Local Labor Markets*. Russell Sage Foundation, New York, US.
- Schuller, T., Baron, S., Field, J., 2000. Social Capital: A Review and Critic, in: Baron, S., Field, J., Schuller, T. (Eds.), *Social Capital*. Oxford University Press, Oxford, UK.
- Segalen, M., 1986. *The Historical Anthropology of the Family*. Cambridge University Press, New York, US.

- Shane, S., 2003. *A General Theory of Entrepreneurship: The Individual-Opportunity Nexus*. Edward Elgar, Cheltenham & Northampton, UK.
- Shane, S., Venkataraman, S., 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review* 25 (1), 217-226.
- Sirmon, D.G., Hitt, M.A., 2003. Managing resources: linking unique resources, management, and wealth creation in family firms. *Entrepreneurship Theory and Practice* 27 (4), 339-358.
- Sørensen, J.B., 2007. Bureaucracy and entrepreneurship: workplace effects on entrepreneurial entry. *Administrative Science Quarterly* 52 (3), 387-412.
- Sorenson, R.L., Bierman, L., 2009. Family capital, family business, and free enterprise. *Family Business Review* 22 (3), 193-195.
- Takeuchi, R., Yun, S., Tesluk, P.E., 2002. An examination of crossover and spillover effects of spousal and expatriate cross-cultural adjustment on expatriate outcomes. *Journal of Applied Psychology* 87 (4), 655-666.
- Taylor, M.P., 1999. Survival of the fittest: an analysis of self-employment duration in Britain. *The Economic Journal* 109 (454), 140-155.
- Toft-Kehler, R., Wennberg, K., Kim, P.H., 2014. Practice makes perfect: entrepreneurial experience curves and venture performance. *Journal of Business Venturing* 29 (4), 453-470.
- Uzzi, B., 1996. The sources and consequences of embeddedness for the economic performance of organizations: the network effect. *American Sociological Review* 61 (4), 674-698.
- Van Praag, M., 2003. Business survival and success of young small business owners. *Small Business Economics* 12 (1), 1-17.
- Van Tubergen, F., Maas, I., Flap, H., 2004. The economic incorporation of immigrants in 18 Western societies: origin, destination and community effects. *American Sociological Review* 69 (5), 704-727.
- Waldinger, R., 1982. The occupational and economic integration of the new immigrants. *Immigration Policy* 45 (2), 197-222.
- Waters, M.C., Jiménez, T.R., 2005. Assessing immigrant assimilation: new empirical and theoretical challenges. *American Review of Sociology* 31, 105-125
- Wennberg, K., Wiklund, J., DeTienne, D.R., Cardon, M.S., 2010. Reconceptualizing entrepreneurial exit: divergent exit routes and their drivers. *Journal of Business Venturing* 25 (4), 361-375.
- Wiklund, J., Nordqvist, M., Hellerstedt, K., Bird, M., 2013. Internal versus external ownership transition in family firms: an embeddedness perspective. *Entrepreneurship Theory and Practice* 37 (6), 1319-1340.

Table 1: Descriptive Statistics and Correlations of Variables

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1 Gender (0/1)	0.261	0.439																		
2 Entrepreneur's Age	40.956	8.036	-0.086																	
3 Years since Immigration	14.949	7.735	-0.001	0.370																
4 Entrepreneurial Income (log)	6.056	1.663	-0.121	-0.015	0.040															
5 Type of Firm Founded (0/1)	0.009	0.097	-0.013	0.056	0.097	0.061														
6 Urban Region (0/1)	0.481	0.500	0.016	0.026	0.100	0.020	-0.051													
7 Years of Education	11.163	2.830	0.008	0.116	-0.131	0.004	0.017	0.079												
8 Entrepreneurial Experience (log)	0.441	0.654	-0.123	0.208	0.366	0.094	0.048	0.012	-0.089											
9 Industry Experience	0.872	1.610	-0.090	0.100	0.249	0.078	0.091	-0.010	-0.043	0.513										
10 Married (0/1)	0.672	0.469	0.025	0.069	-0.043	-0.042	-0.028	-0.043	-0.029	0.038	-0.029									
11 Number of Children	1.363	1.378	0.045	-0.111	-0.030	-0.003	-0.030	-0.032	-0.096	-0.046	-0.053	0.391								
12 Family Reunification (0/1)	0.198	0.399	-0.165	0.087	0.096	-0.015	-0.049	0.021	-0.001	0.103	0.097	0.258	0.172							
13 South American Immigrant (0/1)	0.035	0.185	0.070	0.042	0.010	-0.015	-0.009	0.045	0.061	-0.043	-0.016	-0.103	-0.069	-0.053						
14 African Immigrant (0/1)	0.059	0.236	0.007	-0.043	-0.015	0.035	-0.025	0.027	0.034	-0.017	0.032	-0.072	0.008	-0.007	-0.048					
15 Asian Immigrant (0/1)	0.673	0.469	0.005	0.017	-0.178	-0.027	-0.009	0.042	0.167	-0.074	-0.075	0.103	0.037	0.108	-0.275	-0.360				
16 Family Living in Geogr. Proximity (0/1)	0.742	0.437	0.002	-0.038	0.063	-0.021	-0.050	-0.025	-0.051	0.032	0.002	0.600	0.396	0.220	-0.074	-0.072	0.029			
17 Family Human Capital (log)	2.341	0.530	0.080	0.082	-0.040	-0.019	0.006	0.060	0.242	-0.003	-0.012	0.076	-0.003	-0.015	-0.006	0.019	0.122	0.010		
18 Family Financial Capital (log)	3.133	3.381	0.145	-0.037	0.138	0.005	0.004	0.010	0.015	0.047	0.013	0.313	0.213	-0.001	0.024	0.031	-0.105	0.478	0.159	
19 Native Spouse (0/1)	0.072	0.258	0.066	-0.057	0.039	-0.004	0.008	0.018	0.065	0.008	0.019	0.013	0.026	-0.096	0.101	0.092	-0.100	0.164	0.064	0.206

Note: All correlations stronger than ± 0.029 are significant at the 5% level or lower.

Table 2: Results of Competing Risks Regression of Entrepreneurial Exit

	Model 1		Model 2	
	Exit to Unemployment		Exit to Paid Employment	
Control Variables				
Gender (0/1)	1.232*		1.016	
	(0.126)		(0.129)	
Entrepreneur's Age	1.012*		0.988+	
	(0.006)		(0.007)	
Years since Immigration	1.008		1.001	
	(0.008)		(0.008)	
Entrepreneurial Income (log)	0.997		1.112***	
	(0.021)		(0.027)	
Type of Firm Founded (0/1)	0.393		1.556	
	(0.273)		(0.731)	
Urban Region (0/1)	0.000***		1.828***	
	(0.000)		(0.204)	
Years of Education	1.020		1.037+	
	(0.017)		(0.022)	
Entrepreneurial Experience (log)	1.048		0.830+	
	(0.092)		(0.091)	
Industry Experience	0.949		0.989	
	(0.035)		(0.041)	
Married (0/1)	0.770*		1.146	
	(0.097)		(0.173)	
Number of Children	0.918*		1.001	
	(0.032)		(0.044)	
Family Reunification (0/1)	0.979		1.026	
	(0.108)		(0.142)	
South American Immigrant (0/1)	1.741+		0.702	
	(0.537)		(0.221)	
African Immigrant (0/1)	1.879**		0.496*	
	(0.419)		(0.144)	
Asian Immigrant (0/1)	1.540***		0.648***	
	(0.175)		(0.085)	
Independent Variables				
Family Living in Geogr. Proximity (0/1)	0.688*	H1a	0.514**	H1b
	(0.104)	confirmed	(0.106)	confirmed
Family Human Capital (log)	0.958	H2a	0.991	H2b
	(0.073)	rejected	(0.103)	rejected
Family Financial Capital (log)	0.954***	H3a	1.052**	H3b
	(0.013)	confirmed	(0.019)	confirmed
Native Spouse (0/1)	0.667*	H4a	1.183	H4b
	(0.131)	confirmed	(0.215)	rejected
Individual-Year Observations	5,625		6,326	
Log Pseudo-Likelihood	-3,268.715		-2184.204	
AIC	6587.430		4418.408	

Note: Industry dummies included but not reported. Standard errors clustered on the individual level in parentheses: *** p < 0.001; ** p < 0.01; * p < 0.05; + p < 0.10.