



*Governing Urban Diversity:*

*Creating Social Cohesion, Social Mobility and Economic Performance in Today's Hyper-diversified Cities*

## Report 2g

### Fieldwork entrepreneurs, Zurich (Switzerland)

---

<b>Work package 7:</b>	Fieldwork entrepreneurs
<b>Deliverable nr.:</b>	D 7.1
<b>Lead partner:</b>	Partner 3 (METU)
<b>Authors:</b>	Larissa Plüss, Patrick Abegg, Jennifer Steiner, Anna Babel and Walter Schenkel
<b>Nature:</b>	Report
<b>Dissemination level:</b>	PP
<b>Status:</b>	Final version
<b>Date:</b>	20 March 2016

---

*This project is funded by the European Union under the 7<sup>th</sup> Framework Programme; Theme: SSH.2012.2.2.2-1; Governance of cohesion and diversity in urban contexts*



This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no. 319970.

*To be cited as: Plüss, L., P. Abegg, J. Steiner, A. Babel and W. Schenkel (2016). Fieldwork entrepreneurs, Zurich (Switzerland). Zurich: synergo.*

*This report has been put together by the authors, and revised on the basis of the valuable comments, suggestions, and contributions of all DIVERCITIES partners.*

*The views expressed in this report are the sole responsibility of the authors and do not necessarily reflect the views of the European Commission.*

## Contents

<b>1</b>	<b>Introduction .....</b>	<b>5</b>
<b>2</b>	<b>The entrepreneurs and their businesses .....</b>	<b>7</b>
2.1	<i>Introduction .....</i>	7
2.2	<i>Characteristics of the entrepreneurs .....</i>	8
2.3	<i>Characteristics of the businesses, their evolutionary paths and core fields of activity.....</i>	10
2.4	<i>The location and site/s of the enterprise.....</i>	13
2.5	<i>Conclusions .....</i>	13
<b>3</b>	<b>Motivations to start a business and the role of urban diversity.....</b>	<b>14</b>
3.1	<i>Introduction.....</i>	14
3.2	<i>Motivations for establishing a business .....</i>	15
3.3	<i>The importance of location and place diversity.....</i>	16
3.4	<i>Selecting the line of business .....</i>	19
3.5	<i>The availability of advice, start-up support and finance .....</i>	20
3.6	<i>Conclusions .....</i>	21
<b>4</b>	<b>Economic performance and the role of urban diversity .....</b>	<b>22</b>
4.1	<i>Introduction.....</i>	22
4.2	<i>Economic performance of the enterprises.....</i>	23
4.3	<i>Markets, customers and suppliers.....</i>	25
4.4	<i>Relations amongst entrepreneurs: Evidence of competition or cooperation?.....</i>	27
4.5	<i>Long-term plans and expectations of the entrepreneurs .....</i>	28
4.6	<i>Conclusions .....</i>	29
<b>5</b>	<b>Institutional support and government policies .....</b>	<b>30</b>
5.1	<i>Introduction.....</i>	30
5.2	<i>Views on the effectiveness of business support provided by the government .....</i>	31
5.3	<i>Wider awareness of organisations, programmes and initiatives to support entrepreneurs.....</i>	31
5.4	<i>Policy priorities for entrepreneurship .....</i>	33
5.5	<i>Conclusions .....</i>	34

<b>6</b>	<b>Conclusions.....</b>	<b>35</b>
6.1	<i>Summary of the key findings .....</i>	<i>35</i>
6.2	<i>Policy recommendations.....</i>	<i>37</i>
<b>7</b>	<b>References.....</b>	<b>38</b>
7.1	<i>Official documents and policy programmes .....</i>	<i>38</i>
7.2	<i>Bibliography.....</i>	<i>38</i>
<b>8</b>	<b>Appendix 1: List of the interviewed entrepreneurs.....</b>	<b>41</b>

## 1 Introduction

In our globalised world, cities compete for talented professionals and entrepreneurs as well as for enterprises with high economic performance. Thereby, a substantive strand of literature discusses the links between the economic competitiveness of a city and its degree of diversity. Most authors share the point of view that urban diversity is a vital resource for the prosperity of cities and a potential catalyst for socio-economic development (see e.g. Bodaar and Rath, 2005; Eraydin et al., 2010; Fainstein, 2005; Florida, 2002; Nathan, 2011; Ottaviano and Peri, 2006; Tasan-Kok and Vranken, 2008). Fainstein (2005: 4) for instance, argues that ‘... *the competitive advantage of cities, and thus the most promising approach to attaining economic success, lies in enhancing diversity within the society, economic base, and built environment*’. Although some scholars argue that diversity and economic performance are not positively connected (Angrist and Kugler, 2003; Alesina and La Ferrara, 2005), the major part of the empirical evidence shows that diversity has a positive influence on the economic development of cities. Research on this relation, however, is quite limited and provides evidence usually only at macro level. One of the aims of this project is therefore to make a contribution towards closing this research gap with empirical evidence collected at neighbourhood level.

In the present report, we focus on the way individuals and groups perform in the city as entrepreneurs since we see the economic performance of people as an essential condition for the economic performance of a city. Thereby, we aim to trace the relationship between urban diversity and the success of these local entrepreneurs. We assume that diversity can motivate entrepreneurs to start a business in the area and that diversity may be beneficial for the functioning and the performance of an enterprise. Moreover, beneficial conditions that increase the possibilities of building successful businesses may thereby also enhance social mobility for different groups of people.

As a first step, the report examines the entrepreneurs, who start their businesses in diversified neighbourhoods and the factors that define their economic performance. It might be expected that factors like the ethnic background of the entrepreneur, age, family background, gender, education and previous experience are important variables in determining the success of the enterprise. These factors interact with the influence of diversity at the neighbourhood and city level. As a second step, the report explores the main motivations of entrepreneurs for starting a business and assesses whether neighbourhood diversity is an important factor thereby. As a third step, it analyses the economic performance of the entrepreneurs, the potential influence of neighbourhood diversity and the long-term plans of the entrepreneurs. As a fourth step, the report evaluates the role of policies and measures at different state levels as well as the membership in diverse associations.

The concrete research questions are treated in four chapters and read as follows:

1. What are the main characteristics of the entrepreneurs and their business? What are the evolutionary paths and the fields of activity? What are the physical conditions and the ownership pattern of their offices, their production sites or shops? (Chapter 2)
2. What were the main motivations of the entrepreneurs for establishing a business? What is the importance of neighbourhood diversity for starting their business where it is located now? Why did he or she select this line of business and from whom did the entrepreneur receive the support for starting the enterprise? (Chapter 3)
3. What are the success and failure factors important for the economic performance of the enterprises? What is the current level of performance and how did it change? To what extent does the diversity of the neighbourhood play a role regarding economic perfor-

mance? What are the long-term plans of the entrepreneurs? Do they have any plans to change size, market or business strategies in order to reach higher levels of competitiveness? (Chapter 4)

4. Which policies, measures or organisations contribute to the performance of the enterprises? Does the membership in various associations have an influence? What do the entrepreneurs want from policy makers at different levels? (Chapter 5)

The research is based on a qualitative approach and involves 38 semi-structured interviews with local entrepreneurs in our case study area – in the Districts 4 and 9 of the City of Zurich. Thereby, the main rationale behind the sampling procedure was to have a diverse selection of interviewees – mainly with respect to their ethnic background and their type of business. We therefore intended to find interviewees from all waves of immigration as well as native-born residents. However, the selected businesses should also be typical and representative of the city and the case study area. With respect to spatial factors, the interviewees should be rather equally distributed among the two districts and the five neighbourhoods of our case study area – Werd, Langstrasse and Hard in District 4 as well as Altstetten and Albisrieden in District 9.

District 4 was built up during the 18<sup>th</sup> century and quickly grew into a town during industrialisation, mostly inhabited by factory workers. It was incorporated into the Zurich municipality in 1893. The history of the district is closely linked to the history of the labour movement in the City of Zurich – with for instance the establishment of the People’s House in the district (City of Zurich, 2015). Today, District 4 is a densely populated urban quarter with an ethnically diverse population and a manifold mix of uses. However, the area has undergone some significant changes in the last years and gentrification processes currently take place. Within this district, the *Langstrasse* area is the best-known neighbourhood, one of the liveliest places in the city, present in media and subject of discussions. In the 1960s, the ‘Langstrasse’ – the street after which the neighbourhood is named – was known as the ‘Bahnhofstrasse of the Italians’ – referring to the main shopping street in District 1 (ibid.). So, the Langstrasse neighbourhood has always been a place where foreigners from all over the world arrive first. Today, the quarter is notorious for its high quota of foreign nationals, prostitution and drug dealing, but it is also a very popular night-life area. So, we have very different places in District 4: former working-class neighbourhoods with a high share of social housing, very posh and gentrified areas like the newly built neighbourhood *Europaallee* next to the train station or the red-light and party district at the Langstrasse.

District 9 is divided in the two neighbourhoods of *Altstetten* and *Albisrieden*. Both entities were formerly small farming villages and municipalities of their own, but were incorporated into the Zurich Municipality in 1934. While in Altstetten the rural settlement structures have mainly disappeared, the old village centre of Albisrieden is still preserved. Altstetten is the largest and the most populous neighbourhood in the city. It is characterised, on the one hand, by numerous industrial and service enterprises and several big corporations in the lower-lying areas, and by broad residential areas on the hillside, on the other hand. Furthermore, it is an ethnically diverse neighbourhood with a comparably high percentage of foreign nationals of 35.4% and a high quota of social housing (City of Zurich, 2015). Albisrieden, located in the south of District 9 in the foothills of the Üetliberg Mountain, has still preserved its rural character. The former farming village is mostly a quiet residential area – as well with a high share of social housing – and provides a lot of green and open spaces.

The fieldwork was carried out from August until December 2015. As a first step, we conducted interviews with three representatives of the local trade associations to get an overview on the different industries present in the case study area. These talks served as well as entry points to get in contact with potential interviewees. Further contact opportunities resulted from inputs from

members of our policy platform, from systematic web search and from our own exploratory research in the study area. The resulting sample of interviewed entrepreneurs and their businesses is presented in detail in chapter 2.

The main results of the analysis on how urban diversity affects the economic performance of the surveyed businesses are threefold:

- *First*, the fourth wave of immigration – starting with the beginning of the 21<sup>st</sup> century and the ‘Agreement on the Free Movement of Persons’ between the European Union and Switzerland – brought a high number of well-qualified specialists from different EU countries, but mainly from Germany, to the City of Zurich. The interviewed entrepreneurs now benefit strongly from this wave of immigration. Especially for the members of the creative class, these new customers generate substantial new revenues.
- *Secondly*, a lot of the interviewed entrepreneurs mention the favourable impact of the ongoing urban development and the gentrification processes in the case study area. They benefit from new and wealthier clients and the changing image of the neighbourhoods. However, these processes change and reduce diversity – especially the socio-economic diversity – in the city, since they force poorer people to move to the suburbs.
- *Thirdly*, immigrant entrepreneurs do often possess little institutional support. A substantial part of the immigrants – especially from non-EU countries – do not know the local trade associations or any professional organisation. At the same time, immigrant entrepreneurs do not rely more frequently on social networks than Swiss nationals and only a few are strongly involved in their ethnic community.

The report is divided into six main chapters. Following this introduction, the next four chapters discuss and answer the research questions as outlined above. In the conclusions we summarise the main results and address our research questions. We will also give some broader guidance for policy-making.

## 2 The entrepreneurs and their businesses

### 2.1 Introduction

With respect to the relationship of urban diversity and entrepreneurship, two fields of research seem particularly relevant when investigating the entrepreneurial milieu in the City of Zurich: ‘ethnic business’ and the ‘creative class’.

Regarding the entrepreneurial activities of immigrants, in the literature we often find the concepts of ‘ethnic business’ and of ‘immigrant business’. However, these terms are not used in a coherent manner. To better outline the concept of ethnic entrepreneurship, it seems therefore helpful to distinguish between the ethnic affiliation of the entrepreneur, of the product and of the customers (City of Zurich, 2008a). ‘Ethnic business’ generally involves an ethnic affiliation of all three elements of the definition, while ‘immigrant business’ only focuses on the ethnic background of the entrepreneurs. However, these definitions are shaped by an Anglophone perspective – in German-speaking countries, the concepts are often used interchangeably since the migrant background is in the centre of attention (ibid.). Furthermore, the ethnic communities in Switzerland are generally too small to establish an ethnic business in the narrow sense of the definition. The functions of immigrant business are manifold: it basically represents an important economic factor; it often generates workplaces for other immigrants and enhances thereby social mobility; and it pushes societal integration since ethnic entrepreneurs act as kind of intermediaries between the

native residents and the immigrants (ibid.). Empirical data on this matter are however very scarce in Switzerland – there are only a few studies on immigrant entrepreneurs (see e.g. City of Zurich, 2008b; Piguet and Besson, 2005; Suter et al., 2006). With our survey, we try to contribute towards a greater knowledge of the entrepreneurial milieu as well as of the resources, motivations and needs of ethnic entrepreneurs.

The concept of the ‘creative class’ and its relation to economic growth lately came to the fore through the work of Richard Florida. In his (much praised, but also heavily criticised) book *The Rise of the Creative Class* Florida (2004) argues that the creative class is a key driver of urban and regional growth. Hence, it is the population in a place that makes the difference and not particular industries (Boschma and Fritsch, 2009). But this creative class is not evenly distributed across space: Florida argues that creative people are attracted to places that are culturally diverse and tolerant. He therefore makes strong links between diversity and creativity: *Diversity and creativity work together to power innovation and economic growth* (Florida, 2002: 577). So, urban diversity – and particularly the presence of gay couples, bohemians, and foreign-born populations – attracts knowledge workers and increases the creative capital. The ideas of Richard Florida have had an influence on many urban policy documents – the City of Zurich as well integrated his arguments in the legislative focal points 2010-2014 by setting the promotion of Zurich as a ‘city of culture and creativity’ as an important political focus (City Council of Zurich, 2010a). Indeed, the creative class is very present in the City of Zurich: in the year 2014, 44,000 persons have been working in the creative economy – in sectors like the music industry, advertising, the book and press market and the art or design market (Inura, 2015; Weckerle and Theler, 2010). This share is higher than 10% of the whole labour force in the city (Inura, 2015). And with the strong immigration of highly qualified persons from the EU since the beginning of the 21<sup>st</sup> century, the creative economy has additionally increased significantly over the last years (ibid.). So, Zurich is assumingly the creative capital – and as well the unofficial gay capital – of German-speaking Switzerland.

The present chapter now discusses our sample of interviewed entrepreneurs and their businesses and thereby investigates the following research questions:

- What are the main characteristics of the entrepreneurs?
- What are the main characteristics of their business, the evolutionary paths and the fields of activity?
- What are the physical conditions and the ownership pattern of their offices, their production sites or shops?

## 2.2 Characteristics of the entrepreneurs

As a first step, we take a detailed look at the interviewed entrepreneurs and their businesses. This section presents the characteristics of the entrepreneurs, their education, vocational training and professional experience as well as potential previous jobs. We almost always interviewed the owner or a co-owner of the selected companies. If there were employees, the interviewed persons also always represented the managers of the enterprise. So, we did not encounter an entrepreneur who is not fully involved in business operations.<sup>1</sup>

---

<sup>1</sup> A list on the interviewed entrepreneurs in the appendix summarises the most important descriptive information of the entrepreneurs and their businesses.

The interviewed entrepreneurs are rather equally distributed between the two districts of our case study area. 21 interviewees run their businesses in District 4 and the company of 17 respondents is located in District 9.

There are eleven female and 27 male interviewees. So, only about 29% of our sample are women – a number somewhat below the official statistics. According to the Swiss labour force survey, of the 546,000 self-employed persons in Switzerland in the year 2015 – what corresponds to a self-employment rate of 11.9% of the total working population – there are 35.9% women (Federal Statistical Office, 2015a). Thereby, the self-employment rate of women amounts to 9.2%, while for men the rate amounts to 14.3% in the year 2015 (*ibid.*).

The age of the interviewees is evenly distributed between ages 27 to 63; the mean age is 46.6 years. These numbers are in accordance with the official statistics reporting a mean age of 47.1 years (Federal Statistical Office, 2006). The higher average age of self-employed persons compared to employed persons is due to the fact that a self-employed activity is often preceded by several years of working relationships as an employee. Furthermore, younger persons often experience difficulties in obtaining a bank loan (*ibid.*).

The entrepreneurs can be divided in 17 native-born residents and 21 persons with a migration background. Thereby, we can classify the business people with a migration background according to the four waves of migration that Switzerland witnessed since the Second World War:

- 4 persons are immigrants from Mediterranean countries (mainly Italy, Spain, Portugal and Turkey) that arrived during the period from the 1950s to the 1980s representing the first and second wave of immigration;
- none are immigrants from the countries of former Yugoslavia that arrived mainly during the 1990s representing the third wave of immigration;
- 5 persons are immigrants from the European Union (mainly Germany) that arrive in Switzerland since the beginning of the 21<sup>st</sup> century representing the fourth wave of immigration;
- 5 persons are second generation migrants<sup>2</sup> with roots in Mediterranean countries;
- 2 persons are second generation migrants with roots in a former Yugoslavian country;
- 5 persons come from other countries.

The four waves of migration are well represented in the sample; and we have 14 first generation and seven second generation migrants. We did not reach first generation migrants from former Yugoslavian countries, though.

Meanwhile, 26 of our interviewees hold the Swiss citizenship and twelve persons have not yet been naturalised. This share of 68.4% of Swiss citizens is below the official numbers: 85.7% of the self-employed persons in Switzerland in the year 2015 are Swiss citizens (Federal Statistical Office, 2015a). Thereby, the self-employment rate of Swiss citizens in relation to the total Swiss working population amounts to 13.6% and the rate of foreign citizens compared to the total foreign working population amounts to 6.8% (*ibid.*). The reasons for this difference are manifold. First, migrants from non-EU/EFTA countries not holding a permanent residence permit must comply with strict regulations regarding self-employment. Second, migrants are obviously much

---

<sup>2</sup> We use the term ‘second generation migrant’ for persons whose parents migrated to Switzerland, but who were born in Switzerland. This definition is not related to the citizenship of these persons.

less frequently in the situation of taking over an existing family business. Third, language barriers might have an important impact on the process of founding a company. However, the difference is much less pronounced in larger cities (City of Zurich, 2008a).

26 interviewees have completed their education in Switzerland. These are native-born residents or persons with migration background who – at least partly – grew up in Switzerland. Twelve interviewed entrepreneurs, on the other hand, were educated abroad. Among them, we have a baker from Turkey, a hairdresser from Burkina Faso, a bicycle mechanic from Italy and an educator from Germany. So, every interviewed person possesses at least basic education and vocational training.

The fourth wave of immigration in Switzerland constitutes the so-called ‘new migration’ of highly qualified immigrants from the European Union. However, only two out of our five interviewees belonging to the fourth wave of immigration do actually possess higher educational qualifications: two consultants – one from Austria and one from the Czech Republic. In total, ten interviewees have tertiary or higher vocational education – the other entrepreneurs completed a vocational education. Among the highly educated persons are only two women.

A majority of 28 entrepreneurs still works in their original profession – some of them, however, have completed multiple educational trainings. Ten persons, on the other hand, became self-employed in a rather different vocational field; three of them completed an additional training. Among this group are five women and five foreign nationals. The reasons for this change in profession differ: some of them wanted to become self-employed and thereby trying something new – such as the legal expert who established a business for interior design or the dressmaker who opened a cosmetics studio. Other entrepreneurs were in a difficult vocational situation and were obliged to change profession – such as the Iranian social worker who could not find a job in Zurich and therefore took over a tobacco shop or the Swiss employee whose employer planned some job reductions and therefore financed an additional training so that he could establish a business as a driving instructor.

Nearly all interviewed entrepreneurs worked several years as employees in their professional field, before they opened their own business. Those who became self-employed in a different area were employed in their original vocational field before. Six persons have always worked in the family business, before they could take over the responsibility for the company themselves. These enterprises are mostly typically crafts businesses: a carpenter’s workshop, a painting company, a tailor shop or a bicycle repair shop. Out of these six entrepreneurs, four are Swiss citizens and two are Italian citizens.

### **2.3 Characteristics of the businesses, their evolutionary paths and core fields of activity**

In the present section, we aim to define the main characteristics of the business, the types of products or services being produced and the evolution of the enterprise. Thereby, we also try to find out what distinguishes the enterprise from other companies.

On an average, the surveyed companies already exist for 15 years, which means that the average year of foundation or takeover was 2001. If we only include the lifespan of the sites in our case study area, the founding year is 2003, since two businesses have multiple locations and four entrepreneurs relocated their office or shop. However, the distribution ranges from 1984 – a hairdresser – to 2015 – a coffeehouse – and it is not very even: only 13 out of 38 companies have

been founded before the year 2000. Regarding the type of business, we do not see any connection with the year of establishment.

The investigated enterprises constitute a representative sample of all types of business that are present in the case study area. To classify the surveyed enterprises, we distinguish between three types of business – retail, manufacturing and services. In the retail trade, we have 13 companies selling products like shoes, cars, books or sports equipment. In the manufacturing industry, there are further eight enterprises such as bakeries, painting companies or carpenter's workshops. And finally, 17 companies belong to the service industry, such as hairdressers, a nursery, cosmetics studios, advertising agencies or restaurants.

Regarding the breakdown by sector, eight companies in our sample belong to the secondary sector – these are typical manufacturing businesses. The other 30 enterprises are located in the tertiary sector – companies in the retail trade, the hospitality industry or the service industry. This number corresponds to the city's high share of workplaces in the tertiary sector of 93.3% (Federal Statistical Office, 2015b).

As discussed in the introduction of this chapter, the creative class – people working in sectors like the music industry, advertising, the book and press market and the art or design market – is highly present in the City of Zurich (Inura, 2015; Weckerle and Theler, 2010). In the year 2014, 44,000 persons have been working in the creative economy – this share is higher than 10% of the whole labour force in the city and it has increased significantly over the last years (Inura, 2015). District 4 of our case study area is thereby a favoured location for creative occupations (ibid.). Our survey confirms these numbers: a vast majority of the creative entrepreneurs in our sample are located in District 4. Depending on the definition of the creative class, there are nine to eleven creative people among the interviewees. Classifying these entrepreneurs is not difficult when it comes to advertising agencies or design shops, but more challenging in the case of a bicycle dealer, selling hip racing bikes for urban people. The creative entrepreneurs are mainly Swiss citizens and only recently immigrated persons from the European Union representing the fourth wave of immigration have joined this subgroup. Therefore, the creative companies in our sample are of a more recent making than the traditional businesses.

Ethnic entrepreneurship is highly present in our case study area – mainly in District 4. However, since ethnic business is a concept that lacks a clear definition, we distinguish between the ethnic affiliation of the entrepreneur, of the product and of the customers. 14 of our interviewees are not born and raised in the City of Zurich, but have migrated to Switzerland in later years. Even though two of them have been naturalised in the meantime, we use the classification of 'immigrant entrepreneurs'. However, with respect to products and customers, there is only one case in our sample selling ethnic products for an ethnic community: a hairdresser from Burkina Faso sells hair extensions and creates hairstyles for African women. So, when applying a narrow definition of ethnic business, we only have one ethnic entrepreneur in our sample. Further two immigrant entrepreneurs offer ethnic products, but address a broader clientele: two restaurants – a Spanish tapas bar and an Indian and Tamil take away restaurant – serve traditional dishes from their country of origin for a mixed audience. The other immigrant entrepreneurs benefit to a greater or lesser extent from networks within their ethnic community, but they do not sell specific ethnic products or offer ethnic services. In the City of Zurich, the ethnic communities are generally too small to allow successful ethnic businesses in a narrow sense (City of Zurich, 2008a). Therefore, immigrant entrepreneurs often need to attract Swiss costumers as well. Only in the neighbourhood of the *Langstrasse* with its high share of foreign citizens, there is a small percentage of ethnic entrepreneurs addressing exclusively an ethnically defined target group (ibid.).

With respect to the type of ownership, a majority of 17 enterprises are sole proprietorships, further eleven cases are limited liability companies and eight are joint-stock companies. Furthermore, there is one association and one cooperative. Twelve entrepreneurs run a typical family business – in some cases, it only involves a couple, and in other cases, the business depends on a large family. Thereby, typical craftspeople are more often established as sole proprietorships and more frequently working in a family business. Beyond this relation, the origin or the type of industry do not play a role regarding the type of ownership.

On an average, the surveyed enterprises have twelve employees, the owner not included. However, two chains – one of nurseries with around 200 persons and one of bakeries with 50 employees – have boosted this number. So, if we only include the sites in our case study area, the number of employees amounts to only seven on an average. Thereby, seven entrepreneurs do not have any employees, 25 interviewees have between one and ten staff members and only six companies have over ten employees. In this category as well, origin or type of industry do not have any influence on the results. Furthermore, our sample is in accordance with the official numbers. According to the Statistics Office of the City of Zurich (2013), a defining characteristic of Zurich's economy is the sizable number of small businesses, which represent the typical corporate structure: around 88% of the city's workplaces have no more than nine full-time employees. And there are only 128 large companies with 250 or more employees – a figure that corresponds to only 0.5% of all workplaces.

Of the 31 surveyed companies with employees, ten entrepreneurs explicitly state that their staff members are ethnically very diverse and coming from very different countries. Six of these interviewees spontaneously add that nationality is not a hiring criterion; only the professional qualifications are of importance. For two entrepreneurs, it is however crucial that the employees master the German language. In six cases, the interviewees state that all their staff members are Swiss citizens, but this is pure coincidence. Regarding the embedding in the neighbourhood, only in four companies, the employees do actually live in the district. As it seems, origin, gender or age do not represent important hiring criteria for any company under scrutiny. However, there are two exceptions to this rule: for two immigrant entrepreneurs – the restaurant owners serving ethnic products, but addressing a mixed audience – it is important to hire employees of the same ethnicity since these persons know the offered dishes and they convey an *“authentic impression”*.

Talking about their main products and services, the answers of the surveyed entrepreneurs come as no surprise: the brewer sells beer and the bicycle dealer sells bicycles. But asked about what distinguishes them from other enterprises, the results are very interesting and consistent across the interviews. Many enterprises are struggling with the strong Swiss currency and the growing market for online shopping. They see themselves exposed not only to local or national, but also to global competition. As a reaction to this tense situation, we encountered two dominant strategies to stand out from the crowd and to withstand the competition: a strong focus on the quality of the products and services as well as a high customer orientation.

Regarding the quality of their products and services, around a third of the interviewed entrepreneurs considers this strategy as an important characteristic of their business. Many of them focus on sustainable, organic, local or fair-trade products and services. Since they are not competitive regarding prices on the international market, they go for high quality products to survive in the long run. Examples include a goldsmith who only produces handmade unique items with fair-trade gemstones or a shoe shop with high-quality niche products selling individual shoes from small manufactories.

Regarding customer orientation, another third of the interviewees focus on this second survival strategy. They create fully personalised products and services and implement the clients' wishes in all details. Furthermore, in these companies, the personal relationship with the customers is emphasised. The clients shall feel comfortable and appreciated – the entrepreneurs therefore present themselves as very flexible and always available. This is illustrated by the offset printer who gives his mobile number to his good customers, so that they can reach him also at the weekend; by the retail shop owner who serves free coffee for every customer or by the bakery that is open 24 hours a day.

The evolutionary paths of the surveyed enterprises differ considerably. Approximately half of the enterprises have increased their sales and staff since their foundation. Most of these companies experienced a slow and constant growth, but there are also some very successful start-ups such as the urban agriculture shop that really has its finger on the pulse of the city. However, several entrepreneurs stated that the last years have been quite difficult – they obviously experienced the implications of the financial crisis and the strong Swiss currency. Thereby, creative workers are possibly more sensitive to such economic fluctuations.<sup>3</sup> Regarding the range of products and services, in general the companies have not implemented significant changes. Only in some industries such as the printing business, advertising or photo retail business, digitalisation has been introduced in recent years.

## 2.4 The location and site/s of the enterprise

As a final step in portraying the interviewed entrepreneurs and their businesses, we now investigate the physical conditions and the ownership pattern of their offices, production sites or shops.

The vast majority of the surveyed businesses have one branch; only four companies operate on multiple locations – a nursery, a bakery, a jeweller and a shoe shop. However, some entrepreneurs have a small external warehouse or production site – nearby or at a low-rent location outside the city. Only one consultant works from home or directly at his clients' office. However, in the smaller companies, administrative and office work is sometimes done at home as well.

With respect to ownership pattern, there are no differences among the investigated companies. All entrepreneurs rent their offices, shops or manufacturing sites. This result is not extraordinary, since in Switzerland, a majority of the people still rent their flats and offices and do not possess residential property, since they cannot afford it.

The physical conditions of the buildings do not differ considerably. There are mostly small to medium-sized, and the look of the sites depends on the type of business and on the products. While, for instance, urban design shops and advertising agencies capitalise on an attractive interior of the office or shop, such considerations are not equally important for a print office or a painting company.

## 2.5 Conclusions

The selected sample constitutes in many respects a representative cross-section of the entrepreneurs and their businesses in our case study area. Many characteristics of the entrepreneurs and the companies are very similar to the entrepreneurial reality in the City of Zurich. Furthermore,

---

<sup>3</sup> We will investigate this matter in more detail in chapters 4.2 and 4.3 of the report.

the sample offers the opportunity to take a closer look at the creative class in the city and at different types of ethnic entrepreneurs.

Asked about their main distinguishing features, a vast majority of the surveyed companies declared to invest in one of two core business strategies: focusing on high quality products and providing strong customer orientation. Many entrepreneurs feel exposed to high international competition due to the strong Swiss currency and the growing market for online shopping. The implementation of these business strategies helps them to withstand this competition, to stand out from the crowd and – to the interviewees' expectations – to survive in the long run.

### **3 Motivations to start a business and the role of urban diversity**

#### **3.1 Introduction**

To comprehensively understand and analyse entrepreneurship and the process of establishing a business, it is crucial not to focus either on the person of the entrepreneur alone nor on the institutional context such as market structures or regulations only. We need a comprehensive framework that encompasses both the actors and the opportunities or constraints the entrepreneurs are confronted with – like a transformation of a market, growing clientele, declining demand or the different types of neighbourhood diversity. Such an analytical framework combines the micro-level of the individual entrepreneur with the meso-level of the local opportunity structure and the macro-level of the institutional context (see e.g. Kloosterman, 2000 and 2010; Kloosterman and Rath, 2010).

The micro-level involves the personal characteristics and backgrounds of the entrepreneur, his or her skills, education and ideas. But it also encompasses the different resources of the entrepreneur: the social, cultural and financial capital. In particular, the social capital of an entrepreneur – the value of resources generated by social networks (Burt, 1992) – seems to play a significant role when establishing a business. People who have family members or close friends that are self-employed are more likely to become nascent entrepreneurs (see e.g. Davidsson and Honig, 2003; Klyver et al., 2008; Menzies et al., 2006). Especially for ethnic minorities, it is supposed that strong involvement in the ethnic community is vital to the entrepreneurial activities of group members (see Butler and Greene, 1997; Deakins, 1999). However, Piguet and Besson (2005) show that, in Switzerland, cultural factors only play a secondary role in the decision of becoming self-employed. In other studies, resources such as education, financial capital, previous experience or parents' occupation have been found to be more important in business success than ethnic involvement (see Marger, 1989, Menzies et al., 2006). Regarding the relationship between the social capital of a community and regional economic growth, Florida (2003) argues for weaker rather than stronger ties between its members. Contrary to Putnam's (2000) theory of social capital holding the view that strong civil societies are crucial for economic outcomes, Florida (2003: 6) shows that places with looser networks and weaker ties are more open to newcomers and thus more effective at generating economic growth.

At the meso-level – the local opportunity structure – the most important components are the markets. Opportunities for entrepreneurs are intrinsically linked to markets: there has to be a sufficient – or yet still latent – demand for certain products, so that a business can survive (Kloosterman and Rath, 2010). The dynamics in the urban economies creates changes in the local opportunity structure and thereby open up or restrict possibilities for existing and new businesses. As Switzerland being an immigration country, the arriving people create new and additional demand and change the composition of the population in the neighbourhoods. In the City of

Zurich, the annual growth rate of the foreign resident population amounts to 13.2% compared with 5.9 % among the Swiss population (Statistics Office of the City of Zurich, 2013). Thereby, the fourth wave of immigration – immigrants from the European Union (mainly Germany) arriving since the beginning of the 21<sup>st</sup> century – has been extremely pronounced. German nationals represent the largest foreign nationality by far with a share of 25.4% and constitute the so-called ‘new migration’ of highly qualified immigrants (City of Zurich, 2015). This new group of immigrants has the potential and the financial means to influence the local economy.

The macro-level of the institutional context, finally, involves the rules, institutions and instruments for market regulation. Thereby, regulations may take various forms such as laws or incentives; they may pertain to products, suppliers, customers, contracts or behaviour; and various actors at different state levels may enunciate them (Kloosterman and Rath, 2010). With respect to public start-up support, we find a few small instruments and projects offering micro-credits and counselling in the Canton and City of Zurich.<sup>4</sup> With respect to our sample, there is another interesting incentive programme at the city level. In the context of the project ‘Langstrasse PLUS’ – a municipal effort running from 2001 to 2010 to prevent the emergence of an open drug scene and to curb the prostitution in the neighbourhood of the Langstrasse – the City of Zurich set up a fund (the ‘Langstrasse credit’) of CHF 2 million (approx. € 1.84 million). With this money, the city wanted to ‘*establish measures for the maintenance, the extension, the renovation or the creation of localities for neighbourhood-oriented shops, restaurants and small trade*’ (City Council of Zurich, 2010b: 1). Thereby, the fund ‘*should support a diverse supply for the neighbourhood and the preservation of an appropriate business structure*’ (ibid.). During the course of the project, 29 entrepreneurs in the neighbourhood of the Langstrasse in District 4 received financial support.

In the present chapter, we now explore the following research questions:

- What were the main motivations of the entrepreneurs for establishing a business?
- What is the importance of neighbourhood diversity for starting their business where it is located now?
- Why did he or she select this line of business?
- From whom did the entrepreneur receive the support for starting the enterprise?

### 3.2 Motivations for establishing a business

Motivations for starting a business are manifold and result out of a combination of factors at micro-, meso- and macro-level. In the following, we will extract the most important factors from our data and classify them according to the different types of entrepreneurs and businesses.

The vast majority of our interviewees – regardless of ethnicity, class, gender or type of business – always had long-term ambitions to become self-employed one day. Their desire for independence is somehow rooted in their personality: they wanted to create something on their own, realise their individual vision and become their own boss. Many entrepreneurs state that, already during their vocational education, they planned to establish their own business. However, a certain event or certain circumstances always triggered the process of actually founding an enterprise. Either difficulties in the company, such as problems with a supervisor or imminent job reductions, or external influences, such as receiving an interesting offer or meeting the right people, have lead to

---

<sup>4</sup> These instruments are described in more detail in chapter 5.1.

this decision. Suddenly, a door opened and our ambitious entrepreneurs seized the opportunity. As one interviewee has put it:

*“In the company I was working, I had a very bad supervisor at the end. And that tipped the scales; so, I quit the job and did my own thing. It was always in my mind, in fact, but my bad boss finally provoked it.” (R12, male, 42, Swiss/Croatian, bicycle repair shop)*

For some of the immigrant entrepreneurs – mainly from non-EU countries – the main motivation was a different one. For these respondents, founding their own business was the only possibility to escape from jobs as an unskilled employee. In fact, these persons were not unskilled at all, but predominantly possess higher education. However, after their entry into Switzerland, they could not work in their professions – either because they have not recognised certificates from non-EU countries or they do not master the language sufficiently well. So, these immigrants got stuck in low-quality jobs and they therefore decided to establish a company on their own – a restaurant offering dishes from their home country or a small retail shop. One interviewee explained:

*“Before, I was working for ten years in different jobs: restaurants, factories, offices. But then, it didn’t work for me any longer. I rather got self-employed than doing simple jobs – despite the risk.” (R5, male, 58, Iranian, tobacco shop)*

This result confirms the hypothesis of the disadvantage theory, a subset of opportunity structure theories, whereupon becoming an entrepreneur is a survival strategy, particularly when minorities encounter barriers that deny advancement in the formal labour market (Fischer and Massey, 2000; Hackler and Mayer, 2008).

There is another group of entrepreneurs – including many creative people – who gradually decide to turn their hobby into their profession. These persons have often absolved an education in a different field, but after some years of working and having earned enough seed capital, they take the next step and change their profession. They describe their motivation as *“finally doing what they love”*. A former legal expert who established a business for interior design stated:

*“The idea of being self-employed actually stemmed from my desire to explore my creativity more strongly. Sure, I don’t earn as much as before, but who knows. Actually, it is principally about self-fulfilment.” (R23, female, 32, Swiss/Turkish, interior design shop)*

Again, the entrepreneurs taking over a family business were in a completely different situation. Here, in general, it was a logical process to follow in their parents’ footsteps – most interviewees did not question this procedure or always had the intention to continue the business. One respondent explained:

*“My father asked me if I would like to become an interior decorator as well. As a little boy, of course I knew the company and the profession and I somehow grew into it. So, with fifteen years, I started a vocational education as an interior decorator – without having written any application – and so far, I actually never regretted it.” (R33, male, 56, Swiss, interior decoration shop)*

### 3.3 The importance of location and place diversity

Neighbourhood diversity as an important element of the local opportunity structure may have a strong impact on entrepreneurial decisions. Why have the entrepreneurs chosen the present loca-

tion of their companies? And did the diversity of the area have an influence on this decision? These questions are being discussed in the present section.

Of our 38 interviewees, eight entrepreneurs took over the business from their parents and therefore never made a location decision. They are all sufficiently happy with the location of the company and never had the intention to move.

So, of our other 30 entrepreneurs, around a third did not particularly look for a location in our case study area – they even had no relations with the district at all. Mostly, these people were looking for an affordable establishment at a rather central position with no similar enterprise close by. The diversity of the neighbourhood as such was not an important factor thereby. A baker in District 4 pointed it out as follows:

*“I did not specifically choose the Langstrasse. I needed an inexpensive location and a locality with a bakehouse. Then, I saw the announcement. I got the location because of my good qualifications. However, before I never had a relationship with District 4.” (R3, male, 46, Turkish, bakery)*

Another third also stated that the location decision was pure coincidence, but these entrepreneurs were familiar with the neighbourhood before. Some live in the area or have worked here before; a few were already born in the district or know a lot of people around. So, they could partly benefit from their contacts when looking for a locality – as the example of an advertising agency illustrates:

*“It wasn’t like ‘we have to go to District 4’. But of course, here we have architectural offices, design shops, advertising offices, and a lot of cool shops – that’s attractive. It’s a good place. We always moved when we had a good opportunity. Here, we knew the architect and the owner.” (R6, male, 38, Swiss, advertising agency)*

The remaining third of our interviewees – except for the owners of a multi-generational family business – were explicitly looking for a locality in the area. These nine persons considered the spatial conditions, the image of the district and the composition of the population in ethnic, socio-demographic or socio-economic terms as ideal for their entrepreneurial activities. Therefore, they were explicitly searching in a certain neighbourhood of the case study area. So, it is always about the accessibility of customers; but the different entrepreneurs have different customers in mind. Two immigrant entrepreneurs, for instance, who are – to a certain extent – selling ethnic products, needed to settle in the close surroundings of their ethnic community:

*“Our business only works here. At other locations we considered, other food cultures were desired – for example Turkish food at the Lochergut<sup>5</sup>. Here, we have a lot of Tamils.” (R38, male, 52, Sri Lankan, Indian and Tamil take away restaurant)*

Some other entrepreneurs deliberately settled in areas subject to gentrification such as the *Europaallee*, since they were looking for young and relatively wealthy people with an urban lifestyle. These enterprises all belong to the creative economy. As one interviewee puts it:

---

<sup>5</sup> The *Lochergut* is a large-scale and well-known high-rise building in District 4.

*“It is an aspiring neighbourhood. It has many young companies, many designers, and many architects. And regarding the housing situation: there are a lot of young people who are potential clients.” (R9, female, 36, German, goldsmiths)*

Another owner of a creative company stated that he needed to provide a pleasant environment to his employees – an appealing neighbourhood that enhances creativity.

Furthermore, among these nine businesses we have a music club that benefits from a location at the *Langstrasse* in the middle of the nightlife district, a nursery that chose a locality in a diverse neighbourhood with a lot of families, and an alternative bookshop that settled in District 4 due to its former socialist population. Finally, there is an owner of a coffeehouse who chose a location at the *Langstrasse* since he needed an easy-going neighbourhood for establishing his business:

*“Here, the expectations for the quality of service and for what you can create are not super high. At places such as *Bahnhofstrasse*, people have different expectations and treat you in a different way. The best place to start and build up a brand is *Langstrasse* because you can create an atmosphere, which you can’t create somewhere else. Here it’s acceptable to have fun.” (R37, male, 27, New Zealand, coffeehouse)*

In a nutshell, important factors in the location decision were low rents, the central location of the districts, potential competition in the close surroundings, and the accessibility of customers. However, only a minority of entrepreneurs considered the neighbourhood diversity an important factor. Thereby, different elements of diversity were referred to: the presence of a certain ethnic community, of a certain age group or of a certain social stratum.

Directly asked about their perception of the diversity in the area and the relevance of this diversity for their businesses, at least half of our interviewees clearly negate any influence on their location decision. Neighbourhood diversity did not play a role when establishing their business. In this context, however, many interviewees mention the favourable impact of the ongoing urban development in the area. They benefit from new and wealthier clients and the changing image of the neighbourhoods – and these statements do not stem from creative entrepreneurs only. One example nicely illustrates this perspective:

*“Personally, I like the multicultural environment, but it is not relevant for my business. It’s more important that the neighbourhood is aspiring, that the housing market is booming, and many young people are moving here.” (R9, female, 36, German, goldsmiths)*

As we can see, the ethnic diversity in our case study area mainly serves as a consumer good, as a nice backdrop for everyday life. However, there are also a few people mentioning the negative aspects of these gentrification processes: increasing rents, less diversity, elimination of small companies from the market and rising uniformity. Thereby, the opinion of the entrepreneurs concerned basically is that the City of Zurich should not exaggerate these developments, but they do not challenge the city’s strategy in general.

Nevertheless, one aspect of the prevailing ethnic and cultural diversity in the city came up rather frequently. Several interviewees referred to the fourth wave of immigration and the arrival of highly qualified immigrants from the European Union – and mainly Germany – since the beginning of the 21<sup>st</sup> century. Obviously, the sharply increasing number of German nationals generated substantial new revenues. These well-qualified specialists have well-paid jobs and therefore the financial means to influence the local economy. Especially, members of the creative class and

entrepreneurs selling products or services for a higher standard of living benefited from this wave of immigration. For instance, a jewellery designer keeping an urban design shop stated:

*“The Germans love our shop. We benefited a lot from the German wave. When they arrived some years ago, they stormed our shop. The boom in these years was completely the result of this wave of immigration. But during the last three years, the demand declined again. Maybe they realised that the living costs are not that low in Zurich and that they have to pay a lot of taxes at the end of the year...”* (R15, female, 47, Swiss, store for design)

So, as Switzerland is an immigration country, the immigrants have a substantial impact on the economy. And the recent wave of immigration mainly affected creative entrepreneurs and lifestyle products.<sup>6</sup>

### 3.4 Selecting the line of business

The decision for a certain line of business is a crucial step in establishing an enterprise and it presumably depends on individual characteristics such as education, skills and ideas, on the local opportunity structure including market structures as well as on the institutional context. The present section explores the reasons of the interviewed entrepreneurs for selecting their line of business.

For the vast majority of our interviewees, selecting the line of business was not a strategic decision, but a logical step given their education and knowledge. At least two thirds of the sample established a business in the field where they absolved their vocational education. The offset printer set up a printing plant and the tailor opened up a tailor shop. In these cases, selecting another line of business never was an issue.

A few entrepreneurs used the step of becoming self-employed to turn their hobby into their profession. This group of entrepreneurs particularly includes many creative people. Before, they were working as employees in a different vocational field – some of them therefore needed to complete an additional training. Here, selecting this new line of business was not the result of a quick decision or of somebody else’s influence, but of a long process of reflecting on their career plans and achieving a certain financial security. A former accountant who founded a dance school explained:

*“I have always danced and I just had the impression that life is much more beautiful if you can turn your dream, your hobby, into a profession. I want to pass on the joy I feel myself. It doesn’t bother me that I work all day.”* (R26, female, 55, Swiss, dance school)

Two immigrant entrepreneurs from non-EU countries, however, strategically selected their line of business. In order to escape their jobs as unskilled employees, they chose a business with a low-threshold access. The Iranian social worker took over a tobacco shop and the entrepreneur from Sri Lanka opened up an Indian and Tamil take away restaurant. The latter explained his decision as follows:

*“The reason was that in 1999, there were a lot of Tamils in the City of Zurich, but no Tamil restaurant. The second reason was the idea that in Switzerland, it could be profitable*

---

<sup>6</sup> We will investigate this matter in more detail in chapter 4.3 of the report.

*to sell vegetarian food (since a part of the offered dishes are vegetarian).” (R38, male, 52, Sri Lankan, Indian and Tamil take away restaurant)*

Another interviewee, a highly qualified entrepreneur belonging to the fourth wave of immigration, was also searching for an interesting market niche to establish her own business. Following the decision of becoming self-employed, she needed a convincing business concept – an idea that she would love to implement and that possesses innovative character. She described this process as follows:

*“First, there was the idea of establishing something on my own. The question of which sector I should choose only came as a second step. And it was a combination of several factors: I studied change management, I love to garden, and at that time urban agriculture was comparatively unknown in Switzerland. So, at first, I started with an online shop. Since I worked as a consultant at the interface of business and IT before, I knew that I could set it up myself.” (R14, female, 34, Austrian, urban agriculture shop)*

### 3.5 The availability of advice, start-up support and finance

When establishing a business, the social, cultural and financial capital of a person seems to play a significant role. This section now investigates from whom the interviewed entrepreneurs may have received knowledge and support as well as the initial capital to set up their enterprise.

Half of the interviewees of our sample stated that they did not rely on external support, but that they have realised and financed everything by themselves. In this group, the Swiss nationals are slightly overrepresented. Counting on their savings, they slowly and gradually got their business running. Thereby, some business people additionally had to take on a side job in the beginning to cover their expenses. The reasons for denying any support are twofold: some entrepreneurs just had sufficient financial means, other entrepreneurs refused to depend on someone else. The latter case is nicely illustrated by a quote of a hairdresser from Burkina Faso:

*“When establishing my business, I didn’t want any support. Otherwise, I couldn’t have slept at night anymore. I don’t want to be dependent on anyone. Anyway, for a hairdressing salon, you don’t need much for getting started.” (R8, female, 45, Burkina Faso, hairdressing salon)*

In terms of support, we can distinguish between financial support, general assistance in managing the enterprise, and help received regarding legal and administrative aspects.

A third of our interviewees stated that they received external financial support. Thereby, this initial capital stemmed – evenly spread – from four sources: commercial bank loans, family members, friends and former employers. The immigrant entrepreneurs, who needed some external capital, mainly obtained it from their friends – Swiss friends and friends belonging to their ethnic community, but living in Switzerland. So, there wasn’t any transnational capital involved in the formation of the businesses surveyed. With respect to the ongoing gentrification processes in the area, additionally pushed by the city government, one business in our sample – a bicycle repair shop – received money from the ‘Langstrasse credit’. This enterprise obviously corresponds to the image of a ‘neighbourhood-oriented shop’ with an ‘appropriate business structure’ (City Council of Zurich, 2010b: 1).

Approximately a quarter of the entrepreneurs obtained some general assistance in managing the enterprise – half of them were supported by their life partner, the other half could count on their family and friends. A striking example is the Turkish baker, who developed – in the middle of the

nightlife district – the profitable business concept of offering a twenty-four-seven service. However, legal restrictions prohibit the assignment of retail sales employees during night hours – only owners are allowed to run the business during this time. Therefore, the fact that the baker’s family members were holding shares was crucial to the success of this business concept (see also Bosswick, 2010). In the interview, he clearly highlighted the importance of these family ties:

*“My family always supported me a lot – until today. Without a family, a twenty-four-seven service would not be feasible.” (R3, male, 46, Turkish, bakery)*

However, the empirical evidence does not indicate that social networks are more important for immigrant entrepreneurs than for Swiss nationals. And of our interviewed immigrant entrepreneurs, only a few are strongly involved in their ethnic community.

Finally, there are a few entrepreneurs in our sample who received help regarding legal and administrative aspects. Among their family and friends, they had experts supporting them with preparing a budget or clarifying legal issues. And one entrepreneur absolved a course for unemployed persons on how to become self-employed, provided by the specialist unit ‘Self-employment’ of the Canton of Zurich.

### 3.6 Conclusions

In the process of establishing a business, the motivations and decisions made are influenced by the characteristics, skills and ideas of the individual entrepreneur, by the local opportunity structure and the economic situation, as well as by the rules and regulations belonging to the institutional context. The empirical evidence shows that the vast majority of the entrepreneurs always wanted to become self-employed one day – they somehow waited for a suitable opportunity. These entrepreneurs generally established a business in the field where they absolved their vocational education. A smaller group of entrepreneurs – including many creative people – opened up a business by turning their hobby into their profession. So, they changed their vocational field for the sake of self-fulfilment. Furthermore, a few ethnic entrepreneurs – only from non-EU countries – founded an enterprise to escape from low-quality jobs and therefore chose a business with a low-threshold access. This finding confirms the hypothesis of the disadvantage theory, whereupon becoming an entrepreneur is a survival strategy, particularly when minorities encounter barriers that deny advancement in the formal labour market (Fischer and Massey, 2000; Hackler and Mayer, 2008). In establishing their company, around half of the interviewees benefited from external support – financial support from different sources, assistance in the daily management of the business, as well as legal and administrative counselling. Highly important in this regard was the help of family and friends – confirming the importance of social capital in becoming self-employed (see e.g. Davidsson and Honig, 2003; Klyver et al., 2008; Menzies et al., 2006).

Regarding this founding process, we took a closer look at the neighbourhood diversity as an important element of the local opportunity structure that probably has a strong impact on entrepreneurial decisions. With respect to the location decision, approximately a third of the interviewees explicitly wanted a locality in our case study area. They considered the spatial conditions and the composition of the population as ideal in order to reach their target audience – mostly a certain ethnic community, a certain age group or a certain social stratum. Other important factors in the location decision were low rents, the central location of the districts and potential competition in the close surroundings. Directly asked about the relevance of neighbourhood diversity for their businesses, around half of the interviewees negate any influence on their location decision and on the business operations. However, many business people obviously benefit from the ongoing urban development in the area – from new and wealthier clients and the changing image of the

neighbourhoods. Thereby, several entrepreneurs referred to the fourth wave of immigration and the arrival of a high number of highly qualified German nationals generating substantial new revenues. Especially creative entrepreneurs and businesses selling products or services for a higher standard of living benefited from this population group.

## 4 Economic performance and the role of urban diversity

### 4.1 Introduction

The connection between urban diversity and economic performance has attracted substantial attention in the last years and it is widely recognised that diversity and immigration produce obvious economic effects. Thereby, the literature on the subject is not in complete agreement if these effects on employment and performance are rather negative or positive. However, most authors regard urban diversity as a key factor for a city's economic success (see e.g. Bodaar and Rath, 2005; Eraydin et al., 2010; Fainstein, 2005; Florida, 2002; Nathan, 2011; Ottaviano and Peri, 2006; Tasan-Kok and Vranken, 2008). Ottaviano and Peri (2006), for instance, demonstrated a strong positive correlation between cultural diversity and the productivity of native citizens in the United States: in metropolitan areas where the share of foreign-born increased between 1970 and 1990, native-born citizens experienced a significant increase in their wage and in the rental price of their housing. For the United Kingdom, Nathan (2011) showed that there are some positive links between super-diversity and both wages and employment at the urban level.

In recent years, the theory of the creative class and its relation to economic growth gained a lot of attention. Florida (2004), the theory's main proponent, postulates that the presence of creative workers increases regional economic competitiveness and that these creative people choose certain places to live, because they are tolerant, diverse and open to creativity. Lee et al. (2004) argue in the same vein that tolerant and diverse regions attract human capital and as a result produce high levels of entrepreneurship.

With respect to our case study area, two studies on this subject seem particularly relevant. Niebuhr (2006) showed for Germany that cultural diversity has indeed a positive influence on innovative activity at the regional level. However, the strongest impact on innovation output is found for diversity among highly qualified employees. So, especially the cultural diversity of highly skilled labour is important for innovation and economic performance. In a study on metropolitan areas in the United States, Hackler and Mayer (2008) demonstrated that a region's creative milieu cannot explain business ownership of ethnic minorities and women – gender, race and ethnicity do not benefit from integrated populations. In these cases, of significantly more importance are the opportunity structures in a region such as the entrepreneur's access to markets, financial resources, skills, and institutional support.

In the present chapter, we now investigate the following research questions:

- What are the success and failure factors important for the economic performance of the enterprises?
- What is the current level of performance and how did it change?
- To what extent does the diversity of the neighbourhood play a role regarding economic performance?
- What are the long-term plans of the entrepreneurs?

- Do they have any plans to change size, market or business strategies in order to reach higher levels of competitiveness?

## 4.2 Economic performance of the enterprises

The present section now focuses on how the interviewed entrepreneurs define the current performance of their enterprise and what factors they regard as responsible for success or failure. Furthermore, we aim to outline the economic development of the company over the last years, try to find explanatory factors and classify them according to the different types of entrepreneurs and businesses.

As it seems, the small and medium-sized businesses in the City of Zurich are generally doing well. Two thirds of the interviewees stated that they are very or rather satisfied with the economic performance of their enterprise. Most of these entrepreneurs invest a lot of work in their business and are “*not growing rich*” thereby, but as long as they continue to exist and can pay the employees’ wages, they are content with the situation. Regarding the development over the last five years, around a third of the interviewees experienced a clear growth in turnover; another third described their sales and turnover as constant.<sup>7</sup>

However, there are still quite a number of entrepreneurs who are – at least partly or in certain periods – struggling to survive. The most frequently quoted problems include the steadily rising market for online shopping and the strong Swiss currency. A bicycle mechanic described the situation as follows:

*“As soon as people start googling, we, the shops in Switzerland, have lost out. During the last years, competition was growing and online shopping got stronger. Sure, it exists for quite some time now, but in the last years, it became noticeable.”* (R12, male, 42, Swiss/Croatian, bicycle repair shop)

These changes do not only affect the retail market, but have an impact on the services sector as well. The owner of an advertising company, who is mainly engaged in digital communication, explained:

*“Our industry is exposed to global competition. Our services may be provided at any place in this world – the IT language is universal. And our problem is the high value of the Swiss franc. The only advantage we still have is that communication is dependent on the context. An Asian company, for instance, does not possess the contextual knowledge required for advertising in Switzerland.”* (R7, male, 49, Swiss/Dutch, advertising agency)

So, several businesses in the retail and services sector are witnessing a difficult time – some companies even had to reduce their staff in the last years.

With respect to our interviewees, it seems that the manufacturing industry including enterprises such as bakeries, painting companies or carpenter’s workshops is the most stable sector. Here, the international competition and the rising online market do probably not pose a similar threat. Our sample of manufacturing businesses is however small with only eight companies.

---

<sup>7</sup> As most interviewees were rather reluctant to give us concrete sales and turnover figures, we do not mention any numbers since they possess only little validity.

Regarding concepts to master the current challenges and survive in the long run, we may identify two dominant strategies that are frequently applied among the businesses surveyed and often effective. Around a third of the interviewees put a strong focus on the quality of their products and services – providing for instance sustainable, organic, local or fair-trade products and services. Another third of the enterprises lay stress on high customer orientation by creating fully personalised products, establishing a personal relationship with the customer or guaranteeing constant accessibility.<sup>8</sup>

The first business strategy of going for high quality services and selling niche products is illustrated in the following by two typical statements – the first one stems from the owner of a bookshop and the second one from a goldsmith:

*“The decline in prices in the book market is a severe problem: over the last ten years, the prices have dropped by around one third. Additionally, we feel the competition of the online bookshops and the e-book readers. It is hard to react since we are not competitive regarding prices. But we can try to attract people through an inspiring product range, exciting events and an attractive locality.” (R17, male, 63, Swiss, bookshop)*

*“We mainly produce unique items of jewellery made of gold and platinum with gemstones and diamonds. All our pieces are handmade unique items. And everything is fair trade. We have the Max Havelaar label, which only very few jewellers possess in the City of Zurich. So, the traceability of the stones is fully controlled. Of course, this increases the price a little, but we want to offer fair goods.” (R9, female, 36, German, goldsmiths)*

The second business strategy focussing on high customer orientation is described in more detail by two quotes as well – the first one stems of a hairdresser and the second one from an offset printer:

*“I never had the impression that my business is slowing down. My customers are dependent on their appointments. Sometimes, I have the impression that I’m a point of orientation for my clients – something that belongs to them alone. I think you can’t keep customers by giving them a new hairstyle only. I’m their confidant – and if all else fails, they know they can always come to me.” (R4, female, 53, Swiss/Italian, hairdressing salon)*

*“Our printing plant is informal, flexible and uncomplicated. The clients may take part in the printing process and they also get free coffee, for instance. Many customers also have our mobile numbers and in case of an emergency, we’re always reachable – twenty-four-seven. We take our time for our clients; we think long-term and invest in the relationship with the customer.” (R1, male, 45, Swiss/Italian, printing plant)*

As the evidence shows, if a smaller Swiss enterprise wants to withstand the international competition, it needs to go for high-quality products or strong customer ties, since it is not competitive in terms of prices. These two business strategies made a large contribution towards the survival of our interviewees’ companies. This finding especially applies to the retail trade and the service sector, which are most strongly exposed to international competition. Thereby, some companies were more successful than others when implementing these strategies. However, the few entrepreneurs that did not show any reaction to the strained economic situation told of a clearly worse

---

<sup>8</sup> These two strategies have already been addressed in chapter 2.3, when discussing the main products of the enterprises and what distinguishes them from other businesses.

economic performance and a worse development of their businesses than the other entrepreneurs.

### 4.3 Markets, customers and suppliers

As an important element of the economic performance of the businesses surveyed, we now take a more detailed look at their customers and suppliers. In the present section, we try to evaluate the role of diversity in economic performance and the impact of the neighbourhood in terms of customers and suppliers.

The entrepreneurs' main markets are clearly the neighbourhood and the city. Only some very few interviewees declared the Canton of Zurich, the whole country or even foreign countries as their main markets. More than half of the entrepreneurs have customers from all over the city – people who live or work in the City of Zurich. Only slightly fewer entrepreneurs perceive their neighbourhood as their main market. In some cases, the customers differ depending on weekday and the time of day – as the example of the twenty-four-seven bakery located in the middle of the red-light district illustrates:

*“We have all different kinds of customers and it is dependent on the weekday. From Monday until Wednesday, we have the people from the neighbourhood. And at the weekend, we have customers from all over Switzerland – mainly young people going out in Zurich. And well, the prostitutes come every day.” (R3, male, 46, Turkish, bakery)*

Thereby, the catchment area of the creative entrepreneurs is significantly larger than of other enterprises. Probably, customers are not willing to travel longer distances for a tobacco shop, a painting company or a tailor shop, but they surely are for a jewellery store, a music club or an advertising agency. So, the catchment area is mainly dependent on the type of business. Enterprises offering goods or services for the daily needs – or at least for frequent use – often have customers living or working in close proximity. On the other hand, businesses producing more exclusive goods or providing services that are less frequently used attract clients from further away as well.

The three businesses additionally serving international clients are all owned by immigrant entrepreneurs: a hairdresser from Burkina Faso, the owner of a coffeehouse from New Zealand, and a business consultant from the Czech Republic. However, only the hairdresser is serving her ethnic community from foreign countries as well; in the other cases, the clients and the entrepreneurs do not necessarily belong to the same cultural group. The consultant supports foreign companies in breaking into the Swiss market and the owner of the coffeehouse benefits from a shared locality with a hostel accommodating mainly international guests.

Regarding the ethnic diversity among the customers<sup>9</sup>, a third of the interviewees stated on their own initiative that their clientele is totally mixed. Independent of type of business or entrepreneur, they serve ethnically very diverse customers. The manager of a nursery describes her audience as follows:

*“It's totally mixed. We have many families from the South: Portugal, Spain and Italy. But we also have people from India, from Turkey and then from Anglophone countries. In one of*

---

<sup>9</sup> When discussing the diversity among the customers, we do not include the five companies serving only corporate clients.

*our groups, we once had 18 different nationalities among 21 children. Some parents, who don't speak German or Swiss-German at home, only have their children in the nursery so that they learn German. So, later in the kindergarten, they are able to communicate with the other children and don't become outsiders.” (R27, female, 35, German, nursery)*

In our sample, there are only two immigrant entrepreneurs capitalising on their ethnic community: a hairdresser from Burkina Faso and a Sri Lankan running an Indian and Tamil take away restaurant. However, the restaurant's clientele changed over the last years and is now more and more dominated by Swiss nationals working or living in close proximity.

Several interviewees – mainly, but not exclusively creative entrepreneurs – referred to the fourth wave of immigration bringing them many new customers from different EU countries, but mainly from Germany.<sup>10</sup> These highly qualified immigrants obviously generated substantial new revenues – especially for members of the creative class and entrepreneurs selling products or services for a higher standard of living. However, this well-off clientele apparently disappeared again in the last few years and the demand declined. Although, the proportion of German nationals in the City of Zurich is still increasing and has now reached a share of 25.4% in relation to the total foreign population (City of Zurich, 2015), a change in their buying behaviour has obviously taken place. This change is maybe due to the strong Swiss currency and the fact that the Swiss National Bank was discontinuing the minimum exchange rate of CHF 1.20 per euro in January 2015. Some entrepreneurs also suppose that it simply took these immigrants a while to estimate the true costs of living in the City of Zurich. Anyhow, this declining demand affected especially the creative entrepreneurs as well as businesses selling more expensive goods and services.

Regarding socio-economic diversity, many interviewees stated that they benefit from the ongoing urban development in the case study area and, as a result, from new and wealthier clients. Apart from that, socio-economic groups were hardly mentioned during the interviews. Just a few business owners explained that probably only well-off people can afford to buy their products or services.

With respect to socio-demographic diversity, nearly a third of our interviewees reported a clientele belonging to a certain age group. Dependent on the type of business – be it a nursery, a music club, a dance school or a driving school – these entrepreneurs understandably address customers of a specific age class. Furthermore, several creative entrepreneurs mentioned that their clients are mainly female.

Choosing the suppliers for their companies represented a crucial and very conscious decision for all interviewees. The vast majority of the entrepreneurs attach high importance to the fact that their supplies are provided very locally in order to support the local industry. They also estimate the short distances, but they are particularly aware of their responsibility and the significance of mutual support among smaller businesses – as a very illustrative quote of a hairdresser shows:

*“Of course, I could get the material for less money in Germany. But I can't complain about people going abroad to do their shopping and have their hair cut, if I do the same thing. You can only support your national economy if you do the shopping within the borders. I have my principles. Because I see the long-term consequences: all these small shops will gradually dis-*

---

<sup>10</sup> In chapter 3.3 on the importance of diversity on entrepreneurial activities, we already presented the impact of this current wave of immigration.

*appear. But the diversity of these shops, actually, embodies the character of the city.” (R28, female, 55, Swiss, hairdressing salon)*

In choosing their suppliers, our entrepreneurs only buy products from further away if and only if there is no suitable alternative nearby. However, some immigrant entrepreneurs selling specific ethnic products certainly need ingredients from their home country.

#### 4.4 Relations amongst entrepreneurs: Evidence of competition or cooperation?

Doing business in the same neighbourhood may create a positive environment for networks among particular types of entrepreneurs. Lynch and Morrison (2007) for instance show how networks strengthen the economic performance of small business operators. The present section now explores the entrepreneurial relations in our case study area and evaluates the contribution of such contacts towards the performance of the businesses surveyed.

A large majority among our interviewees know the other entrepreneurs in their neighbourhood, but primarily in the immediate surroundings. And these ties are mostly described as not very close. They meet in the street, chat with each other and also mutually buy their products or services. But this exchange is in most cases neither very frequent nor very personal. Among the entrepreneurs they are familiar with, there are in general different types of businesses and people. The immigrant entrepreneurs as well, they only know very few business owners or managers from the same ethnic community. It is rather the different companies in close vicinity they have some contact with.

From our data, we can extract three main explanatory factors for the scope of the entrepreneurs' business networks and the closeness of these ties.

First, the time already spent in the neighbourhood strongly influences the amount of social contact with other entrepreneurs. There are several interviewees who grew up in the same district and established their business already decades ago. Naturally, these persons are on intimate terms with many other entrepreneurs in their neighbourhood.

Second, being a member of the trade associations of the districts or neighbourhoods in the case study area obviously plays an important role in building up a business network. Many interviewees mentioned this association as a crucial institution in making contact with other entrepreneurs.<sup>11</sup>

Third, the closeness of ties is apparently place-dependent. In some neighbourhoods, the community spirit is obviously stronger and people are closer. This finding especially applies to the neighbourhood of *Albisrieden* in District 9 – a former small farming village that still preserves its rural character and mostly is a quiet residential area with a lot of green spaces. Entrepreneurs from *Albisrieden* significantly more often mention their large networks and their good relationships with other business people in the neighbourhood. The quote of an optician, who did not grow up in the neighbourhood, clearly illustrates this situation:

*“Since we moved here, we had quite a lot of contact. In our first year in Albisrieden, I got to know more entrepreneurs than during the ten years at ‘Stauffacher’, closer to the city centre.*

---

<sup>11</sup> In chapter 5.3, we will discuss these local trade associations and their contribution to the performance of the businesses surveyed in more detail.

*In the first months, again and again other entrepreneurs kept coming spontaneously to introduce themselves. I appreciate these relationships and it also brought us new customers. Here in Albisrieden, it seems to me, it is quite important to become integrated in the business community.” (R21, male, 51, Italian, optician shop)*

With respect to entrepreneurs working in the same industries and business areas, we additionally investigated the nature of this contact: is it rather about competition or cooperation? Among the interviewees, only one mentioned some competitive behaviour of the market players. The vast majority of the business people stated that they benefit from each other: they sometimes work together, offer mutual support, and some entrepreneurs also pass customers or mandates to their competitors when they are overburdened. This sort of cooperation may be labelled as ‘untraded interdependencies’ (Storper, 1997) – informal relationships and habits that coordinate economic actors under conditions of uncertainty – and is nicely described in the following quote:

*“There is another hairdresser in the neighbourhood and we have a good cooperation. If we need something, we can borrow it from each other. Once they had a renovation of their heating system, and since I was on vacation during this time, I offered him to bring his customers into my salon. Everyone said that I can’t let my competitor into my shop, but why not? It won’t do any harm. My clientele is happy with my service and it won’t take any customer away. This competitive thinking seems strange to me. And actually, it worked very well.” (R28, female, 55, Swiss, hairdressing salon)*

So, the social contacts among entrepreneurs in the same neighbourhood in general clearly contribute to the performance of our entrepreneurs’ businesses – even if only in a marginal way.

#### 4.5 Long-term plans and expectations of the entrepreneurs

As a last step in investigating the economic performance of entrepreneurs and the key drivers behind, we take a look at the long-term plans and expectations of our interviewees. Do they plan to go beyond local markets or do they want to back out of their business? And how do the interviewees perceive their entrepreneurial future and the future market opportunities?

As the empirical evidence shows, around three quarters of the interviewees do not aspire any change regarding their business activities. They want to remain the way they are now – some entrepreneurs however aim for implementing some small changes in their range of products or services. The reasons for this ‘stagnation strategy’ are threefold: some entrepreneurs just consider themselves as being too old to carry out some changes; other interviewees are simply completely happy with the current situation; and some entrepreneurs do not see any other possibility than trying to maintain the status quo. The two latter arguments are described in more detail in the following statements:

*“Once, I had the possibility to acquire a lot more customer at one go. But I didn’t want to. I’m more of a practitioner – I don’t want to spend my time in the office acquiring new mandates to keep my employees busy, since I like to be on the construction site myself. I think I rather stay small and happy.” (R20, male, 37, Swiss, painting company)*

*“Today in the retail trade, maintaining your business model is growing. Therefore, it is already a success if you remain stable.” (R13, male, 56, Swiss, shoe shop)*

However, several entrepreneurs have higher ambitions and plan to enlarge their company – either by strengthening a certain business line or by opening new branches. And there are a few inter-

viewees who at least do not exclude the possibility of growth. Among the more ambitious business people, we find significantly more immigrant entrepreneurs. These people come from different countries and belong to different socio-economic groups and business areas, but what connects them is the fact that they came to Switzerland to “*achieve commercial success*”. A Turkish baker for instance now plans to additionally deliver his products to other shops and restaurants in order to reach higher levels of competitiveness. A further immigrant entrepreneur from New Zealand described his ambitions as follows:

*“There’s a lot of room to create new opportunities everywhere. I’m not the sort of person who travels to Zurich to build that one coffeehouse at Langstrasse. I plan on starting other coffeehouses, for instance in the City of Winterthur; but I generally want to set new standards of coffee making.” (R37, male, 27, New Zealand, coffeehouse)*

Finally, there are two interviewees who are forced to relocate their businesses in the near future – at least one of them due to the ongoing gentrification processes in the district.

#### 4.6 Conclusions

Despite all the challenges, two thirds of our entrepreneurs are still very or rather satisfied with the economic performance of their enterprise. Half of them even experienced a clear growth in turnover over the last five years and the other half described their sales and turnover as constant. Explanatory factors behind this success include a consistent business strategy going either for high-quality products or for strong customer ties. Since Swiss entrepreneurs cannot compete with foreign companies in terms of prices, these strategies make them weather the difficult economic situation caused by the steadily rising market for online shopping and the unfavourable exchange rate development – especially affecting retail trade and the services sector.

Furthermore, the good relationships among entrepreneurs in the same neighbourhood have a favourable influence on their economic performance as well. A large majority among our interviewees know the other entrepreneurs around them – although not very intimately – and benefits from mutual support. Regarding the scope of the entrepreneurs’ business networks and the closeness of these ties, there are three main explanatory factors: the time already spent in the neighbourhood, membership in a local trade association, and being located in the still rather rural neighbourhood of *Albisrieden*.

The ethnic and cultural diversity of the area also had a clear impact on economic performance in several cases, but only with respect to a certain dimension: highly qualified immigrants from different EU countries and mainly from Germany arriving since the beginning of the 21<sup>st</sup> century obviously generated substantial new revenues. Thereby, this wave of immigration was especially beneficial for creative people and entrepreneurs selling products or services for a higher standard of living. This finding corresponds to a study from Germany showing that especially the cultural diversity of highly skilled labour is important for innovation and economic performance (Niebuhr, 2006). Although this well-off clientele is still very present in the City of Zurich, its demand was decreasing over the last years affecting mainly the entrepreneurs mentioned.

The entrepreneurs’ main markets are clearly the neighbourhood and the city. The catchment area of the creative entrepreneurs is thereby significantly larger than of other enterprises – probably due to the fact that these businesses produce more exclusive goods or provide less frequently used services attracting clients from further away as well.

Regarding their long-term plans, around three quarters of the interviewees do not aspire any change regarding their business activities. Among the entrepreneurs with higher ambitions, we find significantly more immigrant business people. Although they differ in many respects, they all came to Switzerland to achieve commercial success and ambitiously implement their visions.

## 5 Institutional support and government policies

### 5.1 Introduction

Government policies shape the institutional environment in which entrepreneurial decisions are made. Thus, government policies are important for entrepreneurship and they may have a productive, an unproductive or even a destructive impact on entrepreneurial activity (Minniti, 2008). Thereby, as many studies show, immigrant entrepreneurs still confront more barriers in their business practice than do other entrepreneurs, with for instance access to financing being a persistent problem (see e.g. Teixeira et al., 2007). In Swiss law, several regulations that are relevant for entrepreneurs in general often especially affect immigrant entrepreneurs due to their sometimes lacking or incorrect understanding of these regulations, and due to the fact that the perception of normality versus exception related to work is sometimes culturally differing from the Swiss habits (Bosswick, 2010; City of Zurich, 2008a).

Furthermore, governmental assistance addressed at immigrant entrepreneurs is very scarce in Switzerland and in the City of Zurich. Despite some small initiatives supporting young people with a migration background who face difficulties in finding vocational training and employment ('Migration=Chance' and 'Vert.igo'), there is no specific assistance towards immigrant businesses. Within the general policies on entrepreneurship and the labour market, the migration background of the entrepreneurs is not of relevance – given that they hold a permanent residence permit. However, migrants from non-EU/EFTA countries holding only a temporary residence permit must comply with stricter regulations and only receive a temporary license to commence business activities, what impedes the access to commercial bank loans (City of Zurich, 2008a).

According to Bosswick (2010), there are generally very few counselling institutions in Switzerland, which provide information to start-up entrepreneurs. For the Canton and City of Zurich, we find some relevant instruments and projects: the specialist unit 'Self-employment' of the Canton of Zurich providing counselling for unemployed persons who plan to start their own business; the Competence Centre for Start-ups in Zurich – a cooperative composed of, inter alia, local banks, business associations, major firms as well as the City and the Canton of Zurich – offering office space at affordable rates for young start-up entrepreneurs; and a collaboration between the City of Zurich and the Zurich Cantonal Bank offering micro-credits and counselling ('Go! Goal self-employed'). However, the transition from being employed or unemployed to becoming self-employed is rather critical. Bosswick (2010) describes the Swiss understanding of entrepreneurship as a voluntary self-fulfilment with the entrepreneur carrying all risks of the endeavour. Thus, there are no social security provisions for entrepreneurs, and they are excluded from the regular social security system for employees, requiring private insurance for any social security.

In the present chapter, we will explore the following research questions:

- Which policies, measures or organisations contribute to the performance of the enterprises?
- Does the membership in various associations have an influence?

- What do the entrepreneurs want from policy makers at different levels?

## 5.2 Views on the effectiveness of business support provided by the government

Public policies and governmental instruments such as regulations, incentives or assistance in financial, legal and technical terms constitute important conditions under which entrepreneurs start their enterprise and operate their business activities. The aim of this section is therefore to collect and analyse information on the types of support provided by the government and to understand whether and how the entrepreneurs were able to benefit from the existing policies, regulations and initiatives.

As the empirical evidence now shows, however, only very few of the interviewed entrepreneurs stated that they benefited from a governmental regulation or initiative. The predominant majority in our sample are not aware of any support or assistance provided by the government. This result mainly arises from the fact that there are generally very few institutions providing information or support for start-ups or for immigrant entrepreneurs.

Among the persons who answered in the affirmative, two entrepreneurs occasionally receive mandates from the City of Zurich. A sports shop could for instance assume the ski renting for the ski camps of some school classes. Thereby, the city bore a part of the rental fees. Another business owner attended a course by the employment service of the Canton of Zurich providing counselling for unemployed persons before starting her enterprise. And the nursery in our sample receives governmental subsidies for families who do not have sufficient financial resources at their disposal.

In the context of the 'Langstrasse PLUS' project and the associated 'Langstrasse credit'<sup>12</sup>, 29 entrepreneurs in the neighbourhood of the Langstrasse in District 4 received financial means in order to support *"the maintenance, the extension, the renovation or the creation of localities for neighbourhood-oriented shops, restaurants and small trade"* (City Council of Zurich, 2010b: 1). One of these enterprises – a bicycle repair shop – is among our interviewees.

## 5.3 Wider awareness of organisations, programmes and initiatives to support entrepreneurs

Following the presentation of governmental support mechanisms, we now seek to understand whether the membership in non-governmental organisations such as business organisations, trade associations or other less formal institutions provides any added value to the entrepreneurs or not. A further aim of this section is to find out whether the interviewed entrepreneurs are aware of existing organisations and support schemes in the first place.

The most important organisations in supporting the interviewed entrepreneurs by far are the local trade associations: more than half of the enterprises surveyed are members of these cross-business organisations. In our case study area, there is one association at district level – the trade association of District 4 – and two organisations at neighbourhood level – the trade associations of Altstetten and of Albisrieden in District 9. These organisations aim at addressing the needs of the local enterprises, at representing their interests towards the public authorities and at enhancing the solidarity among the entrepreneurs in the neighbourhood. A clear majority of the associ-

---

<sup>12</sup> For more information, see chapter 3.1.

ated companies benefit from their membership: the interviewees mostly mention their wider business networks, the opportunity of acquiring new clients, the fact of having a larger voice and the possibility of being more present in the neighbourhood. However, several entrepreneurs stated that they would not lose very much if they would terminate their membership. The manager of a nursery describes the association's contribution towards the performance of her company as follows:

*“As you meet the other entrepreneurs regularly, you can ask them in case you need support or advice. The members help each other in different matters. And if I have the intention to award a contract, I would – if possible – ask somebody from the trade association. The membership also generates some publicity and you are much more integrated in the neighbourhood. You have a voice and you can really participate in the social life of the neighbourhood.”*  
(R27, female, 35, German, nursery)

However, these local trade associations are apparently quite dominated by Swiss companies and there are only few immigrant entrepreneurs present. Certainly, these business associations do not exclude any ethnic entrepreneurs, but as Bosswick (2010) shows, they seem to remain indifferent to the role of immigrant entrepreneurs for the local economy without any initiative to reach out to them. Actually, this result may be true for most of these local organisations, but our study shows that for instance the trade association of District 4 actively tried to involve a larger number of immigrants. According to the association's representative, they launched an initiative with the collaboration of the MAXIM Theatre – a low-threshold project bringing together people from different cultures – in order to gain more immigrant entrepreneurs as members. But obviously, the initiative failed. The reasons for this absence are difficult to determine – are many ethnic entrepreneurs not familiar with these associations, are there language barriers or is networking within their own ethnic community more important regarding their company's performance?

From our sample, it becomes apparent that a substantial part of the immigrant entrepreneurs simply do not know the local trade associations. However, there are significant differences with respect to their country of origin. Persons who arrived with the fourth and most recent wave of immigration from different EU countries – and especially from German-speaking regions – are familiar with these organisations and joined them very frequently, too. On the other hand, entrepreneurs who migrated from non-EU countries – in our sample, these are countries such as Iran, Sri Lanka, Burkina Faso or New Zealand – have not yet heard of the local trade associations.

Among the non-members, we also find many enterprises belonging to the creative economy, such as a music club, a store for design, a jewellery store or an urban agriculture shop. These interviewees generally consider the trade associations as being rather conservative and traditional and therefore not of great use for their business activity. So, it seems that the local trade associations are indeed still dominated by quite traditional businesses and Swiss – or rather German-speaking – entrepreneurs.

The second most important organisations in supporting the interviewed entrepreneurs are the professional organisations. A little less than half of the businesses surveyed are members of the organisation of their professional field. This membership facilitates networking with other entrepreneurs, provides them with information on new developments and offers some publicity. However, the membership is not always completely voluntary: In many professions, companies training apprentices are obliged to join their professional organisation. Some non-members, on the other hand, criticise that they would not benefit a lot from a membership and that the professional organisations mainly support large companies.

A smaller number of creative workers in District 4 positively mentioned their participation in a private initiative – the ‘Tour of Districts 4 and 5’ (*Kreislauf 4+5*). This initiative exists for almost ten years now and is focused on the area of the *Langstrasse* that crosses Districts 4 and 5. It consists on the one hand of a yearly updated handbook (print and online<sup>13</sup>) – a guide to the most exciting design shops, studios, bars and restaurants in the area. On the other hand, it involves guided tours by local celebrities always on a weekend in May visiting these stores and restaurants. All interviewed members perceive their participation in this initiative as highly useful and profitable. A jewellery designer keeping an urban design shop in District 4 stated:

*“We benefit enormously from the participation in the ‘Tour of Districts 4 and 5’. We pay an annual membership fee of CHF 1,000 (approx. € 915), but it is absolutely worth it. It brings new and interested people into our shop and the handbook is good publicity.” (R15, female, 47, Swiss, store for design)*

Several interviewees additionally mentioned their participation in non-business organisations such as sports clubs, district associations, relief agencies, political parties, labour unions, cooperatives, parents’ association or the voluntary fire brigade. These organisations do not directly contribute to the companies’ economic performance, but they serve to expand the entrepreneurs’ individual networks.

#### 5.4 Policy priorities for entrepreneurship

Public policies shape the entrepreneurial environment and they may have a supporting or inhibiting impact on business operations. The aim of this section now is to provide information on the necessities and demands of the interviewed entrepreneurs with respect to governmental regulations and to find out whether or not existing regulations are supporting or inhibiting the business activities of our respondents.

The empirical evidence now shows that a lot of entrepreneurs under scrutiny are not interested in governmental support – they established and managed their enterprises by themselves and are proud of it. Around of third of the interviewees were not willing to formulate any demands, since they try to make it all on their own. Thereby, especially the immigrant entrepreneurs clearly stated that they do not want to be dependent on governmental assistance. A German goldsmith put it as follows:

*“If you have developed a business all on your own, it is of much greater value to yourself.” (R9, female, 36, German, goldsmiths)*

However, some individual entrepreneurs placed demands and propositions with respect to official practices and regulations. The following list summarises the main arguments:

- Most frequently, entrepreneurs criticize the restrictive parking space policy of the City of Zurich. The situation seems especially difficult for craftspeople, who often bring their equipment with them and therefore are reliant on parking spaces above ground.
- Some interviewees argue that the city acts in a very bureaucratic manner when it comes to issuing permission for the erection of roadside billboards. They suggest that the city could be more permissive here in order to support the local trade.

<sup>13</sup> See the following website: <http://www.kreislauf4und5.ch/en/index.html>.

- A few entrepreneurs wish for more support regarding the training of apprentices. In the dual educational system of Switzerland, these apprenticeships are of high importance and our interviewees perceive their investment in apprentices also as a kind of service to society. Since this training needs considerable commitment and time, the entrepreneurs ask for more governmental support or some financial discharge.
- Some interviewees ask for a more supportive attitude of the government in general with respect to the very small businesses, which do not have much operational leeway. Thereby, they refer to possible financial or administrative support.
- A last demand postulates that the city should generally make its purchases locally and not abroad. For instance, libraries should order their books in Switzerland.

Additionally, several entrepreneurs stated that they would have needed loans and counselling when establishing their companies. However, in the meantime, measures such as start-up counselling and the offer of micro-credits have been implemented.

## 5.5 Conclusions

Government policies shaping the entrepreneurial context are apparently not very present in our interviewees' daily life. The predominant majority of our respondents stated that they did never benefit from a governmental initiative and they are not aware of any governmental assistance. Furthermore, a lot of entrepreneurs under scrutiny are not interested in governmental support, either – they are proud of managing their companies without any external help. This finding especially applies to immigrant entrepreneurs stating that they do not want to be dependent on governmental assistance. Among the few policy priorities that have been formulated, the most frequent argument relates to the restrictive parking space policy of the City of Zurich, which has a negative impact on some interviewees' business performance – especially for those companies in the manufacturing industry.

Non-governmental organisations, on the other hand, play a rather important role in supporting small businesses. More than half of the respondents are members of the local trade associations and a little less than half of them have joined their professional organisation. The associated companies benefit from their membership through wider business networks, the opportunity of acquiring new clients, the fact of having a larger voice and the possibility of being more present in the neighbourhood. However, it seems that the local trade associations are quite dominated by rather traditional businesses and Swiss – or rather German-speaking – entrepreneurs. A substantial part of the interviewed immigrants from non-EU countries are not aware of these associations. This finding is in accordance with other studies showing that immigrant entrepreneurs still confront more barriers in their business practice than do other entrepreneurs (see e.g. Teixeira et al., 2007). Additionally, several creative workers in District 4 positively mentioned their participation in the initiative 'Tour of Districts 4 and 5' (*Kreislauf 4+5*) – a private project involving a handbook and guided tours to the most exciting design shops, studios, bars and restaurants in the *Langstrasse* area.

## 6 Conclusions

### 6.1 Summary of the key findings

To trace the relationship between urban diversity and the performance of local entrepreneurs, we conducted a broad qualitative survey at neighbourhood level involving 38 companies. The resulting sample constitutes in many respects a representative cross-section of the entrepreneurs and their businesses in our case study area – the Districts 4 and 9 of the City of Zurich. Furthermore, it offers new and exciting insights into two crucial groups of entrepreneurs being present in the city: the immigrant entrepreneurs and the creative class.

In general, the businesses surveyed are doing well: two thirds of the interviewees are very or rather satisfied with the economic performance of their enterprise. However, there are still quite a number of entrepreneurs – especially in the retail and service industry – who are struggling to survive. The most often quoted problems include the steadily rising market for online shopping and the strong Swiss currency. Thereby, we could identify two dominant business strategies being frequently applied and clearly contributing towards the companies' survival: on the one hand, putting a strong focus on the high quality of products and services – e.g. selling handmade niche products or vending organic and fair-trade items – and, on the other hand, laying stress on high customer orientation – e.g. guaranteeing constant accessibility or establishing personal relationships. Therefore, a clear majority of entrepreneurs do not show any ambition to grow – they are happy if they remain the way they are now.

The entrepreneurs' social capital is in many respects crucial for their companies' performance. For instance, around a quarter of the interviewees could count on their life partner, family members and friends regarding financial support for the initial capital and general assistance in managing the enterprise. Furthermore, a vast majority of entrepreneurs are members of the local trade associations or the professional organisations and apparently benefit from these memberships through their larger business networks, the opportunity of acquiring new clients, the fact of having a larger voice and the possibility of being more present in the neighbourhood. Finally, entrepreneurs in the same neighbourhood predominantly show cooperative behaviour: although the ties are often not very close, neighbouring entrepreneurs – even when working in the same profession – support and help each other. This behaviour is in accordance with the concept of the 'untraded interdependencies' (Storper, 1997), which relates to informal relationships and habits that coordinate economic actors under conditions of uncertainty. So, social capital in general is of particular importance for the economic performance of small and medium-sized businesses.

Within our sample, immigrant entrepreneurs constitute an important group: 21 of 38 interviewees have a migration background, 14 of them are first generation migrants and twelve persons thereof do not yet hold the Swiss citizenship. We use the term of immigrant entrepreneurs, since the ethnic communities in the City of Zurich are generally too small to allow successful ethnic business in a narrow sense and entrepreneurs therefore often need to attract Swiss customers as well (City of Zurich, 2008a). So, in our sample too, there are only two immigrant entrepreneurs capitalising on their ethnic community: a hairdresser from Burkina Faso and a Sri Lankan running an Indian and Tamil take away restaurant.

A striking difference between immigrant and native-born entrepreneurs is the variance in their business ties and support schemes. A substantial part of the immigrant entrepreneurs – especially from non-EU countries – are not members of any supportive business association, since they obviously do not know these organisations. Furthermore, significantly more frequently immigrant entrepreneurs stated that they do not want to be dependent on governmental support – they

want to develop their company on their own. On the other hand, among the more ambitious business people, we find significantly more immigrant entrepreneurs.

The empirical evidence also indicates that social networks are not more important for immigrant entrepreneurs than for Swiss nationals and that only a few are strongly involved in their ethnic community. In the literature, it is commonly acknowledged that high involvement in an ethnic community may be 'developmental and destructive' (Woolcock, 1998: 186). And resources such as financial capital, education, experience and parents' occupation have been found to be more important in business success than ethnic involvement (Marger, 1989; Menzies et al., 2003).

Finally, for some of our immigrant entrepreneurs – mainly from non-EU countries – founding their own business was the only possibility to escape from low-quality jobs. This result confirms the hypothesis of the disadvantage theory, a subset of opportunity structure theories, whereupon becoming an entrepreneur is a survival strategy, particularly when minorities encounter barriers that deny advancement in the formal labour market (Fischer and Massey, 2000; Hackler and Mayer, 2008).

The second important category in the conducted entrepreneurial survey is the creative class. We categorise eleven entrepreneurs as creative workers – persons being self-employed in sectors like the music industry, advertising, the book and press market and the art or design market. These creative people are predominantly Swiss entrepreneurs or migrants belonging to the fourth wave of immigration and coming from other German-speaking countries. So, this distribution corresponds to the finding that with the current strong immigration of highly qualified persons from the EU, the creative economy has additionally increased significantly over the last years (Inura, 2015).

Many of these creative workers have turned their hobby into their profession. They have often absolved an education in a different field, but after some years of working and earning, they take the next step and eventually do what they love. Since the creative class does not sell everyday products and services, the companies' catchment areas are significantly larger than of other enterprises and they are more dependent on economic trends. Furthermore, a substantial part of the creative workers do not hold membership in the local trade associations since they perceive these organisations as being rather conservative and traditional. These entrepreneurs prefer being members in innovative projects of a more recent making that are tailored to their particular needs, such as the 'Tour of Districts 4 and 5' (*Kreislauf 4+5*).

The fourth wave of immigration brought a high number of well-qualified specialists from different EU countries – but mainly from Germany – to the City of Zurich. These new customers obviously generated substantial new revenues – especially for members of the creative class selling products or services for a higher standard of living. Although the demand declined again during the last years, the creative economy benefits a lot from this wave of immigration.

The main goal of the present report is to investigate the relationship between urban diversity and the economic performance of the enterprises surveyed. We try to find out if and how neighbourhood diversity affects the companies' functioning and performance.

As the evidence now shows, regarding their location decision, only a third of the interviewees considered the neighbourhood diversity an important factor. Thereby, only individual elements of diversity were referred to: the presence of a certain ethnic community, of a certain age group or of a certain social stratum. For instance, two immigrant entrepreneurs needed to settle in the close surroundings of their ethnic community and some creative entrepreneurs were looking for

young and wealthy people with an urban lifestyle. More important factors in the location decision were low rents, the central location of the districts, potential competition in the close surroundings, and the accessibility of customers.

Directly asked about the potential influence of neighbourhood diversity, many interviewees mention the favourable impact of the ongoing urban development and the gentrification processes in the area. They predominantly benefit from new and wealthier clients and the changing image of the neighbourhoods. Thereby, the recent immigration of highly skilled labour, the rising relevance of the creative class and the ongoing gentrification mutually reinforce each other. These developments have a positive impact on the local economy – or at least on some industries. And this finding corresponds to a study from Germany showing that especially the cultural diversity of highly skilled labour is important for innovation and economic performance (Niebuhr, 2006). However, these processes change and reduce diversity – especially the socio-economic diversity – in our case study area, since they force poorer people to move to the suburbs. As a consequence, the social and ethnic segregation within the metropolitan area may increase and the socio-economic inequalities may additionally rise.

## 6.2 Policy recommendations

Based on the key findings of our survey, we now formulate policy recommendations that may be helpful for stimulating entrepreneurship in diverse urban areas:

- Small shops and enterprises are of high significance to the diversity and the liveliness of a neighbourhood – and are therefore also an important location factor of the City of Zurich. Furthermore, they enhance social mobility and push societal integration. Anyway, a defining characteristic of Zurich's economy is the sizable number of small businesses: around 88% of the city's workplaces have no more than nine full-time employees (Statistics Office of the City of Zurich, 2013). Therefore, the contribution of these small companies towards the city's economic performance and towards neighbourhood diversity should be valued and maintained.
- To reasonably support these businesses, the current efforts by the City and the Canton of Zurich of offering micro-credits and counselling for start-up companies should be continued and put on a firm foundation.
- In general, the small businesses have little financial resources and flexibility. A useful form of state assistance to support struggling businesses could imply financial discharges for the training of apprentices.
- Immigrant entrepreneurs play an important role in societal integration by acting as kind of intermediaries between the native residents and the immigrants. Furthermore, they facilitate the process of entering the labour force for adolescents from their ethnic community. The presence of ethnic businesses should therefore be valued and supported by the government.
- Language barriers – especially for immigrant entrepreneurs from non-EU countries – are still an important obstacle in making entrepreneurial progress. For instance, many of these entrepreneurs in the sample have never heard of the local trade associations before – despite some efforts by these organisations to involve more immigrants. It is therefore necessary to improve the access to information and potential support schemes.

## 7 References

### 7.1 Official documents and policy programmes

- City Council of Zurich (2010a). *Legislative Focal Points 2010 – 2014. Goals and Strategies for the Current Legislative Period*. Zurich, September 2010.
- City Council of Zurich (2010b). *Directive of the City Council to the City Parliament (GR Nr. 2010/285). “Langstrasse Credit” (Promotion of the Quality of Life and the Trade in District 4), Report about the Use of Funds in 2007 and 2008*. Zurich, 7 July 2010.
- City of Zurich (2008a). *Ethnic Business. Basics, Background and Perspectives*. Zurich: City of Zurich, Promotion of Integration, January 2008.
- City of Zurich (2008b). *Ethnic Business in Zurich. An Inventory in the Neighbourhoods of Langstrasse and Seefeld*. Zurich: City of Zurich, Promotion of Integration, January 2008.
- City of Zurich (2015). *Statistical Yearbook of the City of Zurich 2015*. Zurich: City of Zurich, Statistics.
- Federal Statistical Office (FSO) (2006). *Self-employed Activity in Switzerland. An Evaluation of the Results of the Swiss Labour Force Survey*. Neuchâtel: FSO, October 2006.
- Federal Statistical Office (FSO) (2015a). *Swiss Labour Force Survey (SAKE)*. Online: <http://www.bfs.admin.ch>, Status: December 2015.
- Federal Statistical Office (FSO) (2015b). *Structural Statistics on Enterprises (STATENT)*. Online: <http://www.bfs.admin.ch>, Status: July 2015.
- Statistics Office of the City of Zurich (2013). *Essential Zurich 2013*. Zurich: City of Zurich, Statistics.

### 7.2 Bibliography

- Alesina, A. and E. La Ferrara (2005). “Ethnic Diversity and Economic Performance”, *Journal of Economic Literature* 43: 762-800.
- Angrist, J. and A. Kugler (2003). “Protective or Counter-protective? Labor Market Institutions and the Effect of Immigration on EU Natives”, *Economic Journal* 113: 302-331.
- Bodaar, A. and J. Rath (2005). “Cities, Diversity and Public Space”, *Metropolis World Bulletin* 5: 3-5.
- Boschma, R.A. and M. Fritsch (2009). “Creative Class and Regional Growth: Empirical Evidence from Seven European Countries”, *Economic Geography* 85(4): 391-423.
- Bosswick, W. (2010). *Ethnic Entrepreneurship in Zurich, Switzerland. CLIP Network – Cities for Local Integration Policy*. Dublin: European Foundation for the Improvement of Living and Working Conditions.
- Burt, R.S. (1992). *Structural Holes – The Social Structure of Competition*. London: Harvard University Press.
- Butler, J.S. and P.G. Greene (1997). “Ethnic Entrepreneurship: The Continuous Rebirth of American Enterprise”, in: Sexton, D.L. and R.W. Smilor (eds.). *Entrepreneurship 2000*. Chicago: Upstart: 267-289.
- Davidsson, P. and B. Honig (2003). “The Role of Social and Human Capital Among Nascent Entrepreneurs”, *Journal of Business Venturing* 18: 301-331.
- Deakins, D. (1999). “Ethnic Minority Entrepreneurship”, in: Lindsay, A. (ed.). *Entrepreneurship and Small Firms*. Second Edition. Toronto: McGraw-Hill: 80-100.
- Eraydin, A., T. Tasan-Kok and J. Vranken (2010). “Diversity Matters: Immigrant Entrepreneurship and Contribution of Different Forms of Social Integration in Economic Performance of Cities”, *European Planning Studies* 18: 521-543.
- Fainstein, S. (2005). “Cities and Diversity: Should we Want it? Can we Plan for it?”, *Urban Affairs Review* 41: 3-19.

- Fischer, M. and D. Massey (2000). "Residential Segregation and Ethnic Enterprise in U.S. Metropolitan Areas", *Social Problems* 47(3): 408-424.
- Florida, R. (2002). "Bohemia and Economic Geography", *Journal of Economic Geography* 2(1): 55-71.
- Florida, R. (2003). "Cities and the Creative Class", *City & Community* 2(1): 3-19.
- Florida, R. (2004). *The Rise of the Creative Class: And How it's Transforming Work, Leisure, Community and Everyday Life*. New York: Basic Books.
- Hackler, D. and H. Mayer (2008). "Diversity, Entrepreneurship, and the Urban Environment", *Journal of Urban Affairs* 30(3): 273-307.
- INURA Zurich Institute (2015). *Spaces and Movements of the Creative Class in Zurich 1989-2014*. A Survey on Behalf of the Office for Urban Development of the City of Zurich, June 2015.
- Kloosterman, R. (2000). "Immigrant Entrepreneurship and the Institutional Context: A Theoretical Explanation", in: Rath, J. (ed.). *Immigrant Businesses: The Economic, Political and Social Environment*. Houndmills: Macmillan.
- Kloosterman, R. (2010). "Matching Opportunities with Resources: A Framework for Analysing (Migrant) Entrepreneurship from a Mixed Embeddedness Perspective", *Entrepreneurship and Regional Development* 22(1): 25-45.
- Kloosterman, R. and J. Rath (2010). "Shifting Landscapes of Immigrant Entrepreneurship", in: OECD (ed.). *Open for Business: Migrant Entrepreneurship in OECD Countries*. OECD Publishing. Online: <http://dx.doi.org/10.1787/9789264095830-en>.
- Klyver, K., K. Hindle and D. Meyer (2008). "Influence of Social Network Structure on Entrepreneurship Participation: A Study of 20 National Cultures", *International Entrepreneurship and Management Journal* 4(3): 331-347.
- Lee, S.Y., R. Florida and Z.J. Acs (2004). "Creativity and Entrepreneurship: A Regional Analysis of New Firm Formation", *Regional Studies* 38(8): 879-891.
- Lynch, P. and A. Morrison (2007). "The Role of Networks", in: Michael, E. (ed.). *Micro-Clusters and Networks: The Growth of Tourism*. Oxford: Elsevier: 43-62.
- Marger, M.N. (1989). "Business Strategies Among East Indian Entrepreneurs", *Ethnic and Racial Studies* 12(4): 539-563.
- Menzies, T.V., M. Doichon, Y. Gasse and S. Elgie (2006). "A Longitudinal Study of the Characteristic, Business Creation Process and Outcome Differences of Canadian Female vs. Male Nascent Entrepreneurs", *International Entrepreneurship and Management Journal* 2: 441-453.
- Minniti, M. (2008). "The Role of Government Policy on Entrepreneurial Activity: Productive, Unproductive, or Destructive?", *Entrepreneurship Theory and Practice* 32(5): 779-790.
- Nathan, M. (2011). "The Economics of Super-Diversity: Findings from British Cities, 2001-2006", *SERC Discussion Paper* 68, London: Spatial Economics Research Centre.
- Niebuhr, A. (2006). "Migration and Innovation: Does Cultural Diversity Matter for Regional R&D Activity?", *LAB Discussion Paper*, No. 14/2006, Leibniz Information Centre for Economics.
- Ottaviano, G.I.P. and G. Peri (2006). "The Economic Value of Cultural Diversity: Evidence from US Cities", *Journal of Economic Geography* 6: 9-44.
- Piguet, E. and R. Besson (2005). "Self-employment of People of Foreign Origin", in: Federal Statistical Office (ed.). *Migrants and Labour Market. Competences and Vocational Integration of People of Foreign Origin in Switzerland*. Neuenburg, Federal Statistical Office: 111-147.
- Putnam, R. (2000). *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.
- Storper, M. (1997). *The Regional World: Territorial Development in a Global Economy*, London: Guilford Press.

- Suter, C., R. Schubert and A. Juhasz (2006). *NFP 51 "Social Integration and Social Exclusion". Final Report. Project Title: The Way to Integration? The Role of Self-employment of Immigrants in Switzerland.* Berne: Swiss National Science Foundation.
- Tasan-Kok, T. and J. Vranken (2008). "From Survival to Competition? The Socio-spatial Evolution of Immigrant Entrepreneurs in Antwerp", in: Ache, P., H.T. Andersen, T. Maloutas, M. Raco and T. Tasan-Kok (eds.). *Cities Between Competitiveness and Cohesion: Discourses, Realities and Implementation.* Dordrecht: Springer: 151-168.
- Teixeira, C., L. Lo and M. Truelove (2007). "Immigrant Entrepreneurship, Institutional Discrimination, and Implications for Public Policy: A Case Study in Toronto", *Environment and Planning C: Government and Policy* 25(2): 176-193.
- Weckerle, C. and H. Theler (2010). *The Significance of the Cultural and Creative Economy for Zurich. Third Report on Creative Industries in the Canton of Zurich.* On Behalf of the Office for Urban Development and the Office for Economic Development of the City of Zurich and the Division of Business and Economic Development of the Canton of Zurich. Zurich University of the Arts: June 2010.
- Woolcock, M. (1998). "Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework", *Theory and Society* 27: 151-208.

## 8 Appendix 1: List of the interviewed entrepreneurs

Inter-viewee	Age	Gender	Type of enterprise (type, industry)	Type of entrepreneur (citizenship, ethnic background)
1	45	M	Printing plant (manufacturing industry)	Swiss/Italian, second generation migrant
2	59	M	Restaurant (service industry)	Swiss, native-born
3	46	M	Bakery (manufacturing industry, family business)	Turkish, migrant 1 <sup>st</sup> /2 <sup>nd</sup> wave
4	53	F	Hairdressing salon (service industry)	Swiss/Italian, migrant 1 <sup>st</sup> /2 <sup>nd</sup> wave
5	58	M	Tobacco shop (retail industry)	Iranian, migrant other countries
6	38	M	Advertising agency (service industry, creative economy)	Swiss, native-born
7	49	M	Advertising agency (service industry, creative economy)	Swiss/Dutch, migrant other countries
8	45	F	Hairdressing salon (service industry)	Burkina Faso, migrant other countries
9	36	F	Goldsmiths (manufacturing industry, family business, creative economy)	German, migrant 4 <sup>th</sup> wave
10	38	M	Hairdressing salon (service industry)	Swiss/Bosnian, second generation migrant
11	58	M	Bicycle repair shop (retail industry, family business)	Italian, migrant 1 <sup>st</sup> /2 <sup>nd</sup> wave
12	42	M	Bicycle repair shop (retail industry, creative economy)	Swiss/Croatian, second generation migrant
13	56	M	Shoe shop (retail industry, creative economy)	Swiss, native-born
14	34	F	Urban agriculture shop (retail industry, creative economy)	Austrian, migrant 4 <sup>th</sup> wave
15	47	F	Store for design (retail industry, creative economy)	Swiss, native-born
16	32	M	Carpenter's workshop (manufacturing industry, creative economy)	Swiss, native-born
17	63	M	Bookshop (retail industry, creative economy)	Swiss, native-born
18	58	F	Cosmetics studio (service industry)	German, migrant 4 <sup>th</sup> wave
19	46	M	Sports shop (retail industry, family business)	Swiss, native-born
20	37	M	Painting company (manufacturing industry, family business)	Swiss, native-born
21	51	M	Optician shop (retail industry, family business)	Italian, second generation migrant

22	52	M	Tailor shop (manufacturing industry, family business)	Swiss/Italian, second generation migrant
23	32	F	Interior design shop (retail industry, creative economy)	Swiss/Turkish, second generation migrant
24	53	F	Nail spa (service industry)	Swiss, native-born
25	33	M	Garage (retail industry, family business)	Swiss/Turkish, second generation migrant
26	55	F	Dance school (service industry)	Swiss, native-born
27	35	F	Nursery (service industry)	German, migrant 4 <sup>th</sup> wave
28	55	F	Hairdressing salon (service industry)	Swiss, native-born
29	53	M	Driving school (service industry)	Swiss, native-born
30	53	M	Carpenter's workshop (manufacturing industry, family business)	Swiss, native-born
31	50	M	Photo retail store (retail industry, family business)	Swiss, native-born
32	40	M	Brewery (manufacturing industry)	Swiss, native-born
33	56	M	Interior decoration shop (retail industry, family business)	Swiss, native-born
34	53	M	Business consultancy (service industry)	Swiss/Czech, migrant 4 <sup>th</sup> wave
35	37	M	Music club (service industry, creative economy)	Swiss, native-born
36	43	M	Spanish tapas bar (service industry, family business)	Spanish, migrant 1 <sup>st</sup> /2 <sup>nd</sup> wave
37	27	M	Coffeehouse (service industry)	New Zealand, migrant other countries
38	52	M	Indian and Tamil take away restaurant (service industry)	Sri Lankan, migrant other countries