

Liabilities of Native and Immigrant Entrepreneurship in the Processes of Globalization

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Abstract This chapter introduces the main issues addressed in the book by examining the liabilities of native and immigrant entrepreneurship in local contexts from a multidisciplinary perspective. Immigration leads to the presence of different cultures in the same place of settlement. This may push immigrant entrepreneurship into ethnic enclaves because of discrimination and racism. However, through globalization, native entrepreneurship can also lose centrality and become peripheral in global markets compared with the transnational networks. Both groups (immigrants and natives) can experience liabilities of outsidership, and acculturation stress. The local liabilities are associated with costs, competitiveness losses, and missed business opportunities. These liabilities may significantly affect the development of Prato's industrial district, on which the city's economic prosperity relies. The liabilities of native and immigrant entrepreneurship are so many and so varied, that they do not solely concern market relationships. Considering the second generation of immigrants adds another layer of complexity to analyzing the local liabilities. The second generation hold great promise for the improved integration of the Chinese community in Prato in the future. The radical social transformation provided by smartphones and similar technologies, can help immigrants to maintain contacts and business with their community of origin. We propose examining the local liabilities of native and immigrant entrepreneurship in terms of degrees of outsidership, rather than from clearly bounded positions of insidership or

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outsidership. Finally, we compare the disciplinary points, providing a broad context for the chapters that follow.

Keywords Local liability • Native entrepreneurship • Immigrant entrepreneurship • Outsidership • Industrial district • Chinese migration • Italian immigration

1 Introduction

Significant and increasing global migration flows and the spread of entrepreneurial propensity among migrants have resulted in the coexistence of native entrepreneurship and migrant entrepreneurship in many local contexts. The native entrepreneurship concept refers to the business activities of the so-called native population (also known as the host-country nationals) already settled in a territory.¹ The growth of the number of migrant entrepreneurs present in a territory and the success achieved by migrant businesses in markets not only locally, but nationally and globally, make migrant entrepreneurship an important phenomenon from an economic and managerial point of view as well as sociologically and anthropologically (Waldinger 1986). In local contexts, migrant entrepreneurship can coexist with native entrepreneurship. Native entrepreneurship traditionally benefits from its position as the incumbent embedded in the settlement. However, native entrepreneurship may see its central position become peripheral in globalizing markets, while the migrant firms may have less psychological distance from the emerging markets and the high insidership in the transnational networks (Johanson and Vahlne 2009).

As a concept, entrepreneurship is linked to the notions of: entrepreneur, innovation, organization creation, creating value, profit or no profit, growth, uniqueness, and being the owner-manager (Gartner 1990). The term *entrepreneurship* is distinct from the terms *firm* and *entrepreneur* (Schumpeter 1934), and is used here to define a general phenomenon involving individuals linked to communities and networks of relationships. Distinguishing native entrepreneurship from migrant entrepreneurship does not automatically imply different business models or entrepreneurial profiles. The characteristics of the native companies can differ from, as well as be similar to, those of the migrant businesses, as can the profiles of the entrepreneurs belonging to each group.

There are frequent debates on the complex convergences and divergences of entrepreneurship in migrant settings, and recent research on different cultural contexts highlights the importance of the cultural dimension in entrepreneurship theory (Thomas and Mueller 2000). Such entrepreneurship converges (or diverges)

¹Given the multidisciplinary approach adopted in this book, the term *native* has different meanings and connotations in the various disciplines that comprise the social sciences. This book uses *native* to refer to the local majority host-country settler population. In the case of Prato, native refers to those people who consider themselves Pratese. This said, such groups are often far from homogeneous, and can include diverse provincial, regional, urban, rural, and even national divisions.

because the characteristics of the native companies can be similar to, as well as different from, those of the migrant companies, as can the profiles of the entrepreneurs belonging to each group. The role and characteristics of entrepreneurship in different cultures is complex, and is beyond the scope of this book. Culture's characteristics can be indicators of the community's entrepreneurial role, even if only for the ways in which a particular cultural community responds to the uncertainty related to innovation, or experiences an individualism-collectivism relationship (Hofstede 1980).

Immigration leads to the presence in the same territory of different cultures of entrepreneurship that can generate a process of acculturation. This acculturation process influences both the migrants and the natives, especially when there is a close relationship between the migration and the spread of entrepreneurship among migrants (as is the case in Prato). In migration contexts, the business environment is affected by the presence of actors from different cultural backgrounds—implying a diversity of opportunities, resources, and actual or potential customers with varying degrees of psychological and cultural distance—not unlike those that can be found in foreign markets (Shenkar 2001; Sousa and Bradley 2006).

There is a greater predisposition or propensity toward entrepreneurship in some national communities and ethnic groups than in others. This is particularly important in migrant settings in which the entrepreneurial attitude of the migrants influences the profile of the ethnic firms (Aldrich and Waldinger 1990). Research in this area is more focused on the sociological dimension of this phenomenon than on its management dimension, although some research considers the entrepreneur profiles with reference to specific ethnic groups (Weidenbaum 1996) and to national communities (Siu 1995).

It is possible to link the growth of immigrant entrepreneurship to the development of an ethnic economy that has the essential resources for the development of the ethnic community (labor, financing, market outlets), as in the case of ethnic enclaves (Portes and Jensen 1987). Migrant entrepreneurship can be a self-employment choice in response to the difficulties of integration and the lack of employment opportunities. This is especially evident in the case of migrants who have a cultural background characterized by a psychological distance from the host nation, and/or by difficulties in communicating with the native actors. This said, migrant entrepreneurship can also be competitive outside of ethnic enclaves and the community market. However, even in these cases, the migrant community tends to be a vital pool of resources, and a source of advantage to access transnational networks and opportunities that are often difficult for the native counterparts to secure (Riddle and Brinkerhoff 2011). This phenomenon often materializes as a middleman (Bonacich 1973) or a cultural mediator (Reynolds and Zontini 2014).

The ethnic or migrant community factor can facilitate connections and continuous interactions between people who share a cultural background, because they belong to a particular national reality and share common experiences of migration. These connections can be especially important to the development of entrepreneurial roles, favoring the recognition and exploitation of opportunities both in terms of the

settlement context and in larger contexts, owing to the transnational nature of community relationships. There are many migrant entrepreneurship studies, not only from the perspective of the migrant actors but also from the perspective of the host society. However, as globalization intensifies, this phenomenon now requires the simultaneous consideration of both migrants and natives. As this book highlights, both of those groups experience liabilities of outsidership and forms of acculturation stress.

The community's boundaries (both migrant and native) may limit the identification, and especially the realization, of the opportunities generated through migration. This can generate competition between cultural groups arising from a combination of factors, including access to resources and success in the export markets (Bruderl and Schussler 1990; Guercini 2010). The entrepreneurship phenomenon is particularly relevant here, because it highlights the difficulties related to the conditions of separation, distance, and outsidership, produced in local contexts because of massive flows of immigrants (Schweizer 2013; Smans 2012).

To study the relationship between native and immigrant entrepreneurship, we propose the notion of local liability; a notion we develop from the international business literature, with conceptual links to sociology and anthropology. Studying the local liability notion requires a consideration of its possible resolution, and includes an appreciation of its antecedents and its consequences.

2 Acculturation and Liabilities in Relationships Between Native and Immigrant Entrepreneurship

Globalization processes not only create bridges between distant places, but they also change the face of businesses and socio-economic systems at the local level. This book proposes the concept of local liabilities that may emerge when two (or more) separate communities (of persons and firms) exist in the same place. Generally, the greater the separation between the communities, the greater the local liabilities. While this is a commonly recognized aspect of globalization, it is inadequately studied (Guercini 2016).

The liability concept comes from the international business literature, where notions of foreignness, and more recently outsidership, are widely addressed (Zaheer 1995; Johanson and Vahlne 2009). Local liabilities refer to the separation between natives and immigrants in the development of local networks of people and firms. Such separation, and the problems that it causes, hinders the process of integration and the development of thriving economies. Liabilities are experienced by the individual actors (micro level), but have antecedents and consequences at economic and societal levels (macro level). This book proposes a multidisciplinary approach to the issue of local liabilities by analyzing the case of Chinese migrants in the Italian district of Prato. It offers a framework through which to view the problems involved, as well as possible paths for their analysis and transformation.

We first examine more closely what local liability means. To do this we must consider the implications of the coexistence of native and migrant entrepreneurship. A useful starting point is an examination of the acculturation process (drawing on Berry's classic thesis—Berry 1969) and its impact on business processes.

2.1 *Acculturation Process and Entrepreneurship*

What impact does the presence of native entrepreneurship and immigrant entrepreneurship have on the generation and exploitation of opportunities for the development of the local system and its firms? It is possible to address this question both conceptually and empirically. For example, at a conceptual level, the structural holes concept locates the missing steps in networks that may correspond to the creation of opportunities and new combinations (Burt 1990). The separation between communities in the same place may correspond to the presence of structural holes, creating challenges and opportunities at the same time.

During the acculturation process, entrepreneurs and businesses need to learn and adapt, and must meet the accompanying costs and difficulties. Acculturation is a “*culture change which results from continuous, first hand contact between two distinct cultural groups*” (Berry et al. 1987, pp. 491–492; Redfield et al. 1936). Acculturation can also affect business processes. Entrepreneurs are interested in, and impacted by, acculturation processes at both personal and professional levels. We can also identify an organizational level of acculturation, such as the settlement of multinational subsidiaries in culturally distant contexts (Perlmutter 1969). Although their institutional framework is that of their country of origin, local businesses may have fewer material resources and knowledge to address acculturation compared with multinational companies. Thus, acculturation may offer opportunities; however, it can also be a source of stress at the individual, group, and organizational levels.

The concept of stress arises in the psychology and medicine disciplines (Berry et al. 1987). Stress influences both the physiological and psychological state of an organism. The normal functioning of the organism requires a reduction of stress, through the removal of the conditions that generate it, or through a satisfactory adaptation to the new situation. In acculturation, stress can be positive or negative, based on the antecedents of the acculturation and its implications. In fact, a condition of stress can support an intense learning phase, but can also absorb resources and generate costs. Acculturative stress is a particular stress “*...in which the stressors are identified as having their source in the process of acculturation*” (Berry et al. 1987, p. 492).

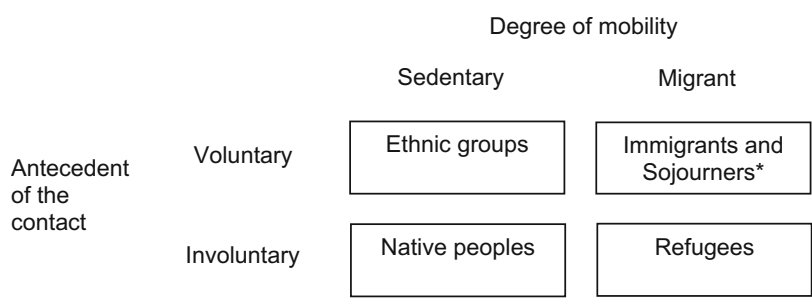
The changes brought about by acculturation can have a physical and a biological impact on the individuals involved. Further, the changes can have a psychological impact at the social and cultural level, with implications for the relationships between the actors involved. The impact of acculturative stress can be moderated by several factors, including: the nature of the larger society; the type of acculturating

group; the mode of acculturation; the demographic and social characteristics of the individual (for example, young and old people may respond to the acculturative process differently); and the psychological characteristics of individuals (Berry et al. 1987, p. 493).

Specifically considering acculturation groups, it is possible to recognize different types. Berry and Kim (1987) identify five acculturation group types: (1) immigrants, (2) refugees, (3) native (local) peoples, (4) ethnic groups, and (5) sojourners. There are two dimensions for analyzing these groups: the *voluntariness of contact* and the *degree of mobility*. Here, *contact* means the interface with components of other cultural (ethnic) groups. Immigrants correspond to a high degree of both voluntariness of contact and degree of mobility (migrants). However, the natives (locals) seem to experience a low degree of voluntariness of contact (involuntary) and a low degree of mobility (sedentary). Hence, the immigrants have certain similarities with the sojourners. However, the sojourners have a temporary perspective, while the immigrants have a relatively permanent approach to the context of settlement (Fig. 1).

We examine acculturation stress at the level of the individuals and of the groups belonging to a culture. With reference to entrepreneurial activity, this can also relate to the voluntariness of contact and the degree of mobility, because the search for a context in which to do business can result in a certain degree of mobility and a desire to connect with other individuals and groups. In this sense, from the moment that the migration process begins, the migrant’s aim is to start an enterprise. Similarly, there are also native (local) people who exhibit a high entrepreneurial attitude, but may not be involved in a search for a new context. The relationship between migration and entrepreneurship can be particularly important in the case of the sojourners. For sojourners, the entrepreneurial attitude, or at least the search for business opportunities, leads to a continuous migration, given the relatively temporary nature of their stay (Berry and Kim 1987).

Many sociology studies of immigrant businesses examine the factors that affect migrant entrepreneurship. We can summarize these factors as a combination of



*The immigrants are relatively permanent, while the sojourners are temporary

Fig. 1 Acculturative groups (adapted from Berry et al. 1987, p. 495)

choice, chance, or no option (also known as survival, or opportunity entrepreneurship, cf. Chrysostome 2010). Depending on the political, social, and economic context of the receiving society, the immigrants may have little or no choice but to develop work opportunities within their own community (see, for example, Light and Bachu 1993; Kloosterman et al. 1998). The mixed embeddedness theory explores the migrants' integration in both the social networks of migrants and of the receiving society (Kloosterman and Rath 2001; Aliaga-Isla and Rialp 2013).

The barriers to the job market can include racism and discrimination from the native population, often because of the perceived or real threat of competition. These barriers are often compounded by migration and social policy that might, for example, limit the recognition of qualifications, essentially forcing migrants into self-employment ventures. Difficulties with the language, no creditworthiness, and poor access to bank loans are further factors that increase ethnic segregation in particular occupational niches. Migrant entrepreneurship and small business ownership can often provide the only opportunities for economic advancement. Families and community members can pool their resources so that they do not need a bank loan, and they often work for low (or even no) pay or entitlements to keep their running costs to a minimum. These processes increase the likelihood of migrant residential segregation (the development of enclaves). In turn, enclaves facilitate the establishment of niche markets, providing culturally appropriate services to the migrant community. In this environment, the host-country language and cultural skills are not essential, and the migrants can thrive in a relatively closed community.

Further, the degree to which the migration is voluntary can influence the conditions of contact, in the sense that the migration precedes the contact and is the result of an actor's choice. However, this does not mean that maintaining relationships with other groups is not valuable. Various acculturation pathways account for the value that migrants place on maintaining or generating relationships with their (ethnic) community of origin and with the native (and other) communities of the settlement area. This value depends on the social and political context of settlement, and on how the receiving society perceives the migrants, which also influences the degree of agency the migrants may have to foster ties. There may be situations where the value of a relationship with the other groups is considered limited, and situations where a relationship with the other groups is highly valued (Fig. 2). The mixed embeddedness theory explores the migrants' integration both in the social networks of migrants as well as in those of the receiving society (Kloosterman and Rath 2001; Aliaga-Isla and Rialp 2013).

In addition to the value of the relationship with the other groups, the mode of acculturation may depend on the perceived value of sustaining the identity and cultural characteristics of the group of origin. That given value, both at the individual and group level, may be high or low. Both the value of maintaining relationships with the other groups and the value of maintaining cultural identity and characteristics are important elements. These elements are important not only in cross-cultural studies, but also for the development of entrepreneurship, where the value of the

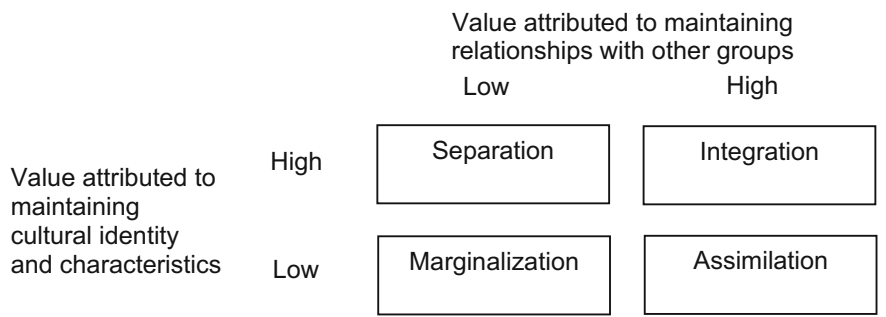


Fig. 2 Mode of acculturation (adapted from Berry et al. 1987, p. 496)

elements can significantly affect the resources, relationships, and business networks. This aspect can be true at both the group level and at the individual level (Fig. 2).

Therefore, acculturation stress links in various ways to the role of entrepreneurship in the migration process, as well as to the specific conditions of the host nation and of the native (local) people. Accordingly, the study of acculturation stress should include both the immigrants and the natives, particularly where there is intense migration and intense economic competition in the business community between migrants and natives, as is the case in Prato.

The acculturation model offers an interesting framework with which to examine the separation of psychological and cultural distance and outsidership, which is characteristic of a place and its migration history. Therefore, this book carefully examines the liabilities associated with the presence of a range of entrepreneurial communities in the same local context. We do this because, just as for the conditions of acculturation stress, there may be a need for adaptation that will imply costs related to the conditions of foreignness and outsidership, as discussed in this book in the chapter authored by Guercini and Milanese.

2.2 Liabilities Between Native and Immigrant Entrepreneurship

The term liability is associated with disadvantages that determine specific costs and that reduce competitiveness. The term is particularly used in the field of international business studies, in connection with the ecology of organizations, as highlighted in this book by Lazzeretti and Capone. Specifically, in management literature liability is associated with additional costs and with the probability of failure, starting from the antecedents that qualify the type of liability.

Liabilities in internationalization can be defined as difficulties faced by firms when they internationalize in search of new markets. Such liabilities include the liability of foreignness and the liability of outsidership (Johanson and Vahlne 2009).

The chapter authored by Barberis and Violante, in this book, analyzes the international business literature on this issue. In this current chapter, we describe the general characteristics associated with the concept of local liabilities.

Local liabilities refer to the higher costs and/or the lower competitiveness that emerge in contexts in which there are two or more separate communities (people and/or companies). Thus, the conditions for local liability include the presence of other separate communities, and that the acculturation mode corresponds mainly to separation. If there are other forms of acculturation (such as integration or assimilation), then the conditions that generate costs and/or lack of competitiveness can be significantly different, and the local liabilities may be wholly or partially overcome. Another case is the marginalization mode of acculturation, where individuals or groups are not valued, also exhibits the loss of value for the identity and the culture of origin. This leads to the weakening of (if not to the absence of) separate communities, because individuals or marginalized groups can create social costs, but do not form distinct communities that are active in the local context.

Hence, in studying the difficulties associated with the presence of local liabilities, the contexts characterized by separation are the most interesting of the many forms of acculturation. Further, the contexts characterized by significant immigrant entrepreneurship success are especially interesting. In these situations, the native entrepreneurs also feel the local liabilities, not just the immigrant entrepreneurs.

The local liabilities concept relates to the generation of specific costs (Grant 1991) and to the loss of competitive capability (Porter 1986). Particularly, local liabilities produce at least three categories of costs. (1) The additional costs of adapting to an environment where interactions may occur, and where there are cultural elements other than those already learned in the immigrants' culture of origin. (2) The figurative costs related to the non-achieved, but existing, opportunities for the local actors; such opportunities are not accessible because of difficulties communicating and cooperating with elements of the other culture. (3) Other costs, such as those related to resolving the conflicts produced by the coexistence of different cultural groups, and more generally to resolving the difficulties produced by the presence of different cultural groups in the same place. The other modes of acculturation also contain forms of stress; however, for separation acculturation, the local liabilities related to the figurative costs for unrealized opportunities are particularly high. This is because separate networks form inside each community, and everyone remains an outsider to at least one network.

The relative loss of the competitive capacity connected to the occurrence of local liabilities has at least three sources: (1) low competitiveness owing to high costs; (2) low competitiveness in relation to gaps in the exchange of creative contributions; and (3) low competitiveness in relation to closing the networking of relationships. The loss of competitiveness stems primarily from the aforementioned higher cost conditions that the actors in the local environment are bearing, relating to the conditions of separation between communities and between native and immigrant entrepreneurship. These high costs derive from the cost of communicating in foreign languages, and from investing in the necessary resources to overcome the difficulties in understanding the rules and implications of the other

culture. Moreover, a competitive capacity loss can occur because of the barriers relating to an exchange of content, and to realizing the opportunities that derive from the particular separation situation. Accordingly, a locally made offer will be less differentiated than an offer made elsewhere. Local liabilities produce a barrier to the combination of local elements from separate communities as a means to differentiate offering. This implies that such a local liability is a weakness in global markets (Cavusgil and Guercini 2014).

This loss in competitiveness related with local liabilities is a source of disadvantage in comparison with situations where there is no plurality of separate communities. However, it can also be a source of disadvantage in comparison with situations where plural business communities have overcome the condition of separation. The separation condition can limit the creative capacity for various reasons. (1) A low level of communication between the actors of the two communities. (2) The lack of acceptance by the business actors of the creative products resulting from the communication between the different cultures. (3) The lack of legitimization of such hybrid results by the local networks and by the community market. The lack of a relationship or a partnership between local actors (intra-local but inter-community) that could generate contacts and opportunities also affects competitiveness. Figure 3 synthesizes the costs and the competitive impact of local liabilities.

The liability related to having several entrepreneurial communities in the same local area, concerns both the cultural distance perceived locally and the relevant outsidership from the other community networks. Foreignness is a fundamental concept in multinational enterprise theory, where it relates to the additional costs sustained by a multinational’s subsidiaries in foreign markets (Zaheer 1995). Both liabilities (foreignness and outsidership) are relevant to the conditions of outsidership occurring (Johanson and Vahlne 2009). The presence of separation does not exclude the possibility that there are significant transactions between native and immigrant entrepreneurship. Such transactions can correspond to weak ties (Granovetter 1973) at a local cluster level; however, the ties are often weaker than the ethnic ties within the immigrant and transnational communities (Zaheer et al. 2009).

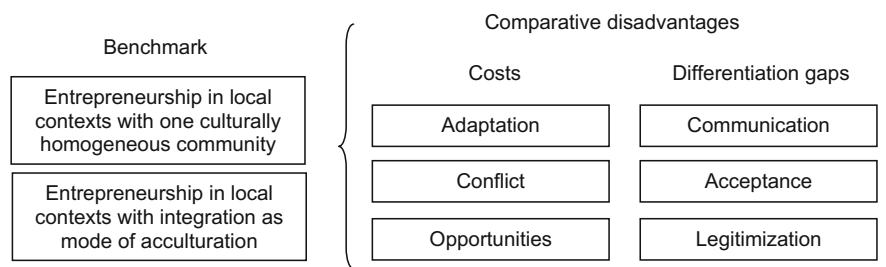


Fig. 3 Disadvantages of local liabilities (authors’ synthesis)

The presence of several communities in the same local environment is not just the product of immigration. Historical reasons can generate local liabilities perceived at the entrepreneurial level: for example, in areas where two (or more) communities are historically separate (such as in Balkan regions). In that case, if the separation also produces entrepreneurship-wide effects, then it produces additional costs—or at least the loss of access benefits to other community resources because of psychological distance or outsidership. In that case, there are many communities with different cultures in the same territory, each with (relatively, because of weak ties) separate networks. Such networks can be at the transaction level or at the individual relationship level.

The presence of two (or more) communities in a territory not only produces liabilities, but is also a source of advantage for both native and migrant entrepreneurship. The sources of advantage arise from access to human resources at low costs, an additional specific market (because migrants can be suppliers or customers of other businesses), and a broader local market than before immigration.

3 Impact of Migrant Entrepreneurship on the Evolutionary Processes of the Industrial District

Giacomo Becattini rediscovered the Marshallian industrial district concept during his research on the industrialization of Tuscany in the 1970s. He defines the industrial district as:

...a socio-territorial entity which is characterized by the active presence of both a community of people and a population of firms in one...area. In the district, unlike in other environments such as manufacturing towns, community and firms tend to merge.

Becattini (1990, p. 38).

Drawing on 18 years of research on Prato (Becattini 1997), he concludes that the study of the district, because of its complexity and continuous change, can be categorized into several evolutionary processes. The most important evolutionary processes of the industrial district are: (1) the division of labor among enterprises; (2) the flexible integration of the division of labor; (3) the integration of the contextual knowledge with the new external knowledge; and (4) the conscious governance by the formal institutions so that there is coherence between the evolution of the district's production system and the local society (Becattini 2001, pp. 51–54; Dei Ottati 2002). This coherence is necessary to encourage the social forces to cooperate with the economic forces (Marshall 1920, p. 276), so that the many specialized firms integrate into an organic whole. Hence, the district firms can enjoy economies of scale, of learning, and of innovation in the form of external economies.

Globalization means exponential increases in the international flows of capital and goods, and in the movement of people. Thus, foreign migration affected the Italian industrial districts, especially after the 1990s. The presence of many immigrant entrepreneurs in an industrial district influences the division of labor, because the immigrant entrepreneurs tend to enter the local economy as the sub-contractors to the district's final firms (that is, those firms specialized in marketing the district's products) in the most labor-intensive activities of the main industry. This insertion of immigrant businesses exacerbates the price competition in the local markets, because the migrant entrepreneurs are willing to work for conditions that are unacceptable to the native subcontractors. Such insertion increases the local liabilities, because it gives rise to costs of adaptation to a different culture. It also fosters costs relating to social conflicts between immigrants and natives, and between those natives positively affected by the presence of immigrants versus those adversely affected. Moreover, unbridled competition in the local markets undermines the balance between competition and cooperation. An equal balance underpins the flexible integration of the division of labor in the industrial district (Becattini 1990; Dei Ottati 1986), and the possible reproduction over time of the district as a competitive form of organization.

In specific cases, such as in the Prato district, the immigrant entrepreneurs enter a market niche that differs to the main local industry. This gives rise to the immigrants' own ethnic niche (Waldinger 1994) and to a socio-economic system with few and weak ties with the native entrepreneurship.

The production system of an industrial district is formed by many small firms specialized in the various phases of a main industry and in related activities. The division of labor among the firms means that they must interact frequently, and must cooperate with one another. This mode of integration, and the large number of operators that share the same industrial and social culture, generate an environment in which information, knowledge, and tacit knowledge circulate easily among the many subjects involved in production and exchange. Therefore, the environment of a thriving industrial district is rich in contextual knowledge. Alfred Marshall introduced what he called an industrial atmosphere to describe this setting: "*The mysteries of the trade become no mysteries; but are as it were in the air, and children learn many of them unconsciously*" (Marshall 1920, p. 156). The industrial atmosphere is very important for the competitiveness of a district and of its firms: it facilitates reciprocal learning and innovations in products, processes, and organizations. However, to generate the positive effects of an industrial atmosphere, it is necessary to integrate the contextual knowledge with the new external knowledge (Becattini and Rullani 1993). The need for such integration has increased with the global economy, because the pace of change in demand and technology has accelerated, and competition has become global.

We see how the presence of immigrant entrepreneurship generates social conflicts within the district, fierce competition in local markets, and an almost separate socio-economic system. These phenomena hamper the normal working of the

evolutionary processes, and hence the successful development of the district.² This outcome magnifies the local liability and prevents the circulation of knowledge and information not only between the immigrant and the native entrepreneurs, but also among the native entrepreneurs themselves, because of the erosion of trust. In the medium term, this situation can result in a lock-in and a decline of the entire district, even if in the short term some local enterprises can take advantage of the presence of immigrant subcontractors. Additionally, if the immigrant entrepreneurs remain separate from the native entrepreneurship networks, then they cannot upgrade their products and technology; consequently, they also risk lock-in in the longer term (see the chapter authored by Zhang and Zhang in this book).

Contrastingly, if the local and immigrant liabilities are overcome and the two populations (firms and people) integrate, then a new, more complex, and trans-national socio-economic system might form; a system that is more suited to the global economy. However, the liabilities of native and immigrant entrepreneurship are so many and so significant that it is not possible to deal with them by market relations alone. It needs the conscious governance by the formal institutions of both communities to address the liabilities. Political institutions and trade associations must deliberately help the process of acculturation. They can do this by creating opportunities for economic and social interactions, and by mediating any conflicts between the two populations. If integration occurs, then the best developmental processes of the district will revitalize and competitiveness will eventually regain. It is also possible, as in the case of the Silicon Valley-Taiwan connection, that a trans-national industrial district can be established (Hsu and Saxenian 2000).

4 Immigrants, Second Generation and Integration: Liabilities from a Sociological Perspective

Considering the second generation adds another layer of complexity to the analysis of local liabilities, not least because it further complicates the distinction between native and immigrant entrepreneurs and businesses. The second-generation category is itself heterogeneous. The second generation includes those individuals born in the sending areas but who arrived in the host country at a young age (the so-called 1.5 generation), as well as those individuals who were born and raised in the receiving society. In Prato, the second-generation Chinese self-identify as a mix of Italian-Pratese and Chinese-Wenzhounese, particularly those who are educated in the Italian school system and who make regular and lengthy visits to their extended family in China (Marsden 2014; Pedone 2013a, b; Paciocco 2015; Paciocco and

²In Prato's case, its local textile industry had already lost competitiveness mainly because of cost competition from products made in new industrializing countries. This caused difficulties in the processes of reproduction of the industrial district as a model of organization, independently from the massive inflow of Chinese immigrants to the area.

Baldassar in this book). This said, the dominant politics of identity in Italy is such that despite their self-ascribed mix of identities, the broader immigrant population tend to define them as exclusively Chinese (Raffaetà et al. 2015; Baldassar and Raffaetà 2017).

Recent research by Paciocco (2015) shows that many second-generation Chinese in Prato aspire to occupy middle or senior management roles in both Chinese and Italian-run businesses in the region and beyond (for a fuller discussion, see the chapter authored by Paciocco and Baldassar in this book). In her study, the so-called 1.5 individuals intend to become translators and interpreters, drawing on their multilingual competencies to achieve a degree of upward social mobility by occupying white-collar positions. The second-generation individuals who complete all of their schooling in Italy and who have a high command of Italian are even better placed than the 1.5 generation to become cultural brokers (Reynolds and Zontini 2014). They have the necessary skills and network ties to operate in both Italian and Chinese businesses. In terms of the liabilities of outsidership, these second-generation individuals could potentially be insiders in both native and immigrant entrepreneurial endeavors. Their mix of identities and double cultural competences suggest the need to examine the liabilities of entrepreneurship in terms of degrees of outsidership, rather than from clearly bounded positions of insider or outsider.

The degree of insider-outsider status is also relevant to the analysis of the acculturation processes. Presumably, the second generation have a different, and perhaps more intensive, experience of acculturation (through their schooling) than their parents. Certainly, their role as cultural mediators is evident at a macro level in the form of the very active Chinese-Italian second-generation association, *Associna*. *Associna* promotes cultural understanding and awareness through its website and its public initiatives. Contrastingly, the Prato Province and the Monash University Prato Centre jointly published two collections of youth stories. These publications contain submissions from Prato second-generation Chinese who describe the parental pressure to leave school so that they can help the family businesses using their Italian language skills; a pressure not necessarily welcomed by the young people (Liao 2013, p. 135; Wu 2014, p. 49). In other submissions, Chinese teenagers complain that their parents—and first-generation Chinese migrants in general—do not speak Italian. This suggests that the second generation may experience the role of cultural mediator as a challenging one, foisted upon them by community expectations rather than by personal choice. While they are capable of acting as a bridge between Chinese and native Italian business networks, they may find this role limiting in terms of alternative career aspirations.

These complex identity and cultural configurations reveal that second-generation individuals may claim and experience a degree of insidership to both Chinese and Italian networks. However, they may simultaneously experience a degree of outsidership from both, given their specific identity positions as a mix of both Chinese and Italian. Sociology studies define the ambiguity of the second-generation subject position as a hybrid, or a third, space. That is, a cultural space that differs from the networks and spaces in both the host and the home countries. Alejandro Portes and

colleagues' classic work (Portes and Jensen 1987) on segmented assimilation examines similar issues of belonging and identity for various migrant groups in the United States. They highlight the factors that facilitate and impede social mobility, including those outlined above (Haller et al. 2011; Alba and Waters 2011).

The fundamental question is whether the presence of the second generation can help to resolve or to overcome the liabilities of outsidership in Prato. This question is particularly relevant in the future, when presumably greater numbers of bilingual and bicultural Chinese-background individuals will be fully ensconced in various sectors of the Italian labor market. There may also be a mediation role for the young Italians who have grown up and gone to school with young Chinese-background individuals. Those Italians have developed relationships and accumulated cross-cultural knowledge about their Chinese counterparts. Certainly, the second generation, along with their ties and their relationships with young Italians, hold great promise for the improved integration of the Chinese community in Prato.

5 Sociology of the Economics of Outsidership/Insidership and of Networks

The early theorists on human development frequently had both economic and sociological interests, sharing common foundational concerns. There were many such theorists, including Adam Smith, Jeremy Bentham, John Stuart Mill, Harriet Martineau, Karl Marx, Friedrich Engels, Beatrice Webb, Arnold Toynbee, and Max Weber (Merton 1972; Swedberg 1990). For Marx, the outsiders were persons who had nothing to sell other than their labor power.

In the twentieth century, the realms of *homo economicus* and the study of society moved apart, and followed separate specializations. The economic human stereotype was depicted as behaving in consistently in rational ways, and as a narrowly self-interested individual. Typically, individuals were considered as imbued with innate talent and skills, but needing to work hard to achieve personal success and wealth. Humans came together to foster market places, to form businesses, and to harmonize supply and demand.

Other scholars were more humanist, and believed that people were not simply economic units. For example, the sociologist Mark Granovetter pointed out that (from the outset) people were embedded in webs of significant social relationships and institutions that gave them security, identity, and access to many essential resources (interviewed in Swedberg 1990). Culture broadly provided rich contexts for human activities, and it was assumed that individuals had a degree of choice, and that their lives were not entirely predetermined.

Sociologists with an interest in migration wrote of social remittances, whereby, not only was cash exchanged from far away to home countries, but also ideas, norms, and social practices (Garip and Asad 2015; Levitt and Lamba-Nieves 2011). Mutual cultural interaction continued from a distance. Sociologists also took an interest in differences, for example, between social classes, between the labor of

women and men, between ethnic groups, and between sojourners and settlers. An insider usually belonged to an identifiable community (Kersen 2016). The groups of insiders and outsiders each had distinctive advantages and disadvantages, and also opportunities and temptations (Crocker 1991, p. 159).

Thus, both economists and sociologists are interested in outsiders and insiders for a range of reasons, but primarily because of the power imbalances that keep them apart (Barberis and Aureli 2010). Broadly, an outsider does not belong to a well-defined group, is isolated, and has less chance of success than an insider has. The term outsider is often complemented by the use of social descriptors that indicate other identifying features, such as, stranger, other, deviant, alien, illegal, free-floating (Kersen 2016; Merton 1972), isolate, casual link (Geser 2004), marginalized, homeless, stateless, nomad, and itinerant (Hall et al. 1996).

In sociology, there is a long-running methodology debate about whether researchers who are inside the mainstream (for example, white academics) can hope to understand a particular outside social group (for example, Afro-Americans) (Carling et al. 2014; Crocker 1991; Hage 2006). The questions raised are about the ethics and the potential objectivity of the insider presuming to investigate the outsider. We mention this debate because of its considerable body of sociological literature, even although the methodological question is peripheral to the main themes of our discussion.

Sociologists tell us that a tendency to think in narrow ethnocentric ways means that people assume the superiority of their own cultural heritage, often wishing it for deprived outsiders (Crocker 1991). Insidership can be tacit, implicit, and unarticulated until a crisis erupts, at which event the outsiders can be implicated in and blamed for radical change (Merton 1972). A philosophical perspective is that, in theory, the insider-outsider distinction only exists because the insiders choose to propagate it. Without insiders, no such barrier would survive. Sociologists also argue that multiple realities exist within each person, but that historical paths of personal experience tend to foster the predominance of one reality. Yet at the same time, each person can empathize with the other (the outsider), and may have had contact with them in varying degrees in the form of an imagined *mirror image* (Hage 2015, p. 216).

There is a practical reason to question the value of the insider-outsider distinction. In the case of migrants, social media may break down the barriers between the insiders and the outsiders. Smartphones are a personal talisman, a social tool, and an essential business device (Bunmak 2012; Hage 2015). A key question for the contemporary sociologist is whether modern information and communication technologies are changing society. Such technologies assist migrants in four ways: (1) they enable the maintenance of strong ties with the community at home after migration; (2) they provide ties for making personal economic progress; (3) they create new networks in the host country; and (4) they supply vital insider knowledge to assist with the migration process (Dekker and Engbersen 2014; Geser 2004).

A key difference between the economic and the sociological approaches to migration studies relates to agency. Contrasting predictions about behavior result

from philosophical differences about how independent a human actor can be. For example, the economist may argue that self-interest and rationality are the main drivers of the migrant entrepreneur. In contrast, the sociologist hones in on the social influences that affect the individual choices of the migrants, such as the drawing power of communities of earlier migrants (Wilding 2012), and key social features of the host countries. The personal choices of migrants increase with the use of smartphones, and person-based systems may replace the influence of centralized agencies of communications and social control (Geser 2004).

Generally, the rigidity of established networks and institutions affects the interplay between human action and social structures. The relationships of insider to outsider (and vice versa) are affected by the levels of objective behavior allowed within structures, as observed by economists, and/or by the personal freedoms and empowered social networks, as noted by sociologists (Garip and Asad 2015). Insiders are supposed to control structure, while outsiders must have fuller agency because of the risks that they take (Barberis and Aureli 2010).

There is a considerable body of research on the relationships between individuals and structures. Marx and Engels argue that they were in constant flux throughout history (Hall et al. 1996), and Swedberg notes that economic institutions can be interpreted as social constructions like any other (Swedberg 1990). Therefore, the separation of economic and sociological explanations for migration is not helpful. Functioning together, both disciplines provide a more powerful lens than separately:

It is worth approaching both sides (local and immigrant people) with similar tools and methods, so [as] to prevent essentialism and an asymmetric understanding of social bonds.

Barberis and Aureli (2010, p. 7).

By way of illustration, recent research into the Chinese labor market in Prato indicates that there are both structural and social reasons for the perpetual low pay rates and poor working conditions among Chinese migrants. Structurally, there is a lack of government migration regulations, the Italian trade unions are unable to engage with the Chinese workers, and there is sometimes a difficult interaction between ethnic migrants and Italian authorities. Socially, Chinese norms and Wenzhou business customs dictate that Chinese firms hire Chinese workers first, and sustain a pool of insider (*guanxi*) laborers (Lan 2015).

Giddens's (1984) theory of structuration describes the role of the individual within structures, and the transforming and constraining effects that the pair have on each other. Giddens believes that a focus on one at the expense of the other led to distortions in our understanding of social change and global development. There are several criticisms of Giddens's theory. For example, he over-emphasizes the rationality of agents and their social action, and does not acknowledge sufficiently the support of the extensive social networks behind the individual agents (De Haas 2010). Others criticize him for under-playing the latitude of human actors (Bessant and Watts 2007). Commentators argue about how to interpret the degree of inter-activity between agency and structure, and appropriate avatars, but they do not

totally reject Giddens's perspectives. His theory provides a viable working hypothesis for the study of migration, not least because Giddens successfully explicates globalization as a joint economic-sociological endeavor. Most scholars would agree with the fundamental proposition that the space and time distances have shrunk considerably in recent times, with the advent of cheap and widespread physical and telecommunications mobility. Such changes have serious economic and social consequences, including the dislocation of the traditional structures (Hall et al. 1996). Several sociologists comment on the role of social media in bringing about the *annihilation of space* and the *death of distance* (Frouws et al. 2016, p. 2).

Giddens's ideas are useful for the specific element of social behavior that affects migrants and the economics and sociology of a place; namely, inward-looking adherence to local identity, to the insider way, to the tribe over and above national or global forces (Merton 1972). An example of such behavior in Prato is the clash between the insider Pratesi loyalty and the *guanxi* (the network of ethnic relationships) of outsider Chinese migrants. Each group strives to maintain their own local economic and social order, and their attendant memories, values, norms, traditions, hopes, trust, and mutual obligations (Crocker 1991). Newly arrived laborers or entrepreneurs tend to stick together, eventually creating a self-sustaining flow of compatriot labor, and an ethnic branch of a local economy. The Chinese community in Italy is labelled as exemplary communitarianization (Barberis and Aureli 2010, p. 6), having imported their network habits (for business and social connections) with their people (Garip and Asad 2015). Clearly, mobile phones function like an umbilical cord to consolidate and sustain migratory commitments (Geser 2004, p. 12).

The importance of networks cannot be overestimated:

Most treat [migrant] networks as hubs of information or help from prior migrants, while others view them as conduits for normative pressures or other institutionalized resources

Garip and Asad (2015, p. 9).

The networks evolve and adapt over time, and can become self-sustaining, regardless of the economic causes that began them in the first place. Hans Geser is one sociologist who advocates further research into the effects of mobile phone networks on individual actors, on local networks, on groups, and on organizational processes and structures.

Despite the basic bilaterality of its communication channels, the mobile phone can eventually act as a catalyzer of collectivization, at least in situations where many receivers are ready to forward the message[s] ... so that they spread in a tree-like fashion

Geser (2004, p. 29).

Thus, immigrant networks may be more effective and speedy than the official channels for migrants to find jobs in new countries (Lan 2015). Flexible networks can assist in many ways:

The transnational social space ... is constantly reworked though migrants' embeddedness in the sending and receiving contexts. This embeddedness, in turn, shapes familial, social, economic, religious, political, and cultural processes

Garip and Asad (2015, p. 4).

Networked communications allow current migrants to take their roots with them (Hage 2015). The migrants negotiate two worlds at a time—the world of their country of origin and the world of their new settlement (Bunmak 2012).

In the past, economists and sociologists undervalued the influence of migrant group connectivity (Barberis and Aureli 2010). Poor migrant laborers (some of them illiterate) have little time off work to meet face-to-face with their compatriots, let alone established locals, and for them the mobile phone becomes a lifeline (Bunmak 2012). The mobile phone links their home and foreign experiences. The Prato workplace—where they also rest and eat—forms their social center. From an economic perspective, the migrant entrepreneur-employers see price competition, fast production, high risk, and self-exploitation as normal features of any small business, having witnessed that situation in Wenzhou, China, before arrival in Italy (Barberis and Aureli 2010). As well as a forum for socialization, mobile phones are also an essential business tool. Often family members work alongside the cheap imported laborers in Prato (Lan 2015), for the expectation of a *postponed reward* (Barberis and Aureli 2010, p. 32). The markets in Italy operate as “*sets of rules and social relations in which immigrant entrepreneurs [are] embedded*” (Barberis and Aureli 2010, p. 9). Market networks are thus co-constructed.

The Prato experience demonstrates important elements of economic and sociology theories. Previously, the American sociologist Robert Merton pointed to an interrelated society status, showing the co-existence of insider and outsider characteristics (Merton 1972, p. 22). David Crocker argues that “*we can be both insiders and outsiders*” at the same time (Crocker 1991, p. 156); he considers that the categories are not mutually exclusive, but are on a continuum. Crocker quotes Salman Rushdie, who testified that he reinvents himself, taking on some values of the new homeland “*without giving up insider status in the old country*” (Crocker 1991, p. 158).

In 1996, Stuart Hall et al. argued that difference and social antagonism are the norm of everyday life, to permit fresh changes in identity (Hall et al. 1996, p. 600). Outsider and insider tensions are a common part of social change, and with globalization:

...economies and cultures [are] thrown into intense and immediate contact with each other – with each ‘Other’ (an ‘Other’ that is no longer simply ‘out there’, but also within).

Hall et al. (1996, p. 622).

More recently, Ghassan Hage pointed to insecure insiders with stakes in over-emphasizing the insider or outsider identity. For example, the *parvenus* or *nouveau riches* portray themselves as well integrated inside a desirable economic milieu, even if they have belonged to that milieu for only a short time. In the Prato case, the migrant laborers or servants must remain at arm's length, classified by

insiders as being outside the economy and the culture of the mainstream host, so that they maintain their economic value to the employers. To be a needed outsider in Italy—with a small income and a limited work role—is better than remaining a worthless insider in rural China (Hage 2006; Lan 2015).

This section reviews the degree of freedom with which the individual laborer and entrepreneur is able to act, and suggests that mobile phones constitute a catalyst that widens personal choices. Portable online technologies extend the depth and breadth of relationships. The structuration theory of Anthony Giddens is a useful middle-range theory—with both economic and sociological implications—for clearly understanding the interactions between structures and individual actors. The structuration theory helps to theorize the mobile phone experiences in China and Italy. Johanson, Beghelli and Fladrich in this book argue that mobile phones and social media in combination break down structural barriers, and that the economy and society of Prato have to adjust accordingly. With modern global communications, it is easy to belong to two worlds at once.

This book more fully explores the links between economics, sociology, and the role of networks in the context of Prato. We conclude that outsiders and insiders are not binary opposites, but are part of a continuum on which migrants choose spaces of their own. Economic survival demands that the Prato insider takes advantage of the complicit Chinese outsider. Wenzhounese laborers and entrepreneurs have migrated into Prato for at least three decades, both disrupting and stimulating the local economy. For survival, the Wenzhounese adhere to pre-existing networks of relationships, and develop these networks for profit and for their own narrow insider advantage.

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Native and Immigrant Entrepreneurship

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