



## Knowledge Distribution in Immigrant Entrepreneurship: A Qualitative Study of Immigrant Entrepreneurs in Malaysia

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### Abstract

**Purpose:** This study intends to explore the knowledge distribution in immigrant entrepreneurship in a host country Malaysia. In Malaysia, most immigrants are workers who later started their own businesses. They have a higher tendency to engage in entrepreneurial activities thus knowledge distribution from previous employment is necessary. **Research design, data and methodology:** This qualitative study using in-depth interview approach was carried out with five immigrant entrepreneurs from Bangladesh conducting business in Malaysia. The data were gathered and analysed using thematic analysis facilitated by ATLAS.ti software. **Results:** The findings provide useful insights on the significance of knowledge obtained during immigrant entrepreneurs' former employment in the host country, enabling them to identify the needed resources quickly to launch a successful business in a host country. **Conclusions:** This study contributes to the Knowledge Spillover Theory of Entrepreneurship specifically in the context of immigrant entrepreneurship who have former employment in the same business sector and a proposition is developed. For practicality, the findings provide some insights for immigrants who want to start businesses in the host country which allow them to identify and exploit entrepreneurial opportunities due to knowledge distribution at their former employment in the host country later facilitates successful business establishment there.

**Keywords :** Knowledge Distribution, Knowledge Spillover Theory of Entrepreneurship (KSTE), Immigrant Entrepreneurship, Former Employment, Qualitative Study, Malaysia, Bangladesh

**JEL Classification Code:** M13, M16, L26, O53, J15

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## 1. Introduction

The nature of entrepreneurship is multifaceted thus has led to the arising of multiple domains (Carlsson et al., 2013). One of the rising domains is immigrant entrepreneurship (Bettin et al., 2019; Dheer, 2018). Research has consistently indicated that immigrants have a higher tendency to engage in entrepreneurial activities (Aliaga-Isla & Rialp, 2013; Chavan & Taksa, 2017; Fairlie & Lofstrom 2015). Subsequently, immigrant-owned businesses are making significant contributions to the national economy (Pathak, 2021; Ruan et al., 2022).

The acquisition of knowledge is critical to the emergence (Lattacher et al., 2021) and success of a business (Kozhakhmet & Nurgabdeshev, 2022). Not everyone is aware of the emergence of business opportunities (Shane & Venkataraman, 2000) might be due to lack of relevant knowledge. Thus, individual differences such as the number of relevant experiences and idiosyncratic background knowledge (Ardichvili et al., 2003) resulted in sensitivity levels towards potential opportunities (Alsos & Kaikkonen, 2004; Hallam & Zanella, 2017; Krueger, 1993). Similarly, Shane (2000) concluded that prior knowledge and experience aided individuals of varying abilities in recognising business opportunities.

Accordingly, many immigrant entrepreneurs draw on their prior experience gained while living abroad, which has a generally positive effect in that it acts as a buffer against uncertainty and has been linked to improved self-efficacy and venture performance (Dheer, 2018; Duan et al., 2021; Urban et al., 2022). Lechner et al., (2016) has argued that experienced business entrepreneurs have better potential in determining business opportunities and distinguishing between inferior and superior opportunities following their past experiences. As knowledge plays a central role in new venture creation (Acs, 2010; Audretsch & Lehmann, 2022; Razak et al., 2022; Yahaya et al., 2022), we expect immigrants obtained scarce and diverse knowledge for their current business are during their employment in the host country.

Building on knowledge spillover theory of entrepreneurship (KSTE), we argue that knowledge spillover between immigrants and others (native or ethnic communities) during their previous employment in a host country allows immigrants to successfully establish their business in the host country, particularly in the same business sector. Therefore, in this study, exploring the knowledge distribution among Bangladeshi immigrant entrepreneurs in a host country where the primary reason for their immigration is employment may reveal new theoretical perspectives to support scholarly knowledge on the subject.

The study has implications for the larger entrepreneurship literature as well as for KSTE. We describe

how immigrants' prior employment in the host country promotes knowledge transfer and acts as a source of fresh, varied knowledge, raising the possibility of new business venture creation.

## 2. Literature Review

### 2.1. Immigrant Entrepreneurship and Former Employment

Immigrant entrepreneurship emerged through migration and immigrants' entrepreneurial activities in host countries (Baycan-Levent & Nijkamp, 2009; Tu Quyen, 2013). Migration denoted the people's movement from one place to another and residential shifts (Kok, 1999). In Sasse and Thielemann (2005), immigrants are people who have been away and leave their home country or citizenship for 12 months or longer. However, acknowledged immigrants were varyingly defined by nations depending on citizenship policies (Anderson & Blinder, 2015). Dheer's (2018) systematic review on immigrant entrepreneurship revealed that various terms were employed to explain immigrants, including 'foreigners', 'foreign-born individuals', 'culturally different people', and 'people on the move'. Immigrant entrepreneurship indicated self-employed immigrants who established and developed immigrant-founded business ventures (Barrett & Vershinina, 2017).

Through investments and the creation of new businesses, immigrants are increasingly acknowledged as a significant source of job creation in the host nation (Nkongolo-Bakenda & Chrysostome, 2013; Griffin-EL & Olabisi, 2018). As a result, the economic activities carried out by immigrant entrepreneurs and their businesses are quickly emerging as a key instrument in the economic stimulus for the host country. Similarly, Ribeiro-Soriano and Mas-Verdú (2015) and Pathak (2021) highlight immigrant entrepreneurs play an important role in a host country's economic prosperity as well as job creation through the creation of new business ventures, particularly small businesses in urban areas where significant unemployment occurs frequently.

Since the 1990s, Malaysia's immigrant entrepreneurs have come from a variety of countries. In regards to immigrants in Malaysia, they are mainly composed of immigrant workers (Abd Hamid et al., 2019; Hugo, 2011) which later at some point established their own business ventures. For instance, Bangladeshis make up 70% of the labour force in the construction industry (Chowdhury, 2023). Specifically, Nel and Abdullah (2015, 2017) claim that Bangladesh account for the vast majority of immigrant business owners in the Kuala Lumpur area apart from Pakistan, and Indonesia. Inevitably, immigrant

entrepreneurs have a big impact on job creation and economic expansion in Malaysia.

Immigrants start entrepreneurial firms because they have access to and understand how to capitalise on knowledge spillovers, which typically occur in the vicinity of incumbent organisations (Jamaludin et al., 2020; Kalnins & Chung, 2006). Furthermore, it could have happened while working in a specific business industry. As many immigrants in Malaysia are immigrant workers (Abd Hamid et al., 2019; Hugo, 2011; Chowdhury, 2023), thus, they may discover entrepreneurial opportunities from previous employment. Prior engagements were said to improve new opportunity identification and utilization (Sharma, 2019; Uebasaran et al., 2003).

It can be concluded that the possibility of the greater entrepreneurial activities existing and the higher new venture creation are through the greater knowledge spillover is present and available in a place. The potential entrepreneurs are more likely to gain access and advantage to commercialize the knowledge with the favored environments (rich in knowledge) as compared to environments with less knowledge thus create fewer entrepreneurial opportunities (Audretsch & Keilbach, 2008). Indeed, knowledge obtained from relevant sources can be used to establish specific market knowledge for the discovery of opportunities (Bhagavatula et al., 2010; Urban et al., 2022).

## **2.2. Knowledge Distribution in Immigrant Entrepreneurship: The Knowledge Spillover Theory of Entrepreneurship (KSTE)**

The knowledge spillover theory of entrepreneurship (KSTE) contends that the local environment affects an individual's decision to launch their own business (Audretsch & Keilbach, 2008). Particularly, those ideas lead to entrepreneurial opportunities in a context that is rich in knowledge (Samsudin et al., 2022).

The theory is based on the proposition that entrepreneurial behaviour is a response to profitable opportunities that arise as a result of acquired knowledge. Through knowledge spillover from other parties, the knowledge spillover theory of entrepreneurship elucidates individual responses and behaviours to entrepreneurial opportunity and new venture creation. Startups can thrive and grow by acquiring and managing specific knowledge (West & Noel, 2009). Thus, resources such as information and knowledge are critical factors in the establishment of new ventures (Yli-Renko et al., 2001).

Previous research found the new venture creation more rampant and exhibit greater performance in the place with industry clustering (Gilbert et al., 2006; Lazar et al., 2020). It has enabled them to gain more advantage in acquiring tacit

knowledge from incumbent firms (Sorenson & Audia, 2000). In addition, the increased knowledge spillovers between immigrants and natives leads to the development of entrepreneurial activities in a country (Li et al., 2018).

Having a wide range of knowledge can help a small business succeed and expand (Zimmer, 1986; Macpherson & Holt, 2007). Immigrant entrepreneurs require knowledge related to access to resources such as the strategic supply resources, the availability of local workers, and finding markets to meet the needs of the host country's consumers in order to recognise available opportunities, create new ventures, and sustain business in a host country.

To discover business opportunities, knowledge and information are intended to be shared within society (Kirzner, 1978; Shane, 2000). Through knowledge exchange between immigrant and native communities, immigrant share consequently has a positive relationship to the establishment, expansion, and export activities of new businesses (Li et al., 2018). Furthermore, when immigrant entrepreneurs moved to other countries, they experienced cross-cultural experiences, making them more capable of identifying promising business ideas based on knowledge transferred from their home country and integrated with host country knowledge (Vandor & Franke, 2016; Hornung, 2014). New and diverse knowledge can help small businesses succeed and grow (Zimmer, 1986; Macpherson & Holt, 2007).

For new businesses to succeed and expand, knowledge obtained from external networks in particular is essential (West & Noel, 2009; Wiklund & Shepherd, 2003). Immigrant entrepreneurs need access to information and resources like strategic supply sources, the availability of local labour, and markets to meet the needs of the host country's consumers in order to launch new ventures and maintain operations there.

Thus, knowledge spillover theory of entrepreneurship (KSTE) will be adopted to explore the interaction and knowledge gained with others during employment in the host country affect an immigrant's likelihood of starting a business in a related industry. It is crucial to understand how knowledge is distributed; created and shared in order to better understand the entrepreneurial activities carried out by immigrant entrepreneurs in a related industry.

## **3. Research Methods**

This study aims to explore the knowledge distribution in immigrant entrepreneurship in a host country Malaysia. It adopts a qualitative methodology using semi-structured in-depth interviews with selected Bangladesh immigrant-founded businesses in Malaysia. As mentioned earlier, the immigrants in Malaysia are mainly composed of immigrant

workers (Abd Hamid et al., 2019; Hugo, 2011) and Bangladeshis account for 70% of total construction labour (Chowdhury, 2023). In addition, Nel and Abdullah (2015, 2017) found that one of the most immigrant entrepreneurs in the Kuala Lumpur area are from Bangladesh. Because many members of this particular ethnic group are employed in Malaysia, it was decided to choose those immigrants who had started their own businesses after leaving their jobs.

We chose Bangladeshi immigrant entrepreneurs who had been running immigrant-founded businesses for at least three years for this study. This threshold is crucial because businesses started by immigrants are more likely to cease operations before this period (Shinnar & Young, 2008). Specifically, the sample criteria are: i) the entrepreneurs must be Bangladesh immigrant(s), ii) the immigrant entrepreneurs must have worked for another company in Malaysia before starting their own, and iii) the current business have been operating for at least three years in Malaysia. The profiles of the five participants are summarised in Table 1.

**Table 1:** Participants' Profile

Participants	Age Range	Gender	Product	Years of Business Establishment
B1	Mid-40s	Male	Kitchen Cabinet Furniture Store	4
B2	Late-30s	Male	Ready-made Furniture Store	11
B3	Early-30s	Male	Kitchen Cabinet Furniture Store	7
B4	Mid-30s	Male	Ready-made Furniture Store	12
B5	Late-40s	Male	Ready-made Furniture Store	20

The semi structured in depth interviews with the five Bangladeshi immigrant entrepreneurs were conducted in early 2019 at the participants' own company. Each interview session was guided by a set of interview protocol (Patton, 2015). The protocol comprised three sections; i) the background of owners, ii) the profile of the business, and iii) questions on how the immigrants obtained the knowledge related to the current business in a host country. Additional questions were asked to provide ongoing clarification as needed (Miles & Huberman, 1994). The interview and data collection were ended for all five interviewees once data collation reached saturation point (Ramdan, Abdullah, Isa, & Hanafiah, 2020; Merriam & Tisdell, 2016; Gill, 2020).

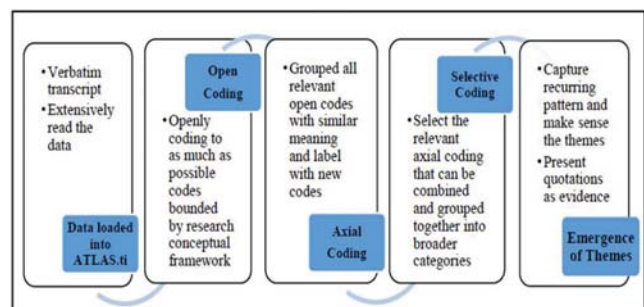
To manage the rich and abundant data transcriptions which contain on average of approximately one and a half hours of audio recording for each participant, into text data and coding was indeed challenging (Hesse-Biber & Leavy, 2006). Thus, in this study, the text transcriptions were

loaded into computer-assisted (or aided) qualitative data analysis software (CAQDAS) named ATLAS.ti. The utilisation of CAQDAS helps in better demonstrating analytical techniques and the processes undertaken to develop analytical conclusions (Crowley et al., 2002).

The selected texts (also known as quotations) regarded as possible findings were assigned with particular codes using the data management tools available in ATLAS.ti. The process of transcribing all five interviews verbatim was very time consuming, resource intensive and tedious job (Bryman & Bell, 2007; Halai, 2007). On average, 6-8 hours were required per interview which took in average of 1.5 hours of audio recording.

### 3.1. Data Analysis

This study utilised qualitative approaches to achieve a rich description of the phenomenon under study. The method within qualitative approaches such as in-depth interview adopted in this study is generally "highly inductive; where the use of open codes, categories, and thematic analysis are most common" (Lim, 2011, p. 52). Accordingly, the present study employed thematic analysis as suggested by Rosdi et al. (2022) inductively using the constant comparative method, a process of constantly asking questions and iteratively comparing the derived themes from the data with the literature and analysing the data (Merriam & Tisdell, 2016; Strauss, 1987; Strauss & Corbin, 1998). The common themes or patterns or categories of this study were derived through open, axial and selective coding procedure (Strauss & Corbin, 1998). The data analysis process involved in this study is illustrated in Figure 1. It started with the data being loaded into ATLAS.ti software, followed by open coding, axial coding and then selective coding resulting of relevant emergent of themes for the study.



**Figure 1:** Data Analysis Process

Data triangulation is required for qualitative study, which is the use of multiple methods or data sources in qualitative research to test the study's reliability (Patton,

1999). According to Denzin (1978), there are four basic types of data triangulation, and for this study, we adopt researcher triangulation whereby involves multiple researchers in the same study to understand a specific phenomenon. Researcher triangulation produces consensus results that are typically assumed to be more reliable by other researchers. In comparison to using just one researcher, it helps to avoid biases and limitations while also increasing data reliability. The researchers who worked on this paper coded the same transcripts, compared how accurately they applied the codes, and came to the same conclusions. Table 2 presents an example of how the final theme emerged and assigned accordingly.

**Table 2:** Excerpt of Construction of Themes

	Quotation	Open Coding	Axial Coding	Selective Coding	Theme
B5	<i>I saw so many customers come and buy the furniture, which is why I do this.</i>	<b>... so many customers come and buy the furniture...</b>	Big market		
B1	<i>During my working days, many customers wanted to order our kitchen cabinet... so I noticed that there is quite big market in Malaysia for kitchen cabinet...</i>	<b>... many customers wanted to order our kitchen cabinet...</b>	High in demand	High-potential business	Available opportunity

#### 4. Results and Discussion

Immigrants in Malaysia are primarily composed of immigrant workers who later established their own business ventures (Abd Hamid et al., 2019; Hugo, 2011). The findings revealed that the interaction with others through former employment in host country has led to richer access and knowledge of industry-specific-knowledge in Malaysia. The immigrant entrepreneurs, who previously involved in particular business sector, would likely pursue their business in similar entrepreneurial activities. Therefore, former employment in host country within the same business sector has offered immigrant entrepreneurs broader knowledge.

The findings revealed that the relationship with members from the same network during former employment are other reasons for immigrant entrepreneurs to be able to establish

business in Malaysia. The relationship allows collaboration to happen because it enables the exchange of the essential knowledge needed to embark into the business, especially within the same business sector. This includes gaining information on potential suppliers as well as potential clients.

In this study, the immigrant entrepreneurs revealed that those who were involved in particular business sector previously would pursue their business in that particular entrepreneurial activities. The previous engagement within the same business sector had alerted the immigrants with the business ecosystem, hence they were able to recognise the business opportunity in that specific sector. The immigrant entrepreneur's previous engagement with the same business sector had caused the immigrants then to be more perceptive and sensitive towards any business opportunities. For instance, Bangladeshi immigrant entrepreneurs who used to work in the furniture sector eventually would embark into doing the same type of entrepreneurial activities. This is because they knew the appropriate process and understood the environment better, which enabled them to embrace and discover any available business opportunities within the sector.

In this study, immigrant entrepreneurs agreed that when they first arrived in Malaysia, they had limited knowledge and lack of information about the intended business. Thus, the engagement with members in the same network through previous employment within the same business sector could be projected as a great platform for them to access knowledge. This also alerted the immigrant entrepreneurs on the potential business opportunities in that area. As captured in the following quotations:

*I have seven years of working experience in Malaysia... when I worked at a furniture company, I did all the works like designing the wardrobe, kitchen cabinet... from there I have confidence to open my own furniture business because I know many things about the furniture. (B1)*

*When I was working in a furniture company, I focused on doing the kitchen cabinet... at the same time, my boss also asked me to help him at the furniture showroom. So from there I learned how to run a furniture business. (B3)*

Another participant in this study also shared the same experience on how engagement within the same business sector during his previous employment had let him have access and allow him to obtained knowledge and information with the potential suppliers for his intended business undertakings. As captured in the following quotation:

*When I was working with my former company in 2008... all the suppliers and all, I was the one who handled, not him (boss) because he was very busy with his factories... so since I could access to the suppliers, I think better I do my own business. (B4)*

Furthermore, having a good rapport with suppliers at previous employment permitted the collaboration to happen. Due to frequent interactions during previous employment, it has built trust between the immigrant entrepreneurs and the suppliers. Thus, the immigrant entrepreneurs recognised that they are able to acquire certain benefits which may ease the pursuit of the particular business opportunity. As captured in the following quotations:

*I know all the suppliers from working with my boss previously. When the suppliers know that I want to open my own business, they were very supportive... they said I do not have to worry to pay cash for the supplied furniture, they can give me credit because we have known each other for a long time. (B3)*

Similar basis was also observed with another participant. He perceived the feasibility of doing furniture business when he noticed a higher demand of furniture related products during their employment at furniture company. As captured in the following quotation:

*During my working days, many customers wanted to order our kitchen cabinet... so I noticed that there is quite big market in Malaysia for kitchen cabinet... then it would be great move for me if I do my own business. (B1)*

*I saw so many customers come and buy the furniture, which is why I do this. (B5)*

Further, according to the participants, through their former employment have also helped the immigrant entrepreneurs to identify strategic locations for their business ventures. As captured in the following quotation:

*I conduct my business here because I am confident that many customers will come... There are near residential areas, and the market appears to be favourable. All of this I learned during my employment. (B2)*

Based on the above findings, generally, immigrant entrepreneurs who used to work in a certain business sector would embark into doing the same entrepreneurial activities. Evidently, the immigrant entrepreneurs from Bangladesh who participated in this study who have established furniture businesses have previously worked in the same business sector. The knowledge they gained and with the network members through previous employment within the same business sector could be projected as a great platform for them to access the relevant information which later was used to alert them with the potential of particular business opportunities.

Further, the Bangladeshi participants in this study shared that they were gradually exposed on how the furniture business is operated and has developed good rapport with the potential suppliers in the host country for their intended business undertakings. Thus, the rapport established with the potential suppliers during the employment enabled them to recognise and embrace the available business opportunities. Subsequently, as a result of spending relatively a lot of time within specific occurrences at the former employment, the immigrant entrepreneurs acquainted with the learning, skills, and knowledge obtained throughout the interaction.

Therefore, prior employment in the host country may provide immigrant entrepreneurs with greater access to industry-specific knowledge. Table 3 depicts a summary of the research's findings.

**Table 3:** Summary of Findings

Participants	Distribution of Relevant Knowledge
B1	<ul style="list-style-type: none"> <li>○ perceived the feasibility of doing furniture business</li> <li>○ learn about the specific business process</li> <li>○ recognise available business opportunities</li> </ul>
B2	<ul style="list-style-type: none"> <li>○ realize strategic business location</li> <li>○ better understand business environment</li> <li>○ establish a rapport with potential clients</li> </ul>
B3	<ul style="list-style-type: none"> <li>○ learn about the specific business process</li> <li>○ gain trust from specific supplier</li> <li>○ realize strategic business location</li> </ul>
B4	<ul style="list-style-type: none"> <li>○ gain access to valuable information from potential suppliers</li> <li>○ get to know potential clients</li> <li>○ learn about the specific business process</li> <li>○ perceived the feasibility of doing furniture business</li> </ul>
B5	<ul style="list-style-type: none"> <li>○ get to know potential clients</li> <li>○ better understand business environment</li> <li>○ recognise available business opportunities</li> </ul>

In relation to the immigrant entrepreneurs having previous engagement in specific business sector in the host country; this proposition is developed:

*P<sub>1</sub>: The knowledge obtained from related business sector during former employment in host country is more likely to increase the chances to utilized relevant knowledge on specific business operation than the knowledge obtained from different business sector during former employment.*

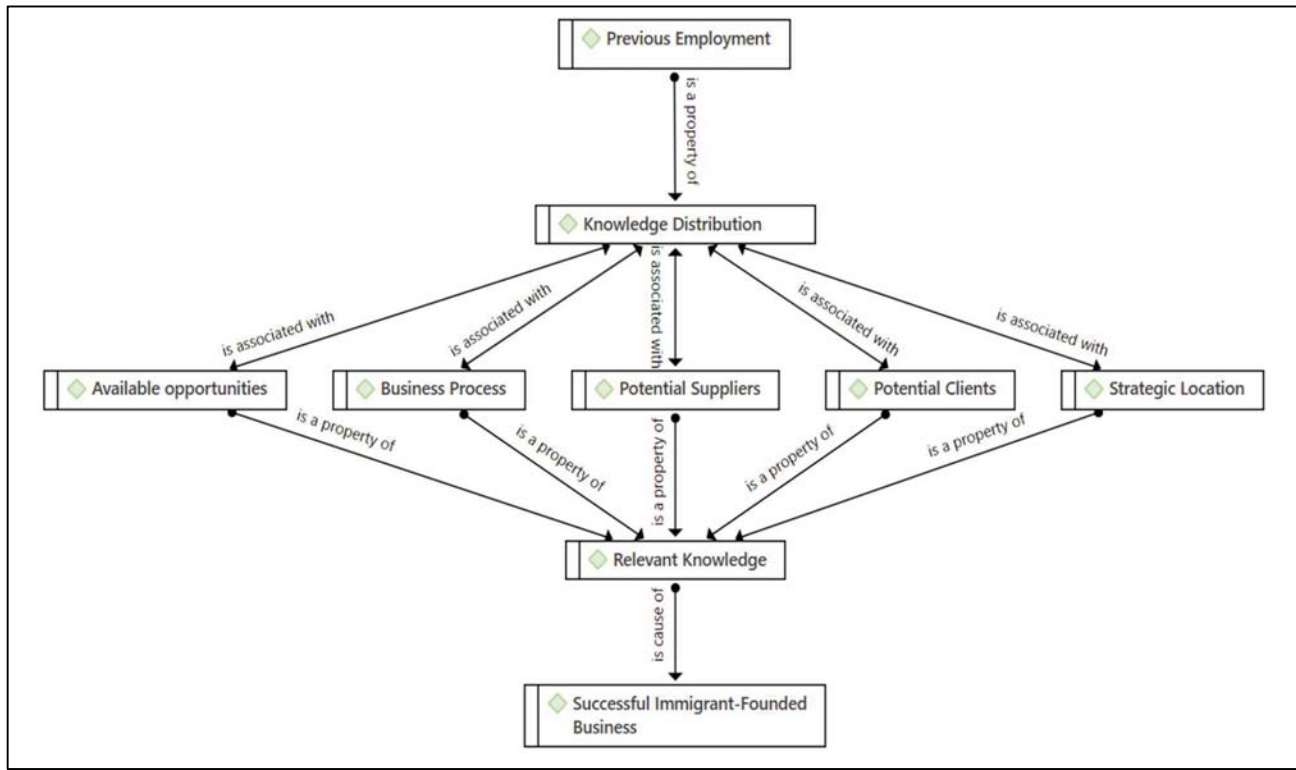


Figure 2: Findings Illustration generated from ATLAS.ti, Version 22

## 5. Conclusions

The majority of immigrant entrepreneurs in Malaysia are made up of immigrant workers who eventually started their own businesses as a result of interaction with others through previous employment in the host country, which has increased access to industry-specific knowledge. Thus, compelling evidence was provided suggesting that immigrant entrepreneurs were alert with the business ecosystem in host country in a specific sector since they have been exposed with the business process during their former employment in the same business sector. This explains that the previous engagement acts as a platform that enables the distribution of knowledge among immigrants and others; could be with native or co-ethnics at the former employment has led to richer access of industry-specific-knowledge in Malaysia.

This study revealed that those who were involved in particular business sector previously would pursue entrepreneurial activities in the same or similar business sector. This is possible due to the previous engagement within the same business sector had alerted the immigrants with business ecosystem thus allowing them to recognise the business opportunity in the same specific sector. Such

situation caused the immigrants to be more perceptive and sensitive towards the business opportunities.

As a result, this study recognised the significance of knowledge distribution through employment prior to immigrant entrepreneurs starting businesses in a host country. With the knowledge obtained from previous employment, immigrants can conduct their business in the host country in a systematic and relevant manner. Furthermore, it accelerates the process of business establishment by having knowledge of resources such as suppliers and strategic locations to help the business grow in a shorter period of time.

The study has provided new views on the body of knowledge in regard to entrepreneurship, specifically in the field of immigrant entrepreneurship. It specifically contributes to the Knowledge Spillover Theory of Entrepreneurship (KSTE) which explains how a context with more knowledge generates more entrepreneurial opportunities (Audretsch & Keilbach, 2008). Thus, in this study, context is defined as the immigrant's previous employment, which allows them to pursue entrepreneurial activities in a host country with the knowledge gained there.

This study also provides evidence that the knowledge gained through former employment could be a great platform for knowledge distribution leading to the

immigrant-founded business in a host country. Furthermore, this study provides some insights for immigrants who want to start businesses abroad which allow them to establish a business due to knowledge distribution gained from former employment in the host country.

## 6. Limitations and Future Research

This study has contributed to a better understanding of the phenomenon of the knowledge distribution in immigrant-founded business formation in Malaysia; however, there are limitations of the study. This study focuses on a single ethnic group, Bangladesh, and a single business sector. As a result, important direction for future research is to broaden the scope of this study to include other business sectors and immigrant entrepreneurs from other home countries, as knowledge distribution may differ in different business sectors and among immigrant entrepreneurs from different home countries.

Furthermore, with diverse ethnic groups of immigrants in Malaysia, a comparison of those ethnic groups in terms of knowledge distribution should be attempted in the future for a more rigorous study. Next, the proposition could also be empirically tested in the future.

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