

# Collating report on English-language literature on Corporate Governance, Human Resources, Immigrant's Integration

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This report presents the results of literature review activities which target the relevant literature for module “Corporate Governance, Human Resources, Immigrant’s Integration” published in English language. The literature review results are presented according to the structure of the module adopted by the research team.

## 1. Immigrant, diaspora, ethnic and minority entrepreneurship (CUE)

The research on immigrant, diaspora, ethnic and minority entrepreneurship is growing at an impressive pace. The popularity of the studies on that topic can be explained by both negative and positive factors connected to political atmosphere on migration issues in last years, with the notable focus on European refugee/migrant crisis (2014-?). The positive motivation is the possibility to present the economic contribution of immigrants to their hosting countries, while the negative one is associated with presenting entrepreneurship as the way to improve the socio-economic integration of minorities at risk of marginalisation (women, refugees, etc.).

- What are the key differences and interlinkages between those concepts

The terms immigrant, diaspora, ethnic and minority entrepreneurship are often used interchangeably. Yet, there are some important differences which should be mentioned. Immigrant entrepreneurship encompasses mostly foreign-born individuals who have settled in a host country and have established their own business. Those firms do not necessarily have to bear an ethnic mark or do not have to be connected to the co-ethnic community; on the contrary, many of these establishments operate within the mainstream economy. Ethnic entrepreneurship in turn includes the firms that use precisely the “ethnic brand” to market specific products or services both to immigrant community in the host country (for instance halal shops) and to the native clientele (for instance Iranian ethnic restaurants, ajurweda spa centres). These businesses are often run by the second- and third-generation migrants, i.e. persons already born in host country. Moreover, the “ethnicity” can be a broader concept which encompasses many individuals originating from more than one country, for instance Asians from Subindian continent (Pakistani, Indians, Bangladeshi) or Latinos in the US (Mexicans, Colombians,

Salvadorans etc., cf. Brzozowski, Cucculelli & Surdej, 2014). The most tricky term is diaspora entrepreneurship, as it includes the entrepreneurs who are the members of a certain diaspora (i.e. ethnic group dispersed from one historical centre who maintains intra-diasporic connections between various destinations) and who use diasporic assets in their business activities (Vemuri, 2014; Elo, 2016). Finally, the minority entrepreneurship is the most inclusive concept, as it encompasses both “new” immigrant communities (both foreign-born and individuals born in the host country) and the “old” ethnic communities, whose presence in the host country is much long-lasting phenomenon (Collins & Fakoussa, 2015). Obviously minority entrepreneurship is much more inclusive term, as within this group there are also other minority groups, including women or sexual minorities. In all cases, however minority entrepreneurship term stresses the obstacles connected to being “different” from the rest of society, indicating at potential discrimination and risk of socio-economic marginalization. In this regard, entrepreneurial activity can constitute a way to overcome barriers in upward socio-economic mobility (Bates, Jackson & Johnson, 2007).

- Sound explanation why we are focusing on ethnic and minority entrepreneurship

The ethnic and minority entrepreneurship concept is also more useful from political point of view, as – contrasting to the immigrant entrepreneurship case – suggests to focus the attention of policy-makers, advisors, tutors, teachers and academics on already well-established ethnic communities in the host countries (Rath & Swagerman, 2016), than to promote potential new waves of immigrants, which at current stage of the development of European refugee crisis are not necessarily feasible from political perspective.

- Main types of ethnic and minority entrepreneurship

The ethnic and minority enterprises do not constitute a homogenous group. In the literature, several types of such firms are presented. The most influential typology is proposed by Curci and Mackoy (2010), who identify 4 types of such enterprises. Highly segmented firms offer specific ethnic goods and services to co-ethnic costumers, relying on the ethnic enclave and ethnic geographical concentration within the ethnic districts (for instance Chinatowns). Product-integrated businesses offer mainstream goods and services (for instance used cars, legal and translation services) to co-ethnic clientele, taking the advantage of ethnic networks, but also of the relative discrimination of their costumers on the mainstream market (for instance apartment rental). Market-integrated businesses offer ethnic goods and services to native clientele of the host country: a most typical examples are the Vietnamese restaurants of Kebab kiosks. Then the highly integrated firms compete on equal terms with native-owned businesses, offering the mainstream products and services on the mainstream market. Each type of the

enterprise has its weaknesses and strengths, and requires a different support from the public authorities who aim to improve the performance of minority enterprises.

## 2. Ethnic and minorities economic integration and entrepreneurship

The ethnic and minority entrepreneurship is mostly portrayed in the literature as both a way but also a manifestation of improved economic integration in host country (Heilman & Chen, 2003; Rath & Swagerman, 2016), albeit the real impact of entrepreneurial activities on socio-economic adaptation is not so clear and obvious (Chiang, 2004).

- Structural and relational social capital influence and network benefits

The social capital theory and migration studies literature both stress that migrants usually take advantage of rich ethnic and migration networks. The importance of social capital lies in its elasticity and ability to transform in different forms of capital: through networks the access to specific resources (like financial or human capital) is facilitated and enabled (Brzozowski, Cucculelli & Surdej, 2014). Moreover, this capital is able to replace or compensate gaps in the capital endowment among minority entrepreneurs, especially in the case of cultural capital (i.e. knowledge of norms, cultural habits and the language commandment in the host country, cf. Chiang, 2004)

- Push factors towards entrepreneurship: segmentation of labour market and brain waste

Literature on the economic performance of immigrants and ethnic minority individuals stresses that the structural factors operating at the moment of entry matter for their future economic advancement. Many immigrants enter the heavily segmented labour market, where the vacancies exist only in the bottom of labour hierarchy, or in the secondary labour market, where jobs are unstable, low paid and less prestigious (Hjerm, 2004). In this aspect, in many cases the only way to improve the economic situation for a migrant is to enter self-employment (Chrysostome, 2010). This phenomenon is especially visible in the case of tertiary-educated immigrants, which are often at risk of over-qualification and might be affected by brain waste.

- Pull factors towards entrepreneurship: exploring new opportunities

On the other hand, another type of opportunity-driven enterprises is also visible. Immigrants often see the new niches and possibilities that natives are not able to identify or are unable to exploit. Moreover, their different cultural background and specific experiences and skills make them more innovative than in the case of the native entrepreneurs (Nathan, 2015). In this case, the economic contribution of minority

entrepreneurs in terms of competitiveness, innovation and job creation in the host country can be substantial (Brzozowski, Cucculelli & Surdej, 2014).

- Entrepreneurship and economic integration: puzzled relationship

In spite of these positive findings on the economic contribution of minority entrepreneurs, the relationship between entrepreneurship and economic integration is at best puzzled. There is little evidence that entry to self-employment, not to mention the business creation has a positive impact on the socio-economic integration of immigrants and ethnic minorities in the host countries (Hjerm, 2004; Wang & Lo, 2005)

- Political implications

The studies on political implications of minority entrepreneurship are relatively scarce (Rath & Swagerman, 2016), but this topic is becoming increasingly popular, which is manifested through a number of workshops and conferences. Therefore we expect to have more literature in this topic in the upcoming months, including especially studies on refugee entrepreneurship.

### 3. Ethnic and minority entrepreneurship development: the role of family

Most of the ethnic and minority entrepreneurs belong to SMEs sector. Moreover, most of them have not only been created with the help of migrant's family located in the home country, other diaspora centre and/or in the host country, but also the development of such enterprises relies mostly on migrant's family. Interestingly, so far little attention has been paid to this intersection of family and ethnic/minority entrepreneurship, even if those studies are interrelated and interconnected.

- Ethnic and minority specific resources

The specific resources of immigrants include specific immigrant associations, like home-town associations in case of Mexicans in the US, which offer consultancy and legal advice for immigrant entrepreneurs. Another specific benefit is the access to co-ethnic suppliers (so-called vertical integration) and to rotating small-credit associations, like in the case of Koreans in the US (ie. key ties, cf. Rajjman & Tienda, 2003).

- Risk of ghettoization/enclavization

The minority entrepreneurs are on one hand aware of the risk of ghettoization: reliance on only co-ethnic clientele, pursuing highly segmented type of business leads to limited growth prospects (Curci and Mackoy, 2010). This risk of ghettoization of minority firms is especially visible in the case of succession, as the new generation often exhibits reservation to take over the ethnic minority business from their parents and often

considers exit from entrepreneurship (Bird & Wennberg, 2016). If the second and third-generation individuals become entrepreneurs, it happens mostly not due succession process. They tend to create their new mainstream businesses instead, which do not bear the “stigma” of the ethnic group. Surprisingly, these new businesses formed outside the ethnic enclave by the second- and third-generation individuals do not attain the same economics success as the “old-fashioned” ethnic businesses created by the pioneering entrepreneurial generation of immigrant/ethnic minorities individuals (Beckers & Blumberg, 2013).

- Transnational families and transnational diaspora entrepreneurship

The transnationalism concept is a hot topic in studies on minority entrepreneurship, as due to the liberal integration policies in host countries, improving communication technologies and the falling costs of transportation (Bagwell, 2015), more and more immigrants are allowed, encouraged and able to maintain regular connections with their home countries (or countries of birth, cf. Lin & Tao, 2012). Such linkages with the home country constitute an additional asset and a competitive advantage to many transnational minority businesses over the non-transnational immigrant entrepreneurs and the native entrepreneurs (Brzozowski, Cucculelli & Surdej, 2014). Moreover, the transnational families influence the business models, allowing for faster internationalization and for acquisition of specific know-how, technology, specialized workforce etc.

- Family entrepreneurs vs. ethnic and minority entrepreneurs: towards a unifying approach within the SME sector

This strand of research is yet to be developed within the literature review activities, but main finding so far is the discovery that family role is visible through the entire business life cycle: not only during the firm creation, but also in the phase of business development and closure (Bird & Wennberg, 2016).

4. HR management in small (family) business
  - Culture, strategy, systems, value and praxis

A helpful starting point would be conducting a systematic review of the state of the art (Nolan & Garavan 2016). Introducing the concept of corporate culture in family firms (Cruz et al. 2012, Kotlar & De Massis 2013, Jaskiewicz & Luchak 2013, Bryson & White 2016). Employment systems in SMEs and family firms (Verreynne et al. 2013). Management philosophies and styles in family and non-family firms (Mullins & Schoar 2016). The values and goals in family business and how they differ from nonfamily

business? (Kotlar & De Massis 2013). Best practices in HR management in small (family) business (Jarvis & Rigby 2012, Garavan et al. 2016, Lai et al. 2016, Psychogios et al. 2016).

- Special features of HRM in small (family) businesses (in connection with the level of enterprise development)

What are the key differences in management between small and large businesses in Europe? (Gray & Mabey 2005). HR management revolution in SMEs growth (Rouditser & McKeown 2015, Garavan 2016). When does HR management 'work' in SMEs? (Verreyne et al. 2013, Bryson & White 2016) Does family employment enhance SMEs performance? (Cruz et al. 2012) What is special about working in family firms? (Bassanini et al. 2013) HRM practices in SMEs (Psychogios et al. 2016).

- What does sustainable HRM could mean?

Defining and developing the concept of sustainable HR management (Barbero et al. 2011, Jaskiewicz & Luchak 2013, Kotlar & De Massis 2013).

- Competition for talent: how small (family) firms can attract, select and keep the best & brightest, engagement and loyalty

How small (family) business may attract and keep the best employees? First, it is necessary to answer the question about the employment systems in SME (family business) (Verreyne et al. 2013, Lai et al. 2016). Second, it would be good to show what makes the difference for the employees when they choose to work in family business? Security, loyalty, engagement (Bassanini et al. 2013, Miller et al. 2014). Third, how small (family) business attracts best employees – some advice and best practices (Jarvis & Rigby 2012, Wyatt et al. 2010). Finally how a family business can gain an advantage from employing non-family employees? (Miller et al. 2014).

- Diversity and discrimination issues (gender, age, disability, immigrants, family and not family members, nepotism, etc.)

At this point, it is important to introduce the general concepts of diversity and discrimination in SME (Wyatt et al. 2010, Lewis et al. 2016). But concerning the family business, there is another (unknown in other SMEs) field of possible discrimination: being or not being a part of the family (Barnett & Kellermanns, 2006).

- Career development and learning and development in family firms (management training)

What are the career horizons in family firms? (Strike et al. 2015) What is the best practice in advancing selection and is it applicable in the family business? (Wyatt et al. 2010). Management development and organizational learning (Gray & Mabey 2005, Dada & Fogg 2016). When do non-family CEOs outperform in family firms? (Miller et al. 2014) .

- Designing sound performance appraisal and reward policies for a specific level of enterprise development

Human resource management and performance in small (family) business (Cruz et al. 2012, Sheehan 2014). Does family employment enhance SMEs performance? (Cruz et al. 2012) Is there a difference (and why) in the performance of family and nonfamily CEOs? (Jaskiewicz & Luchak 2013) Perception of justice in family firms (Barnett & Kellermanns, 2006). Performance appraisal and reward policies in small (family) firms (Lai et al. 2016).

- Building and development of corporate culture (for examples espoused values and values in use – which stage do they go to different ways, is familiness always a positive?)

What are the values and goals in family business and how they differ from nonfamily business? (Kotlar & De Massis 2013). What is the role of socioemotional wealth and family embeddedness? (Cruz et al. 2012, Jaskiewicz & Luchak 2013) What are the key differences in management philosophies, styles and development in family and nonfamily business? (Gray & Mabey 2005, Mullins & Schoar 2016) When is family and when is non family better? (Cruz et al. 2012, Jaskiewicz & Luchak 2013, Miller et al. 2014).

## 5. Corporate governance: the perspective of SMEs

Generally, the topic of governance, the focus for small, medium-sized and family-owned businesses, in family SMEs is relatively recent, and it mostly focuses on boards of directors. Even though family firms are overwhelmingly present in all but a handful of developed countries, they are incredibly different (Morck & Steier, 2005). Their evolutionary paths can be attributed to broad social and institutional contexts including ownership patterns and presenting unique governance problems and conflicts between among controlling family owners, sibling minority stakeholder and nonfamily managers (Morck & Yeung, 2003). This can be made more complex as it cannot be assumed that such family institutions have a single business activity which further complicates the collective objectives, strategies, structure, culture, and performance pertaining to that family business.

Corporate governance guidance tends to be more orientated to vision, strategy, oversight and in part accountability but often from a managerial or entrepreneurial perspective and to a greater degree links to mainstream governance theory and practice (Monks & Minow, 2011). However the broader academic community research accessed but mainly focusing on, the nature or family businesses, board performance and value creation. It is acknowledge that often such businesses have information opacity that creates more information asymmetry problems for such firms (Al-Najjar,

2015).

There is evidence of the nature of family continuity and that there is a “duty” to pass the estate on and to act as trustees for the next generation his culture of obligation to the next generation defines this group of families and steers their actions with regards to the business and their family relationships (di Belmonte, Seaman and Bent, 2017) which influences decision making.

However, it is suggested (La Porta, Lopez-de-Silanes and Shleifer, 1999) conventional “managerialists” understanding of corporate governance such as agency (Berle and Means, 1932) is almost absent in a world in which families directly or indirectly influence most business activities.

- Challenges for decision-making in a family context

The challenges for owner managers when confronted with issues, such as those associated with succession and inter-generational transfer present complex problems as they reach beyond the confines of conventional business thinking (Devins and Jones, 2016) and that broader family agenda need to be considered and that possible solutions are often fraught with political peril. Presenting the call for a more holistic approach that re-frames traditional governance thinking and business strategic planning processes to achieve more sustainable ‘family business’ futures. Conversely family firms anchor decision making with a constant awareness of their past, incorporate anticipation in decision making and exhibit patience for investment (Veider and Kallmuenzer, 2016).

Further founder-led family firms put the founder and its family central to business decisions (Veider and Kallmuenzer, 2016) a focus that is continued by their descendants maintaining a coherence and congruence over the generations.

- Different types of family firm management and its impact on firm's survival and its development

Family businesses consist of a family system, a business system, and an ownership system (Burch, Batchelor, Burch and Heller, 2015). Awareness is growing of disrupted process, such as succession, may re-position the focus and nature family moving from a founder-led to a decedent led family firm through agents such as the successors vision, proactivity, innovative spirit and specific technical knowledge are relevant variables that initiate the process (Meneses, Coutinho and Pinho, (2014) as well as the loss of tacit knowledge and influence within selective networks.

The nature of wealth concentration can generate greater risk aversion in family firms, and in the aggregate, this desire to minimize business risk can have the side effect of

impeding both the firm and overall economic development (La Porta, Lopez-de-Silanes, and Shleifer, 1999; Morck and Yeung (2003) as they wish to retain family business dominance. Therefore other non-financial factors such as socioemotional wealth that meet the family's affective needs, such as identity, exercise authority (Schulze, Lubatkin, and Dino, 2003), the satisfaction of needs for belonging, kinship and intimacy (Kepner, 1983) as was the ability to exercise family influence, and the perpetuation of the family dynasty must be accounted for.

This presents a number of different risks to the business and performance hazard, concerns the potential for negative consequences associated with a decision choice (March and Shapira, 1987; Hoskisson, Hitt, and Hill, 1991; Shapira, 1992), concerning below-target performance (Cyert and March, 1963) or worse impacting on the probability of organizational failure and threats to business survival (Shapira, 1992).

## 6. Family business charter and Family constitution

The academic literature in family business charter and family constitution is almost non-existent, as it is still a novel topic and therefore very few empirical studies tackle this issue. The practitioner-oriented professional magazines provide rather descriptive articles on some aspects and types of family firms' institutions. Some academics have broached this subject area such as Simpson and Taylor (2013) but this is more a contextualised background to ethics and CSR. A family constitution appears a relatively unexplored concept with minimal inclusion in practitioners journals including the IoD, there are however some consultancy publishing works that provides some insight and guidance for family businesses such as by Taylor and Wessing (2014).

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# Hungarian literature about Corporate Governance, Human Resources Management and Immigrant's integration concerning SMEs and family businesses in Hungary

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## Introduction

There are very limited resources about Corporate Governance, Human Resources Management and Immigrant's integration concerning SMEs and family businesses in Hungary, altogether we have found just eight studies in the recent 20 years about the topic. This fact accounts for the aim of the FAME project.

## Presentation of the resources

Kiss and Poór's (2006) representative study has examined 112 SMEs covered all regions of Hungary. They used the life circle model of enterprises, which summarizes that the HRM's role changes during the development of a company. In the starting phase HRM's role is less ruled and less formal, in the growing phase the need of employees and the need of new knowledge is increasing, due to these changes HRM structures emerge. In the consolidation phase performance appraisal, compensation and the inner relations come to the front. (Baird és Mashoulm, 1988 in Kiss and Poór, 2006)

They have found that compensation, recruitment and selection are general problems in all developmental phases due to the company's financial difficulties.

Learning and development difficulties emerge in the growing phase and even after the EU connection it is difficult to keep the competitiveness beyond international companies. The owners and their family members were mainly employed at the early stage of the companies, after consolidation and EU connection the ratios has changed, the number of other employees has increased. (Kiss and Poór, 2006)

Málovics and Vajda's (2012) theoretical summary is concerning the main international recourses about family business, the characteristics of it and the main issues (difficulties in definition, open system approach, succession, multiple roles, risks, corporate-family values, structure).

There are some studies about Roma enterpeneruship (Babusik, 2005; Patai and Varga, 2016).

Babusik (2005) studied how could self-employment or SME ownership increase the employment ratio beyond Romas, per this question he analysed the Hungarian Roma entrepreneur characteristics as well. There is no valid data for giving the right number of Roma enterprises, to give estimation is also questioned. 356 existing enterprises were asked by questionnaire and following results were emerge:

- The Roma entrepreneurs and their children are higher educated than the average. The entrepreneurs are dominantly skilled workers, but there are modest amount of high school and university degree too.
- 85% of them are male.
- The income/ person is much higher than the average, 2-6 times higher, in the same time the difference in life-standard between entrepreneurs and non-entrepreneurs more less, just 2-2,5 times higher. The reason was rooted in the higher number of dependants. On one hand giving hand counts social responsibility, but on the other hand, these relationships turn out a success in business. The study elevated the significant success role of relationships in Roma entrepreneurship.
- A very strong predictor of entrepreneurship is the previous labour market activity, especially being employed

Due to an entrepreneur type-analysis Babusik (2005) suggested some interventions to increase the Roma's entrepreneurial activity: the knowledge-transfer of the Roma's work and entrepreneurship traditions should be elaborated with further mentoring and incubating methods.

Social enterprises (SE) supporting Roma integration are also in the focus of interest nowadays (Patai and Varga, 2016). Those might be particularly interesting from Roma entrepreneurship point of view in which Roma entrepreneur(s) is (are) the owner/manager of the SE. A noteworthy characteristic of SEs is taking outer funds for different reasons: employment, resource to professional consultancy, mentoring etc.

Beside the aim of SEs, to handle social disadvantages, they have a more advantageous position too: being close to a certain market, which needs are better known by its members, this is a huge opportunity to give specified satisfying products or services for this group.

Lack of business knowledge can be a risk-factor, it can be healed by involvement of professional support, consultancy or mentoring.

There are some studies about immigrant entrepreneurs, like Chinese, Vietnams and Turkish immigrants. (Nyíri, 2006, Marosi and Duong Van, 2015, Várhalmi, 2013)

Chinese are the most significant immigrant population in Hungary, the size of the Chinese population is approximately 15.000, and the number of the Chinese registered enterprises were 1400 in 1992 and increased for 10.000 by 2002. (Nyíri, 2006) Their migration is clearly business/entrepreneurial oriented.

The Chinese immigrants are higher educated than the Hungarian average, and there is an increase in the number of females (30%) amongst Chinese entrepreneurs. (Nyíri 2001 in Nyíri, 2006)

The significant amount of them are self-employed and thanks to the cheap eastern-European immigrant workforce, there was no pressure for them to learn Hungarian in formally acceptable level. Rather Hungarian employees learn the basics of Chinese. The most common language is a Hungarian based simplified language.

In these enterprises just one human resources related issue emerged: in the recruitment process they use both their Chinese and Hungarian acquaintanceship, and advertisements.

The study of Marosi and Duong Van (2015) compared the national/organizational culture of 23-23 Hungarian and Vietnam family businesses. Both existed in Hungary under same political, social, economic etc. circumstances, but with different cultural background. It was found that Vietnams were more optimistic in estimating the success of the enterprise, versus the Hungarian were much more pessimistic. They were different in emphasising their strengths and they showed different attitudes to competitive companies, customers and to the future. Contrary to the Vietnams collectivism (social sensitivity, positive feed-backs and reinforcements) the Hungarian individualism (higher level of performance orientation, autonomy in decision-making) was stressed. Vietnams did not take the receptive country's (Hungarian) values, they kept their owns in their enterprises.

Várhalmi (2013) studied three immigrant groups in Hungary: Chinese (estimated number 7083) Vietnam (estimated number 2137), and Turkish (estimated number 1751). Their enterprises concentrated in middle-Hungary. Number of enterprises: Chinese 3359, Vietnam 877, Turkish 461 according to data form 2008 (Várhalmi, 2013). The business opportunities for them is to serve the native population. Their significant activity is commerce.

Among the economically active immigrant population the diaspora entrepreneurs are the most significant part, 45, 5%, transnational entrepreneurship 21,8%, employees in the migrant population 21,3%, and employees of Hungarian companies.

The transnational entrepreneurs are mainly males and are constantly and strongly connected to the mother country (family members, business partners). Transnational

entrepreneurs are in key position, they determine business opportunities and form business structures for the further immigrants.

## Summary

These studies convinced us that there are huge opportunities to clarify the successful business activities and practices of SMEs and Family businesses in Hungary.

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 <p>FAME Family Business Sustainability and Growth</p>	 <p>This project has been funded with support from the European Commission.</p> <p><i>The European Commission support for the production of this publication does not constitute endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.</i></p>
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