

# Executive Summary

## Migrant-led family enterprises

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## **Executive Summary**

The present study analyses the specific characteristics of migrant-led family enterprises as well as their prevalence and overall relevance for the German economy. The results are based on an enterprise survey conducted by IfM Bonn. We define migrants, in this study, as individuals who have migrated to Germany themselves or whose parents (one or both) had done so. Family enterprises are defined in accordance with IfM Bonn's standard definition of the term.

### **Migrant-led family enterprises**

#### **... represent a small, but non-negligible segment of the economy**

In 2014, approx. 375,000 migrant-led family enterprises operated in Germany. Thus, every tenth company is a migrant-led family enterprise. They generated annual sales of approx. 280 billion Euros in 2014, which equals a share of around 4 % of total taxable turnover of all companies in Germany. Beyond that, as on 31 December 2015, migrant-led family enterprises provided 5 % of all jobs.

#### **... employ individuals with a migrant background more often than non-migrant-led family enterprises**

On average, migrant-led family enterprises have fewer employees than non-migrant-led family enterprises. However, they employ individuals with a migrant background more often: around 13 % of all employees (including apprentices) with a migrant background were employed by migrant-led family enterprises at the turn of the year 2016/2017. Hence, they fulfil an important integrating function on the labour market.

#### **... make an important contribution to the innovativeness and competitiveness of the German economy**

In contrast to the widespread image of migrants operating in economically less relevant areas, our study reveals that migrant-led family enterprises are at least as active in knowledge-intensive sectors (e.g. financial services, insurance, IT) as non-migrant-led family enterprises. In the liberal professions, they are even more prevalent. Moreover, migrant-led family enterprises have tended to introduce innovations, e.g. in the form of new products and services, more often within the last three years. Finally, they also tend to sell their products and services more often on foreign markets.

**... only seldom build their international business activities on the specific knowledge and/or existing contacts to the region of origin of the entrepreneurial family**

Among all migrant-led family enterprises, only around one fifth considers the region of origin of the entrepreneurial family as important for their business activities. In these cases, the region of origin primarily serves as a sales market but less frequently as the country of origin of products and services, business partners or employees. Accordingly, co-ethnic markets primarily play a role for the export activities of migrant-led family enterprises. Those migrant-led family enterprises that serve the domestic market only seldom focus on customers of the same ethnicity.

**... are more frequently subject to price competition**

As regards the competitive strategy, all family enterprises attach great importance to aspects such as the quality of products and services as well as to steady innovation activities. They seldom pursue a strategy of price leadership. Migrant-led family enterprises, however, attach greater importance to this strategy than non-migrant-led family enterprises, indicating that they might have to offer their products and services to lower prices to stay competitive in the market.

**Economic policy should convey a positive picture of migrant entrepreneurship and apply it itself**

Economic policy and the self-governing organisations of the economy should abandon an outdated, negatively connoted picture of migrant entrepreneurship. Instead, they should rather convey a more contemporary picture to the public which stresses the opportunities and contributions of migrant entrepreneurship to the German economy. Economic measures that are oriented at a more positive image have better chances to reach the target groups.