



Governing Urban Diversity: Creating Social Cohesion, Social Mobility and Economic Performance in Today's Hyper-diversified Cities

Report 2a

Fieldwork entrepreneurs, Rotterdam (The Netherlands)

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1 Introduction

High levels of economic growth and the wellbeing of citizens, which are the main objectives of urban policies, are closely connected to the level of entrepreneurship and the ability to create new enterprises (Fainstein, 2005; Bodaar & Rath 2005). In the global era, cities compete for enterprises with high economic performance and talented entrepreneurs, besides creating conditions necessary for new start-ups. The literature emphasises that cities open to diversity are able to attract a wider range of entrepreneurs than those that are relatively closed (Fainstein, 2005; Florida, 2002; Eraydin, Tasan-Kok & Vranken, 2010). Empirical research on how local economic developments are connected to urban diversity, however, is quite limited and provides evidence usually only at macro level. One of the aims of this project is to fill this gap, at least partly, with empirical evidence collected at the neighbourhood level from fourteen hyper-diverse¹ cities of Europe.

This report explores the relationships between a diverse urban context and the settlement and economic performance of entrepreneurs in these contexts. More specifically, we want to know: to what extent does being located in a hyper-diverse neighbourhood influence the economic performance of such businesses? What other factors determine the settlement and economic performance of these businesses? To what extent can hyper-diverse neighbourhoods provide conditions or challenges for entrepreneurship and the economic performance of businesses?

With a qualitative case study of the economic performance of enterprises in the hyper-diverse district of Feijenoord in Rotterdam, the report seeks to answer the following research questions:

- *What are the main characteristics of the entrepreneurs and their business in terms of demographic features, and the key characteristics and evolutionary paths of their businesses? Who are their employees? What are the housing conditions of the entrepreneurs? (Chapter 2)*
- *What were the main motivations of entrepreneurs for establishing a business? What is the importance of neighbourhood diversity for settling in the current neighbourhood? Why did entrepreneurs select their line of business and from whom did the entrepreneur receive which support upon start-up? (Chapter 3)*
- *How do entrepreneurs evaluate the past and present economic performance of their enterprises? What are their business ambitions? Which factors are most of influence on the economic performance of the firm according to entrepreneurs? How important was neighbourhood diversity in this respect? What are the long-term plans of entrepreneurs? (Chapter 4)*
- *To what extent are entrepreneurs aware of the existing policy schemes and measures as well as other entrepreneurial platforms, programmes and events? Do they participate in these and why (not)? What does participation (not) bring them? What do the entrepreneurs think should be the priority for the governance of entrepreneurship in their area, Rotterdam, the Netherlands and/or the EU? (Chapter 5)*

¹ Hyper-diversity, we define as ‘...an intense diversification of the population, not only in socio-economic, social and ethnic terms, but also with respect to lifestyles, attitudes and activities’ (Tasan-Kok et al., 2014, p.8).

The research context

The research in this report focuses on Rotterdam, the second-largest city of the Netherlands with about 623,000 inhabitants. It is a highly diverse city in terms of its workforce and population. A former industrial city and still a port city, Rotterdam has a relatively high proportion of low-skilled workers. It has achieved major successes in diversifying its economy and attracting (inter)national service sector businesses, and hence diversifying its labour population. Yet, it still has relatively high levels of unemployment, income segregation and poor households compared to other large Dutch cities. Due to its history as a port city, Rotterdam has attracted migrants from all over the world, who have come to work on the docks, joined by their families or formed new families. In 2014, almost half of the city's inhabitants (49%) were born abroad or had at least one parent born abroad.

Entrepreneurship is one of the key drivers of the Dutch economy and the urban economy of Rotterdam. However, the proportion of entrepreneurs as a percentage of the labour force is lower in Rotterdam than in the other cities. Furthermore, in Rotterdam - as in the Netherlands - the proportion of entrepreneurs amongst non-Western ethnic groups is still substantially lower than among the native Dutch². Yet, the proportion of entrepreneurs among the second generation of non-western immigrants³ is about equal to the native Dutch in Rotterdam and even higher in the other big Dutch cities (Bertens & De Vries, 2008). Non-western immigrant entrepreneurs in Rotterdam are more often settled in poor neighbourhoods, while they are underrepresented in richer neighbourhoods (Bertens & De Vries, 2008). This is not surprising, given the fact that non-western ethnic minority residents in the Netherlands tend to live in poor neighbourhoods and many entrepreneurs have their business in the neighbourhood where they live.

Within Rotterdam the research has taken place in the district of Feijenoord in Rotterdam-South. The area has about 73,100 inhabitants and 2000 registered enterprises, against 623,000 and 47,500 respectively in Rotterdam as a whole. Feijenoord can be considered one of the most diversified areas in the city, in terms of its population, entrepreneurship and functions. It comprises nine neighbourhoods and is located close to the city centre, with which it is well connected in terms of public transport connections. The average property value (includes rental properties) is 18 per cent lower than in Rotterdam and no less than 43 per cent lower than in the Netherlands. A large part of Feijenoord's population is low-skilled, unemployed, has lower than average household incomes, and receives welfare benefits. In 2014, 64% of the households in Feijenoord and 51% in Rotterdam had an annual income below €19,300; in this respect they belong to the bottom 40% of the Netherlands (OBI, 2016). The relatively low property prices attract many disadvantaged and starting enterprises to the area. Ethnically, the area is very mixed.

² Throughout the report we define 'native Dutch' as Dutch citizens of whom both parents were born in the Netherlands (CBS, 2016).

³ By non-Western immigrants we mean people who were born in Turkey, Morocco, Surinam, the Dutch Antilles and Aruba, or an African, Latin American or Asian country (excluding Indonesia and Japan) (CBS, 2016).

The largest ethnic groups in Feijenoord include: native Dutch (32%), Turkish (19%), Surinamese (9%), and Moroccan (11%) people in 2014.

If we look at the current employment structure of the Rotterdam economy, it is notable that the sectorial distribution is comparable to that of the Netherlands, with two exceptions: In Rotterdam the wholesale and retail trade sector has a smaller proportion of employees (12.0%) than the Netherlands (16.8%), while the reverse is true for the transportation and storage sector (respectively 10.6% and 4.8%) which can be attributed to the role of the harbour. The economic structure of Feijenoord deviates strongly from the city. Of the 26 thousand employees more than half works in the non-commercial services sector (public administration, education and health). The sectors industry, construction, wholesale and retail trade and other commercial services are underrepresented in Feijenoord.

Over the last decade, there has been a concerted effort by the municipality of Rotterdam to diversify the local economy and population of Feijenoord (as well as the city as a whole). They have sought to do so by attracting and facilitating businesses in the creative⁴, harbour and medical and health care industries and by attracting high-income households to the area through various urban regeneration and social mix programmes. In addition, to increase the education level and reduce unemployment rates among (young) people in Feijenoord, the municipal government, in collaboration with educational institutions and large businesses, has sought to better match the type and content of educational programmes with labour market demands. Finally, to increase employment opportunities, the municipal government has sought to attract successful large-sized health care and service sector (multi-national) businesses to the area. Those strategies have been partly successful. Particularly in the northern part of the area, more service sector (multinational) businesses, creative industries and higher income households have settled in Feijenoord in the recent decade.

Methods

The report is based on interviews with forty-two entrepreneurs in the urban area of Feijenoord (Rotterdam), during September to December 2015. The composition of businesses in this area is very diverse with respect to business size, sector, products and services and clientele and the individual features of employees (age, education, ethnicity, gender, previous work experience). We interviewed entrepreneurs in the *residential parts* of the district of Feijenoord, Rotterdam because we expect them to provide most insight in the impact of hyper-diverse urban areas on the economic performance of entrepreneurs in these areas. Because this is a qualitative study, we aimed to include people of as many entrepreneurial groups as possible, in order to capture their diverse experiences, rather than to create a sample that is representative of the entrepreneurial population. We also conducted two interviews with civil servants of the Municipality of

⁴ We define creative industries as: ‘those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property’ (DCMS, 2001, p.4). The industries include: advertising and marketing; architecture; crafts; product, graphic and fashion design; film, TV, video, radio and photography; IT, software and computer services; publishing; museums, galleries and libraries; music; performing and visual arts; and gaming (DCMS, 2015).

Rotterdam who seek to promote entrepreneurship in our research area. The interviews served to collect information about entrepreneurship (policy) in Feijenoord and to discuss our outcomes with policy actors.

We approached interviewees by means of ‘purposeful sampling’ (Bryman, 2012), to ensure that we spoke with a wide variety of entrepreneurs in terms of business size, branch and products, clientele and individual features including ethnicity and gender. Within this framework, three methods were used. First, we approached the majority of entrepreneurs in their workplaces. Second, particularly with large-sized, health care and creative industry businesses speaking with a director or manager in the workplace sometimes proved impossible. In this case we contacted them by e-mail or telephone. Finally, through the use of the so-called ‘snowballing method’, we asked a few interviewees to suggest another possible interviewee. We for instance asked entrepreneurs if they knew a home-based entrepreneur in Feijenoord. We also asked a few interviewees to introduce us to an entrepreneur whom they mentioned in their interview, such as a neighbour or professional contact. All interviewees have signed a consent form prior to the interview and we have only spoken with adults (aged over eighteen years). Two interviews were held by telephone and all others were held face-to-face. All interviews were taped and transcribed and then analysed using the qualitative data analysis software NVivo.

Reading guide

The next chapter will describe the examined entrepreneurs and businesses. This will serve as a base to identify similarities and differences in the variety of experiences of the interviewed entrepreneurs, regarding demographic features (e.g. age, ethnicity and gender) and the characteristics of their business (e.g. size and branch). Second, we explore the main motivations of entrepreneurs to start-up a business and assess to what extent neighbourhood diversity has been a pull factor for starting their business in Feijenoord. Third, we examine the economic performance of entrepreneurs, including their clientele and relationship with other local entrepreneurs, and how this is influenced by neighbourhood diversity. Fourth, we examine to what extent entrepreneurs in Feijenoord are aware of and profit from existing support schemes and government policies for entrepreneurs in Rotterdam. We finish with a summary of the key findings and policy recommendations.

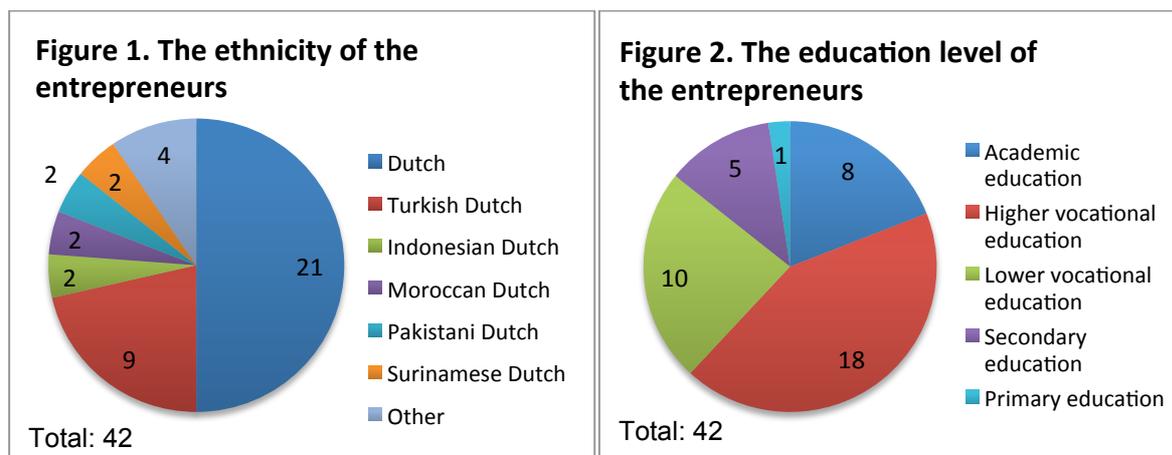
2 The entrepreneurs and their businesses

Who did we interview? In this chapter we define the main characteristics and develop a typology of the interviewed entrepreneurs and their enterprises in the research area. We first discuss important demographic features of the interviewed entrepreneurs. Second, we discuss key characteristics and the evolutionary paths of their businesses, including a description of the employees. Third, we describe the housing conditions of the entrepreneurs. We conclude with a three-fold typology based on the intersection of key features of the interviewed entrepreneurs and their businesses as set out in this chapter. The typology will serve as a basis to examine differences and similarities among the settlement and start-up motives, economic performance, and evaluations of policies of the interviewed entrepreneurs in the remainder of the report.

2.1 Characteristics of the entrepreneurs

We interviewed forty-two entrepreneurs who together have forty-five businesses in nine neighbourhoods in Feijenoord. Three entrepreneurs have two or more businesses in the research area. These have different demographic backgrounds and work in different sectors. We have interviewed thirty-six directors, four managers and a senior officer, thirteen females and twenty-nine males. The entrepreneurs are aged between twenty-six and sixty-eight years old, of which more than half between forty-six and sixty years. The interviewed entrepreneurs had ten different ethnicities (see Figure 1). Half of them are native Dutch.

Of the interviewees, a third lives in Rotterdam South, thus relatively close to their business and about two fifths lives elsewhere in Rotterdam. A quarter of the entrepreneurs live further away, but still in the greater Rotterdam region. Two reside near their business during the week and elsewhere in the Netherlands during the weekends. One entrepreneur has his office in his home, and one has an apartment above his shop. Most entrepreneurs have completed a higher vocational educational degree. The entrepreneurs have a higher average education level than the average of residents in Feijenoord, of which only 24% has a higher vocational or academic degree (see Figure 2; OBI, 2016). The entrepreneurs who live near their business mostly have a low (primary or secondary) or medium (lower vocational) educational degree and an ethnic minority background. In contrast, entrepreneurs who do not live close to their business mostly have a higher vocational or academic educational degrees and a native Dutch ethnic background.



With regards to the phase of entrepreneurship, three types of entrepreneurs can be distinguished. First, for more than half of the entrepreneurs, their current business is the first in their career. Most of them had salaried work before starting a business, and four were new entrants to the labour market. Second, a quarter of the entrepreneurs has been self-employed for most of their career and has started multiple businesses. Both these ‘first-time’ and ‘experienced’ entrepreneurs have started jobs in a wide variety of sectors, at different ages and in different stages of their career. They live in the research area or further away and have diverse ethnic and educational backgrounds, although, importantly, none have an academic degree. Finally, the last quarter of interviewees consist of top-level managers and directors who run a (social or commercial) business but are formally *employed by contract*, including managers of a law firm and a secondary vocational school, and directors of a health care and a multinational company. These interviewees have a native Dutch ethnicity and a higher vocational or academic degree. The interviewed

directors all have an academic or post-academic degree. Most contracted entrepreneurs do not live in or near Feijenoord. No clear differences were found in the careers of female and male entrepreneurs.

2.2 Characteristics of the businesses, their evolutionary paths and core fields of activity.

The duration of stay of the examined businesses in their current neighbourhood varies from five months to over a century. Most businesses have survived the start-up years and have been located in the area for four to eight years. This is important: in the Netherlands about half of the new firms do not survive the first five years (VNO, 1994; Kamer van Koophandel, 2014).

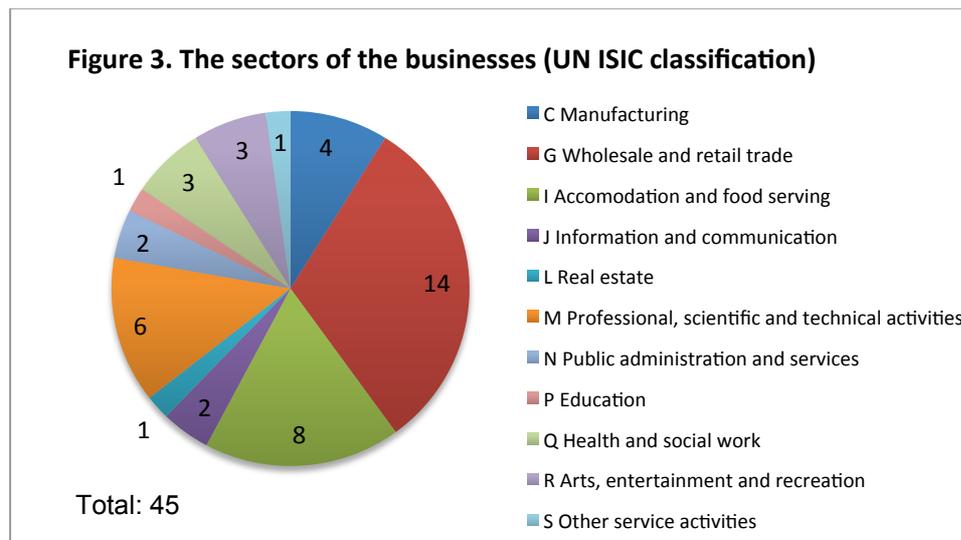
Thirty-two businesses are solely commercial in nature and nine have social purposes. Four of these ‘social businesses’ are associations, which are by law obliged to devote their profits to philanthropic or social purposes. The other five are commercial businesses with social purposes. They deliver social services such as health care, education, and intercultural communication programmes for public entities.

The customers, products and services of the businesses are diverse and depend on the sector of business in which the business operates (see Figure 3). Following the 2008 United Nations International Standard Industrial Classification of All Economic Activities (ISIC, Rev.4), the biggest category is active in the wholesale and retail trade, repair of motor vehicles and motorcycles (category G). For most interviewed businesses in this category as well as the public administration and services; education; health and social work sectors (categories N, P, and Q respectively) the local population of Feijenoord or Rotterdam South is the most important market. To a lesser extent, this also applies to manufacturing; and accommodation and food serving (categories C and I). In contrast, the interviewed businesses in the sectors information and communication; real estate; professional, scientific and technical activities; arts, entertainment and recreation (categories J, L, M and R respectively) mostly do not depend on the local area for their clientele. Importantly, the latter four categories mostly include businesses in the creative industries, defined as ‘...those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property’ (DCMS, 2001, p.4)⁵. They include advertisement, consultancy, architecture and design, and journalist companies.

Upon start-up, the business models of at least fifteen examined businesses can be classified as ‘innovative’, defined as having developed products (product innovation), used production processes (process innovation) and/or novel organisational and marketing strategies (organisational and marketing innovation) that were hitherto uncommon to the (local) economic

⁵ The creative industries include: advertising and marketing; architecture; crafts; product, graphic and fashion design; film, TV, video, radio and photography; IT, software and computer services; publishing; museums, galleries and libraries; music; performing and visual arts; and gaming (DCMS, 2015).

market (CBS, 2012). The remainder of the businesses started products, use production processes and organisational and market strategies that already existed in the area, such as a hairdresser, custom tailor, secondary school, diner or employment agency. All innovative entrepreneurs have small and medium-sized businesses. About half of them have an ethnic minority background, work in other than the creative industries and have diverse education levels. The other half is native Dutch, works in the creative industries and has relatively high education levels. Our sample thus indicates that innovative entrepreneurship does not necessarily merely happen in creative industries alone, but in other sectors as well, by entrepreneurs with diverse ethnic and education backgrounds.



An example of product innovation is the business model of Nezhir (46-60, Turkish Dutch) who runs a business in car parts. His business partner and father in law invented the concept upon start-up:

“He developed the idea to deliver car parts to garages, so that it saves them [the garages] time. It appeared to be a gap in the market. He was one of the first to invent this. Delivery did exist at the time, but only on fixed days and using fixed routes. As a garage you were lucky if you ordered in time. With my father in law, you could call him and when in stock, he would deliver it within 30 minutes. Garages became acquainted with his idea and the business became a huge success.”

An example of process innovation is the company of Mustafa (owner, 31-45, Turkish Dutch) that provides intercultural health care at people’s home, particularly for ethnic minority groups, by means of a multicultural and multi-ethnic workforce which, he argues, is representative of his super-diverse clientele in Feijenoord. Furthermore, the business strategy of Janou (18-30, Cape Verdean Dutch), who runs a designer clothes shop is an example of organisational innovation. In order to generate more income, he decided to host art expositions in his clothes store as well. As an innovative marketing strategy, Sahib (46-60, owner of two businesses in party articles, Surinamese Dutch) now also sells party articles online through an online web shop.

The number of employees in the examined businesses varies from one (we interviewed 7 freelancers) to over a thousand. Yet, most businesses are small and medium-sized businesses, with respectively less than ten (23) or between ten and fifty (12) employees. The large-sized (multinational) businesses operate in various sectors (mostly not the creative industries), and have a non-local clientele. The interviewed entrepreneurs of these businesses are all native Dutch, have relatively high education levels, and mostly do not live near their business (see also 2.1).

We asked entrepreneurs to describe the employees in their businesses. It appears that employees of the businesses in the creative industries generally have a higher educational level than employees in other industries. Employees with a low level of education (primary, secondary or lower vocational education) generally live closer to work than employees with a high education level (higher vocational and academic education). Apart from one entrepreneur who lives in an apartment directly above his business, and a home-based entrepreneur, most entrepreneurs who live close to their business live within a five to fifteen minute walking distance. As education levels are positively related with income levels (De Mooij et al., 2012), the relatively low housing prices in Feijenoord provide an explanation for the fact that most low educated employees of the examined businesses live in Feijenoord.

2.3 The location and site/s of the enterprises

The vast majority of businesses (thirty-six out of forty-five) rent their properties: small and large-sized businesses in diverse sectors. Most small and medium-sized businesses rent from a housing corporation or a private landlord. A number of businesses rent a property from the municipality. These include a school and small and middle-sized businesses in the creative industries in factory buildings, which are refurbished by the municipality in order to attract new entrepreneurs to the area (Tersteeg, Bolt & Van Kempen, 2014). Only six out of forty-five businesses own their business space. These include multinational businesses, two highly educated freelancers (of which one home-based) and two associations. As Sahib (46-60, owner of two businesses in party articles, Surinamese Dutch) explains “*it is not smart to buy a business space because the prices of retail property are currently declining, so you lose*”. This can be an explanation for the low number of owner-occupied business properties. Another explanation could be that Feijenoord is home to entrepreneurs with relatively few financial means, who cannot afford to buy a property and are attracted to the relatively low rents in Feijenoord. Groups that run the highest risk of falling in this category of ‘vulnerable’ entrepreneurs are early-stage entrepreneurs, people who work in the retail and catering industry, are aged under forty-five and of ethnic minority background (Folkeringa et al., 2010).

The properties, layout, and physical environment of the business spaces of the examined entrepreneurs are diverse. The business spaces include: restaurants and pubs, small and medium-sized retail stores, other small and medium-sized shops, small, medium and large-sized offices, diverse leisure spaces, industrial property (e.g. two multinationals), car garages, and medical centres. Most interviewed restaurants and pubs, shops and retail stores are located in or within walking distance of busy and densely built (shopping) areas, including the Beijerlandse laan and Groenchedijk area, Afrikaanderplein area and Laan op Zuid. The industrial properties and garages are located in more quiet residential areas of Feijenoord, close to other industrial businesses. The medical centres and offices are both located in busy as well as quiet urban areas.

Fieldwork observations indicate that the physical conditions of the business properties are generally good. However, a few small businesses have complained about the lack of maintenance and communication about maintenance by housing corporations. Nonetheless, entrepreneurs are generally satisfied with their business property and landlords.

2.4 Conclusions

We have interviewed a highly diverse set of entrepreneurs in terms of their personal features and business characteristics. Nonetheless, three groups can roughly be distinguished in our sample:

1. Entrepreneurs with small and medium-sized businesses who work in other economic sectors than the creative industries (e.g. beauty, catering, car garage, education, health care). Often these entrepreneurs live in Feijenoord and (solely) rely on Feijenoord for their customers, have an ethnic minority background, and low or medium education level.
2. Entrepreneurs with small and medium-sized businesses who work in the creative industries. Often these entrepreneurs do not live in Feijenoord and also do not (solely) rely on Feijenoord for their customers, have a native Dutch ethnicity, and a medium or high education level.
3. Top-level entrepreneurs who work in medium and large-sized (multinational) businesses in diverse sectors (e.g. foods, leisure, industrial production). Often these entrepreneurs do not live in Feijenoord and do not rely on Feijenoord for their customers, and have a native Dutch ethnicity, a high education level, and an advanced entrepreneurial career.

Within the three groups, we have interviewed entrepreneurs of different ages and gender, with businesses with (solely) commercial purposes or social purposes, and sometimes innovative but often non-innovative business strategies. Within the first and second group, entrepreneurs are in different stages of their careers (first-time and experienced entrepreneurs).

It is important to note that not all the interviewed entrepreneurs fit the categories precisely: we have for instance also interviewed an ethnic minority entrepreneur who works in the creative industries or an entrepreneur with a small-sized retail business who lives outside the region of Rotterdam, etcetera. Yet, the majority of entrepreneurs fit most of the described group-features.

Distinguishing between the three groups will help us to explore the differences and similarities among the settlement and start-up motives (Chapter 3), economic performance (Chapter 4) and evaluations of policies (Chapter 5) of the interviewed entrepreneurs in the remainder of the report. Nevertheless, we will also pay attention to the differences and similarities within the three groups of interviewed entrepreneurs, where relevant.

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

3.1 Introduction

This chapter examines the motives of entrepreneurs in Feijenoord to start a business; select a line of business; and settle in their current neighbourhood. In addition, it examines the forms of support that entrepreneurs received when starting their business. We particularly aim to understand the extent to which the diversity of the neighbourhood was important for starting a business or moving the business to the present neighbourhood.

'Starting a business is a complex process which involves a variety of motives and stimuli' (Birley & Westhead, 1994, p.14). According to the literature, a person's decision to start a business is shaped by a combination of pull and push factors (e.g. Hessels, Van Gelderen & Thurik, 2008). Pull factors provide entrepreneurs with *opportunities* to start a business. They allow entrepreneurs to take advantage of business openings and are therefore seen as *'positive'* start-up motives (e.g. Chan & Quah, 2012). Receiving an inheritance can for instance provide an opportunity for starting a business. Push factors *necessitate* entrepreneurs to start a business. They give entrepreneurs little choice other than to start a business and are therefore often described as *'negative'* motives (e.g. Chan & Quah, 2012). For example, having few or very specific educational qualifications might make it difficult to find salaried work and push people into self-employment.

Pull and push factors for entrepreneurship can be *personal* or *situational* (e.g. Summers, 2013). In this chapter we define *personal* push and pull factors as entrepreneurs' demographic features (including age, cultural background, education, ethnicity, gender, household type and arrangements, income and occupation); personal aspirations, preferences and interests; occupational experiences and competencies; and social and professional network. The literature indicates that *situational* push and pull factors can (roughly) be socio-institutional, economic and locational in nature. By socio-institutional factors, we mean the availability of formal assistance and support, and existing norms and regulations regarding entrepreneurship. Economic factors we define as the availability of labour, raw materials and a market. Locational factors we define as the (diverse) composition of local businesses and people, and the availability, affordability, accessibility, quality and safety of business spaces. Table 1 provides an overview of the type of factors that can encourage entrepreneurship.

Table 1. Conceptual scheme of factors that can encourage entrepreneurship

	Push factors	Pull factors
Personal	E.g. Few educational qualifications	E.g. Family members willing to provide initial capital
Situational	E.g. Being laid off as a salaried employee	E.g. Availability of affordable office space

Scholars have pointed out that starting a business cannot be viewed as a mere rational choice because entrepreneurs can never have full knowledge of all benefits and advantages that come with it (e.g. Risselada, Schutjens & Van Oort, 2006). Instead, the decision to start a business follows from the evaluation of 'known' push and pull factors. As Verheul et al. (2010, p.6) argue, *'it is not the objective situation but rather the perception of an individual that makes him/her decide upon an*

entrepreneurial career. In reaction to a certain 'disruptive' event some may start a business, whereas others go in a different direction'. An entrepreneurial start-up can be motivated by a combination of push and pull factors, which do not necessarily all fit neatly in the categories of Table 1. The conceptual scheme should be merely seen as an analytical device to structure the results and not as a rigid categorization of factors.

Despite their subjective and multi-layered character, the literature indicates some commonalities in the entrepreneurial start-up motives of different groups of entrepreneurs. First, the vast literature on immigrant entrepreneurship indicates that ethnic minorities are more often *pushed* into starting a business than the ethnic majority because they are more often unemployed, have low income and education levels and less knowledge about salaried employment opportunities, and experience language barriers (personal factors) and discrimination by e.g. employers and banks (situational factor) (Baycan-Levent, Masurel & Nijkamp, 2006; Kloosterman & Rath, 2010). Important *pull* factors for ethnic entrepreneurs are their often-extensive social networks of family and friends that provide them with tactical knowledge, labour force and financial capital. Ethnic entrepreneurs are often oriented on the own ethnic community when starting a business (Baycan-Levent, Masurel & Nijkamp, 2006). Because of this and their low socio-economic position, they are often attracted to areas with high concentrations of ethnic minority groups and low stock prices.

Second, entrepreneurs in the creative industries are mostly known to start businesses in response to *opportunities*. This is largely due to their middle and high socio-economic position and the vast expansion of this sector in recent decades. These entrepreneurs work '*...in a wide variety of industries - from technology to entertainment, journalism to finance, high-end manufacturing to the arts. ...They share the common ethos that values creativity, individuality, difference, and merit*' (Florida, 2002, p.7). Creative entrepreneurs are attracted to spatial clusters of creative and cultural businesses as these facilitate exchanges and innovative co-production (Lazzeretti, Boix & Capone, 2012). Nascent creative entrepreneurs often start their business in affordable and flexible office spaces, sometimes in former industrial spaces (Scott, 2008).

Third, for female entrepreneurs, an important push factor appears the ability for flexible working hours to balance work and family, which is '*...reflective of the family caring role that is still expected from women*' according to Orhan & Scott (2001, p.233). Ekinsmyth (2011) underlines the need to negotiate work and family life leads women more often than men to start businesses in social sectors (health, care, education, nurture). Other important entrepreneurial motives according to Orhan & Scott (2001) are: dissatisfaction with a salaried job due to a perceived glass ceiling for women and discomfort with a masculine work culture (push factors) and the will to '*be more client-focused than men, ethical in operations and making a social contribution in addition to pursuing economic motives*' (pull factors) (Still & Timms, 2000, p.3).

Fourth, also for social and community-based entrepreneurs pursuing social issues and making meaningful social contributions are important personal pull factors (Zahra et al., 2009). Social and community-based businesses have social objectives. That is, '*they provide a range of services to meet social, economic and environmental needs*', (Bailey, 2012, p.3). A community-based business is a specific form of social entrepreneurship that targets and operates in a specific geographical area (Bailey, 2012).

Last, for home-based entrepreneurs, small firms and new firms that do not expect to make large profits (at first), the availability of affordable, safe and suitable office spaces (situational pull

factors) can be important requirements for starting a business. For home-based entrepreneurs the personal need and opportunity to balance work and other activities and to have more autonomy in this respect is shown to be an important entrepreneurial motive (Vorley & Rodgers, 2014).

Much remains unclear about the extent to which urban diversity can be a motive for entrepreneurship. Lee, Florida & Acs (2004) argue that ‘...*those regions that are alluring to creative talent, open to newcomers, and tolerant of those who are different, will also have more people taking the risk of founding a firm, leading to increased economic growth*’. Few studies have examined this assumption and those that have done so mostly focus on creative and female entrepreneurship (e.g. Hackler & Mayer, 2008). The studies argue that diversity acts as a *personal pull* factor for these entrepreneurs as they prefer a socially diverse to a homogenous location. The causal mechanisms behind this finding, and other ways in which urban diversity can encourage business start-ups, among other types of entrepreneurs, remain unclear. This chapter aims to provide more insight.

3.2 Motivations for establishing a business

The narratives of entrepreneurs indicate that personal or situational *opportunities* were most important for the decision to start a business. Before we discuss these pull factors in detail, we first dwell on the push factors discussed by entrepreneurs. Notably, for the purpose of analysis we discuss the motives separately. Yet, as the chapter will show, motives can be related.

Push factors

The most influential *personal push factor*, mentioned by about a third of the interviewed entrepreneurs, is dissatisfaction with previous employment. Some entrepreneurs, at work in various sectors and with various backgrounds, are dissatisfied with having to do office work. Sahib (party store owner, 31-45, Surinamese Dutch) explains that he used to have a well-paid job as a global account manager in a multinational company:

“I have done a lot of interesting things, but in time it drove me crazy. I would have two hundred e-mails when I opened my inbox in the morning. I did not like it anymore. In addition, I had a fight with my boss. ... At a certain moment my wife and I decided to start our own shop.”

Several female entrepreneurs talk about a lack of social contacts that comes with office work. Asli (owner café-restaurant, 31-45, Turkish Dutch) had a successful career as a manager at a financial firm. Yet, she decided to start her own restaurant amongst other reasons because: *“I love interacting with people. I was way too social for office work.”*

For other entrepreneurs, with a creative or social enterprise and a high educational level, discontent with specific work methods in their previous salaried work was a reason to start their own business. Michael (owner journalism company, 18-30, Dutch) explains that working under a boss does not allow him to write about subjects he is most interested in. Both Indra (consultancy firm owner, 46-60, Indonesian) and Mustafa (owner home care company, 31-45, Turkish Dutch) started their enterprise out of dissatisfaction with the one-size-fits approach of many social services with regards to *ethnic and cultural groups*. Having an eye for the diverse needs and positions of ethnic minorities is important for both entrepreneurs. The lack of this in their previous company (push factor) as well as their creativity and belief of a market opportunity in this respect

(pull factors) led them to start their own business. The paragraph on pull factors will discuss their cases in more detail.

Only a few entrepreneurs do mention *situational push factors*, motives that they feel extend beyond themselves, such as unemployment. After his previous shop went bankrupt, Nuwair (owner cosmetics shop, 46-60, Pakistani Dutch), could not find salaried work due to his advanced age. His brother offered him to take over one of his shops, an offer which he gladly accepted.

Pull factors

We identified three categories of *personal pull factors*, which are in line with the international literature on this topic. One is a need for autonomy over working hours and content, which was mentioned by entrepreneurs in various work fields and with various backgrounds. Azra (freelance custom tailor, 31-45, Turkish Dutch) started a business near her home to be able to combine work and the care of her three young children. Michael established his own journalist company because it gives him autonomy over his work and working hours: *“as a [salaried] journalist, it is possible to have a reasonable salary, but you have to be available seven days a week and do exactly what your boss tells you to do. I’m not good at that”*.

Second, having entrepreneurial family members was found to encourage entrepreneurship, particularly among people with low educational levels and/or an ethnic minority background. Family members with businesses were found to provide knowledge and financial capital. Anass (fish shop owner, 18-30, Moroccan Dutch) was able to buy a business with family money: *“I come from a large family, 5 brothers, all with their own job, good incomes, so I was able to lend money from them”*. When asked why she started a pub, Ilse (pub owner, 46-60, Dutch) answers that it runs in the family: her parents and her grandmother were pub owners too.

A final personal pull factor is the intrinsic motivation to create social value. Not surprisingly, directors of social enterprises and health care businesses mostly mentioned this start-up motive. The social values mentioned relate to issues of urban diversity: entrepreneurs want to raise awareness and cater well to the diverse interests and needs of minority residents, something they believe other businesses and social services often lack to do. Michael started his journalism company to inform people about everyday life of residents in Rotterdam South in which he grew up: *“unfortunately, ... there is no interest and coverage for this in mainstream media”*. When he migrated to the Netherlands as an economic migrant in the 1990s, Mustafa (owner home care company, 31-45, Turkish Dutch) observed that here, health care services are developed according to native Dutch cultural standards. He finds it important that health care caters to the needs of people of all cultures:

“Elderly people [of ethnic minorities] often do not understand concepts such as a ‘high-dependency bed’ [a bed for elderly in an intensive care environment]. When regular social services propose this, they often just nod. Afterwards, they do not go [to a high-dependency bed]. And social services do not understand. ...It is because they do not understand the system. ...We have the largest concentration of Turks here [in Rotterdam], about 40,000. 35,000 Moroccans, many Surinamese, Hindustani Surinamese, Cape Verdeans... very distinctive groups. We have 10,000 Chinese in Rotterdam. I wanted to start catering to them.”

His company specialises in intercultural health care. Likewise, Indra (46-60, Indonesian) started a consultancy firm in intercultural communication because she wanted to raise awareness of ethnic diversity in Rotterdam and the diversity of social needs that comes with it. She talks about how ethnic minority residents are misunderstood and disadvantaged by regular public services due to a lack of knowledge of their cultures and needs among civil servants:

“Many minority girls are wrongly advised a low educational programme due to prejudice of their teacher... ‘Oh in the Turkish culture girls stay at home. Therefore, it’s better that you go to lower vocational training’. . Even though, they are very ambitious, intellectual girls. ...just because they wear a headscarf. ...It made me angry. Therefore, I thought to myself: ‘what can I do [to change this]?’.”

For Mustafa and Indra, the decision to start their own business followed from their ideal of an inclusive health care and social system respectively and dissatisfaction with their previous employer’s ability to address this.

Two types of *situational pull factors* came to the fore in the interviews with entrepreneurs. First, for some entrepreneurs with different backgrounds and active in different sectors, a market opportunity for their service or product was important for their decision to start a business. These entrepreneurs have well thought out a business model before start-up. Although often having been active in the same line of business, they have mostly started innovative business concepts. For several male entrepreneurs, the opportunity to make extensive financial profits appeared an important pull factor. Taavi (supermarket owner, 31-45, Turkish Dutch) used to work as a manager in a large grocery company. One reason to start a supermarket in non-western rather than western products is the absence of such a business, high local demand and high profit margins for non-western products, he explains: *“the regular assortment has much lower profit margins than the foreign assortment. So we earn much more from foreign products”*. For other entrepreneurs, male and female, the market opportunity to carry out a specific business idea was the strongest pull factor in this respect. Ronald (freelance mediator and artist, 18-30, Dutch) embarked on his work as a mediator between public and social services and local communities when he noticed a lack of communication between the two groups of actors.

Not all entrepreneurs appear to have made such a calculated decision when starting their business. A number of entrepreneurs responded to an unexpected temporary business opportunity. A typical answer to the question ‘why did you start a business?’ is:

“It was really a coincidence. ...A former neighbour of mine told me that a brother of a friend who wanted to sell the business. I asked her ‘why?’. She said: ‘He wants to stop and emigrate back to his own country’. Afterwards I talked with him [the shop owner]. That is how it happened. I never intended to [have my own business].” (Azra, freelance custom tailor, 31-45, Turkish Dutch)

The narrative that it was never the plan to start-up a business, but the opportunity came unexpectedly, was only mentioned by female entrepreneurs, with different educational levels and at work in different sectors. These interviewees can be coined as *accidental entrepreneurs* (Aldrich & Kenworthy, 1999).

3.3 The importance of location and place diversity

Most entrepreneurs have settled in their current neighbourhood out of personal or situational *opportunities* rather than out of necessity. Urban diversity appears to be mainly important as economic situational pull factor. A very small number of entrepreneurs moved to their current rented business space after they were forced to leave their previous location due to restructuring plans of the owner. We first discuss the most important personal and then situational pull factors.

Personal pull factors

A first motive for entrepreneurs to start a business in their current neighbourhood is because they also live there. This factor was mentioned by about a third of the respondents with diverse gender and ethnic backgrounds, but mostly with relatively small businesses (1-5 employees) in sectors other than the social and creative industries. Some respondents prefer to work close to home to *combine work and family care*. Yet, most settle in the neighbourhood because they feel strongly attached to it and have an extensive local social network. When asked if she considered starting a business in another area of Rotterdam, Alise (pub owner, 46-60, Dutch) responds: “*No, I do not think so. Different kind of people I feel less close to. Here I feel at home*”. Several entrepreneurs argue that knowing the neighbourhood and its residents helps them to recruit customers and become accustomed with their interests.

A second motive for settling in the area is a personal preference for working in a dynamic, vibrant and *socially diverse environment*. In line with the literature on settlement motives of middle class residents in diverse areas (Tersteeg, Bolt & Van Kempen, 2015), this factor was only mentioned by native Dutch, creative entrepreneurs, although none depend on the area for their clients. Ruben (freelance home-based architect, 46-60, Dutch) is located in a relatively rich part of Feijenoord:

Ruben: “I prefer to be located in an area that is not too much an enclave. I realise that I would also not settle in a highly disadvantaged neighbourhood. But that is not the case here. It is nice when it’s mixed. I like that best.”

Interviewer: “What is it that you like about it?”

Ruben: “I like it when the world around me is not uniform. ... A personal preference.”

While Ruben moved to Feijenoord relatively recently, Michael (owner journalism company, 18-30, Dutch) and three co-founders of his company grew up in Feijenoord. His preference for a diverse neighbourhood follows from his residential history in the area.

“I have lived in South all my life, my partners as well, we are colour-blind. We do not see ethnicity. For me it would be strange to settle at the other side of the bridge where there are many white people. That would be stranger than here. This is my natural habitat, and that goes for all three of us.”

Situational pull factors

Entrepreneurs mention both *economic* and *locational* factors of the neighbourhood that attracted them to their current business location. Situational pull factors that relate to urban diversity appear to be mostly economic in nature.

Economic pull factors

The social composition of Feijenoord appears to be an important economic pull factor for about a third of the respondents. These entrepreneurs settled in the neighbourhood because their clientele lives here. The clientele can be specific local group or a wide range of local social groups.

Entrepreneurs with an ethnic minority background and a small and medium-sized business more often target specific local groups. One specific group is residents with a disadvantaged socio-economic position. Feijenoord is home to many disadvantaged residents, which several interviewed businesses appear to target. The home care company of Mustafa (owner, 31-45, Turkish Dutch) mainly focuses on providing intercultural health care for disadvantaged ethnic minorities, who mostly live in diverse and deprived areas such as Feijenoord. This is one of the reasons for him to settle here. Second, some businesses focus on specific ethnic groups. Both Asli (owner café-restaurant, 31-45, Turkish Dutch) and Taavi (supermarket owner, 31-45, Turkish Dutch) opened their businesses in his neighbourhood because their initial target group was Turkish (Dutch) and almost a third of the residents here have a Turkish (Dutch) ethnicity:

Asli: "It was my aim to focus on diverse ethnic groups, on everyone, but I needed to first take some bold steps. I needed to settle in an area with a lot of Turkish residents. Later, the other [ethnic] groups would follow. So I searched for a neighbourhood with many Turks, but also other foreigners. This way I had an income of the Turkish clients. ...It was more safe."

Differently, Hicham, (owner telecom store, 31-45, Moroccan Dutch) and Salim (owner car garage, 31-45, Turkish Dutch) decided to settle in ethnically diverse Feijenoord, because they wanted to *avoid* a specific ethnic group: namely, the native Dutch. When asked if the diversity of the area influenced his decision to take over the store in the time, Hicham responded:

Hicham: "It is more comfortable for me to work with people with different nationalities. I used to have a shop in a neighbourhood with many native Dutch, but they did not trust me much. Strange, but that is the way it is."

Interviewer: "How come?"

Hicham: "I think because of my ethnic minority background."

Third, some businesses focus on specific cultures. Sahib's (party store owner, 40-49, Surinamese Dutch) main target group is people who organise many and big parties. These are mostly Surinamese, Antilleans and Cape Verdeans, he explains, relatively large ethnic groups in Feijenoord.

Sahib: "Dutch people are more sober and watch their pennies. Ethnic minorities throw much larger parties, sometimes for thousands of people. It is a cultural difference. ...We did some research to see where we could best settle. I enjoy doing SWOT-analysis and bell-curves [methods of analysis] and that is how we discovered that this is the best neighbourhood for us. So, it was really a strategic decision; choose for the population composition of this neighbourhood."

Finally, one business, Nuwair's (owner cosmetics shop, 46-60, Pakistani Dutch), focuses on people with a specific phenotypic feature, namely frizzy hair. He deals in beauty products for this specific group. When his brother first started the store in beauty products Nuwair took over

seven years later, the relatively high percentage of people with frizzy hair was an important reason for settling in the current neighbourhood, Nuwair explains.

Creative and social enterprises more often settled in Feijenoord because of their explicit focus on diverse social groups. The social and creative enterprise of Indra (46-60, Indonesian) provides an example of such a business. It offers intercultural advice and services for public and private social service providers that are at work in culturally diverse areas including Feijenoord. Another example is the social and creative enterprise of Ben (co-director, 46-60, Dutch) that aims to share cultural stories and experiences of diverse ethnic groups in Rotterdam by means of food and art projects. Besides the affordability of the business space, it is located in the current neighbourhood because “*the neighbourhood has a long history of diverse cultures that have lived here*”.

Locational pull factors

A primary settlement motive for mostly small and medium-sized businesses in different sectors is the availability of affordable business space in Feijenoord. Entrepreneurs in the cultural and creative sector are often attracted to former industrial spaces of Feijenoord, such as empty factory buildings. An indoor skate park and shop directed by Victor (46-60, Dutch) is located in a former factory in Feijenoord. The business was able to purchase the building for very little money, because the factory had been empty for a while. Entrepreneurs with retail businesses are mostly attracted to affordable business spaces in more residential parts of Feijenoord.

In addition, for entrepreneurs who do not depend on the neighbourhood for their customers, the availability of affordable parking space is also important. A second settlement motive is an accessible or central location. Cultural and creative entrepreneurs, who do not (solely) depend on the neighbourhood for their customers, mostly mentioned this. Accessibility is important, because it attracts more customers.

A third motive mentioned by entrepreneurs with diverse backgrounds and in diverse sectors concerns the adjustability of business space for business purposes. Besides affordability, an important reason for Pepin (owner landscape architecture firm, 46-60, Dutch) to settle in his current office in Feijenoord, an empty factory in the time, was: “*... the feeling that you have a space that you can make your own*”. A fourth, related settlement motive is the aesthetic quality of the buildings and public spaces in the neighbourhood. Only creative entrepreneurs in a relatively rich part of Feijenoord with many pre-war buildings⁶ mentioned this, which is in line with Dutch entrepreneurship literature indicating that creative entrepreneurs are mostly attracted to former industrial and pre-war buildings (e.g. Mak, 2012). Aart (owner advertising company, 38, Dutch) was attracted to his current neighbourhood because of:

“The buildings, particularly the ones next-door, the two, they are simply very beautiful buildings. A pretty façade. ... It is important for my type of business because I receive clients. ... The appearance of the building.”

⁶ Most parts of Feijenoord were built after the Second World War.

A final locational pull factor for a number of businesses is a close geographical proximity to specific other businesses. This can be a strategy to attract more customers. Roy (46-60, Norwegian-Spanish-Dutch) and Annette (46-60, Dutch) are owners of a shop that specialises in Spanish foods. They explain that the close proximity of the shop to a well-attended two-weekly market was decisive for settling here, as it was expected to attract customers. Many interviewed creative entrepreneurs are located in (affordable) incubator centres, buildings with shared office spaces. This is to collaborate with other creative businesses. Thus, their choice of location is mostly a response to public policy interventions, and is not related to the diversity of the area.

3.4 Selecting the line of business

We asked entrepreneurs why they started a business in a specific sector. The decision appears to have been driven by *personal* push and pull factors, rather than situational ones. Many entrepreneurs at work in different sectors have chosen a line of business because of educational training or work experience in the subject (personal push factor). Thus, Azra (31-45, Turkish Dutch) and Joseph (46-60, Burundi Dutch) started their custom tailor shops because:

Azra: "This is my profession. I am a custom tailor, for women. That is it, I could not do other type of work. ...I studied at the Rotterdamse Snijschool, custom tailor. Before that I did training in costume design. That is why."

Likewise, Pepin (owner landscape architecture firm, 46-60, Dutch) studied landscape architecture and therefore started his company in this sector. Knowledge and skills gained by having worked in a particular sector for an extensive amount of time, has encouraged some entrepreneurs (with diverse backgrounds) to open a(nother) business in the same sector or become owner of a business as an employee. Hicham (owner telecom store, 21-45, Moroccan Dutch) explains that he has had three telecom stores before he opened his current one. What contributed to Roy (46-60, Norwegian-Spanish-Dutch) and Annette's (46-60, Dutch) decision to open a shop that specialises in Spanish foods is that Annette had extensive work experience in the catering branch.

Yet, we have also come across entrepreneurs (with diverse backgrounds) who have started a business in an unfamiliar sector. Most entrepreneurs indicated to have done so out of affection with the type of business (personal pull factor). When asked why Asli (owner café-restaurant, 31-45, Turkish Dutch) chose to start a restaurant after a career in the finance sector, she responds: *"because I am a real kitchen princess, I love to cook and I really enjoy the social interaction"*. Ronald (18-30, Dutch) graduated from Art School and describes how he started organising creative workshops as a freelance mediator:

"I graduated as an artist and then started to think about what I wanted to do next ... At a certain moment I was asked to give a photography workshop. ...That is the first time that I presented for a large group of people. I enjoyed it very much and therefore started writing more such concepts."

Another reason for choosing a specific line of business is family will and support. Family members appear to have considerable influence on the choice of a business sector of some entrepreneurs, mostly with small-sized businesses. Family expectations about taking over a family business can act as a *personal push factor*. Anass (fish shop owner, 18-30, Moroccan Dutch) recently gave up a stable salaried job as an electrician to take over one of his father's companies to

continue the family business, even though he does not expect to make much money: “*My father is at an old age. ...I used to work [in the company] in the weekends, to gain experience. ...I have been involved in the company for ten years now, like father like son*”. Yet, knowledge of family members about entrepreneurship in a specific business sector can also act as *personal pull factor* as family members provide valuable knowledge about the sector and/or financial capital.

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

When starting a business, entrepreneurs often receive support from their personal and professional social network (pull factors). We asked respondents whether they received seed money, advice or other forms of support upon start-up, and if so from whom.

Seed money

Most entrepreneurs received seed money to start-up their business. The source of this money differs between groups of entrepreneurs. More often than other entrepreneurs, ethnic entrepreneurs received seed money from family and friends with the same ethnic background. Anass (fish shop owner, 18-30, Moroccan Dutch) was able to buy a business with family money: “*I come from a large family, 5 brothers, all with their own job, good incomes, so I was able to lend money from them*”. Also Muqet (co-owner clothes shop, 46-60, Pakistani Dutch) and his family were able to start their store in women’s clothes with loans from Pakistani family and friends. Ethnic entrepreneurs choose to lend money within personal social networks to avoid paying interest.

Cultural and creative entrepreneurs, mostly native Dutch, mostly received seed money from private finance suppliers, including banks and large commercial companies. Ella (owner employment agency, 46-60, Dutch) explains:

“We certainly needed support. We did not have the money ourselves. We had to, we were financially dependent. We approached a bank for it [seed money]. The previous owner also partly acted as a moneylender.”

A few ethnic entrepreneurs have also received seed money from a bank, although most were not able to obtain seed money from formal channels. Hicham (owner telecom store, 31-45, Moroccan Dutch) was denied a loan from a bank, which in his perspective was due to his ethnic minority background:

Hicham: “I think it was mere because they do not want to lend ethnic minorities money. ...If you go in there and you have black hair, they rather not do business. ..I went to the bank I have been with my whole life.”

Interviewer: “Did they tell you why they rejected your request?”

Hicham: “No, they do not do that. You just hand in your request, meet them, and then they tell you that ‘unfortunately’ it is not possible.”

According to Rušinović (2006, p.86) ethnic minority entrepreneurs in the Netherlands experience more difficulties accessing capital from formal institutions than native Dutch entrepreneurs, amongst other because they often have ‘*no property that can be used as collateral*’ (Flap, Kumcu & Bulder 2000, p.153). Further, many times immigrant entrepreneurs apply for a relatively small loan, which is less interesting for banks (SER, 1998). Also, in many cases immigrant

entrepreneurs want to start a business in sectors, such as the retail trade, without good prospects (ibid., p.49).

Social entrepreneurs have often benefitted from 'grants' from large commercial businesses such as banks and schools and (semi-)public institutions, such as the municipality and housing corporations that sympathise with the initiative. Ben (co-director, 46-60, Dutch) explains that his social enterprise aimed at intercultural story sharing by means of food and art projects has received 'grants' from large private companies including a bank, housing corporation and the municipal to start-up and carry out their activities.

Other forms of support

Besides financial support, entrepreneurs received practical and legal information and support and emotional support when starting up a business. First, personal social networks of family and friends provided entrepreneurs with diverse backgrounds and mostly small and medium-sized businesses in diverse sectors with emotional and practical support and business advice. In line with the Dutch literature, personal and family networks were specifically important for ethnic minority entrepreneurs (e.g. Kloosterman, Van der Leun & Rath, 1998). Azra (freelance custom tailor, 31-45, Turkish Dutch) explains that her husband has been supporting her since the start of her business by carrying out the businesses financial administration and taking care of their children at home. Both Fadime (owner café-restaurant, 46-60, Turkish Dutch) and Esma (owner hair shop, 31-45, Turkish Dutch) received professional and emotional support from their brothers when starting their business, particularly regarding the locational choice of the business.

Second, several entrepreneurs with diverse backgrounds have received support through professional connections. A number of entrepreneurs indicate to have sought financial advice with a finance professional (in our outside of the neighbourhood) when starting-up a business. Another example comes from Fadime. Different from other entrepreneurs, she received much support from local customers when the land-owner, a housing company, forced her to leave her business space due to restructuring plans several years ago. Almost 200 local customers, mostly native Dutch lunch customers from local offices, gathered signatures to express their discontent. In response, the housing corporation offered her a new business space right across the road from her previous restaurant.

Third, several ethnic and/or female entrepreneurs that took over businesses indicate having received non-material and material support from the previous owner. Several entrepreneurs took over business inventory and customers of the previous owner free of charge. Alise (pub owner, 46-60, Dutch) took over the entire inventory of a pub free of charge as well as many regular customers.

Finally, creative and cultural entrepreneurs and social enterprises clearly have closer connections with local public institutions and large commercial businesses than other groups of entrepreneurs, during their start-up and later on. These entrepreneurs benefit importantly from these connections as they offer subsidies, knowledge, advice and training. For example, several interviewed creative entrepreneurs are located in creative clusters that are initiated and supported by the Municipality of Rotterdam, a University of Applied Sciences, as well as several large commercial businesses such as a bank, financially as well as with business training and advice.

3.6 Conclusions

Most of our findings echo the international literature about the different settlement motives and support for different types of entrepreneurs, as highlighted in section 3.1. Most entrepreneurs indicate to have started a business out of ‘opportunity’, rather than ‘necessity’, which is in line with the literature. This includes entrepreneurs with an ethnic minority background, which is not in line with the international literature as these entrepreneurs are thought to have less access to contracted employment due to processes of discrimination and relatively lower socio-economic positions. Only a few entrepreneurs mentioned a *situational push factor*, such as unemployment, as motive to start a business. *Personal push factors*, like dissatisfaction with previous unemployment, were more prevalent. Obviously, the motivation to start a new business can derive from a combination of factors and some factors, like autonomy over working hours, can be seen as both a pull factor of entrepreneurship and a push factor of employment (lack of flexibility) at the same time.

An important reason for many small and medium-sized businesses to settle in Feijenoord is the presence of affordable office spaces. Different from the literature, this was not only important for starting businesses, but for existing businesses as well. This can be explained by the relatively poor socio-economic position of many of the older small and medium-sized businesses in Feijenoord. The next chapter will examine this in more detail. Nevertheless, in line with the literature, we did find that many young businesses in the creative industries are attracted to so-called low-priced ‘creative hubs’. The older creative businesses were more often located in other types of properties. As mentioned in the international literature, for the home-based entrepreneurs and a few female entrepreneurs in our study, having flexible office hours in order to balance work and family life was important. Another similarity in this respect was our finding that ethnic minority entrepreneurs more often received financial or other support from family members, than native Dutch entrepreneurs upon start-up.

The main theoretical contribution of this chapter is that diversity does play a role for a substantial part of the entrepreneurs in their decision to settle in diverse, dynamic and deprived Feijenoord. For some entrepreneurs, mostly in the creative industries, doing business in a diverse neighbourhood simply appears to be a personal preference. These entrepreneurs enjoy working in a diverse urban neighbourhood. For other entrepreneurs however, settling in a diverse neighbourhood was seen as an economic strategy. Feijenoord is home to a wide range and sometimes very specific social groups (in terms of lifestyle, race, ethnicity, cultural background or income), which do not live in similar concentrations in other neighbourhoods. Several entrepreneurs settled in Feijenoord because they focus on these groups. Ethnic minority entrepreneurs more often settle in Feijenoord because they focus on specific social groups, while creative entrepreneurs and social enterprises more often do so because they focus explicitly on a wide range of social groups.

4 Economic performance and the role of urban diversity

4.1 Introduction

The increasingly complex social composition of cities is changing their economies. The studies that have examined the impact of this so-called ‘diversification of urban diversity’ or ‘hyper-diversity’ (see Vertovec, 2007; Tasan-Kok et al., 2014) on the economic performance of cities have mostly focussed on quantitative, macro-level outcomes, such as diversity effects on regional job opportunities, business profits, and the number of start-ups (Nathan, 2007; 2015). Such studies generally use objective, financial indicators for economic performance and do not provide insight in the business goals and strategies and perceptions of economic performance of entrepreneurs in hyper-diverse contexts. Moreover, many of these studies have the whole city or even the whole urban region as a focus.

The chapter complements existing studies on economic performance of entrepreneurs in hyper-diverse areas with qualitative data and aims to find out how entrepreneurs evaluate the economic performance of their enterprises.

Quantitative studies have mainly found positive effects of urban diversity on the economic performance of cities and regions. Diverse cities and neighbourhoods are said to favour the economic competitiveness of cities (Fainstein, 2005) and attract entrepreneurs in the creative industries (Florida, 2004). They are further found to increase productivity, chances for networking, and socio-economic wellbeing of neighbourhoods (Tasan-Kok et al., 2014). This chapter further examines to what extent entrepreneurs in the hyper-diverse area of Feijenoord *experience* urban diversity positively in relation to the economic performance of their businesses. Do entrepreneurs benefit from a diverse local market or do they focus on specific groups? How do entrepreneurs in Feijenoord deal with diverse interests and requests of customers in terms of communication, products and services? To what extent is the local diversity reflected in the composition of employees of these firms?

Recent studies on entrepreneurship have underlined the importance of the aspirations and social embeddedness of entrepreneurs for understanding the objective and subjective economic performance of their businesses, defined as business profits and turnover rates as well as the entrepreneurs’ experience of these (e.g. Hessels, Van Gelderen & Thurik, 2008; Kloosterman & Rath, 2001; Schutjens & Volker, 2010). First, not all entrepreneurs aspire large profits and turnover rates. The literature indicates that social enterprises, female entrepreneurs and home-based businesses often have non-financial aspirations for their business, such as creating social value, having social interaction with clients, balancing work and homecare, and flexible working hours (Stephan, Hart & Drews, 2015). For ethnic entrepreneurs, working autonomously has shown to be an important business value, even when profit and turnover rates remain low (Baycan-Levent, Masurel & Nijkamp, 2006; Edelman, Brush & Manolova, 2010). Therefore, this chapter will also look at the business aspirations of the interviewed entrepreneurs when assessing the perceived economic performance of their businesses.

Second, the resources embedded in the social networks of entrepreneurs can benefit the objective and subjective economic performance of businesses. Regarding objective economic performance, the literature indicates that social networks enable entrepreneurs to market their products and services and improve their reputation, improve specific knowledge and identify new

business opportunities, obtain resources at a good price, attract talented workers, and secure legitimacy from eminent external stakeholders (Bosma et al., 2004; Schutjens & Völker, 2010; Stam, Arzlanian & Elfring, 2014; Tung, 2012). Stam, Arzlanian & Elfring (2014) have found that the size and composition of social networks that benefit entrepreneurs most, differs according to the size and period of existence of entrepreneurs. They for instance found that having a diverse professional network and weak ties is more important for new firms and high-technology sectors, while having a large-sized network and strong ties is more important for the economic performance of older firms and low-technology sectors. Social networks of entrepreneurs can enhance *subjective* economic performance by providing emotional support. In addition, Schutjens & Völker (2010) highlight that having higher profits and turnover rates than other businesses in the network of an entrepreneur can generate a positive experience of businesses' economic performances as well. In order to examine the economic performance of businesses it is thus important to pay attention to the social networks of the entrepreneurs. How do the social networks of entrepreneurs in hyper-diverse neighbourhoods influence their economic performance?

The chapter first discusses entrepreneurs' experiences of the objective and subjective economic performance of their businesses in relation to their entrepreneurial ambitions. It then discusses the customers and suppliers of businesses and contacts with other local entrepreneurs, and it finishes with long-term plans and expectations of the entrepreneurs.

4.2 Economic performance and the role of urban diversity

We asked the entrepreneurs how much profit or loss their business is currently making. In addition, we asked them about the profits or losses in the previous five years. None of the interviewed entrepreneurs was able or willing to provide hard numbers. However, we were given insight in whether businesses are making profit or losses or breaking even, and how this has developed in the past five years. In addition, we asked the entrepreneurs how they experience the economic performance of their businesses: are they satisfied with the economic performance of their business? Why (not)?

Current economic performance

The *objective* economic performance of the examined businesses differs greatly. The interviewed social enterprises, which work in the creative industries, and education and health care sector, are generally performing well in terms of profit or turnover. Most presently make profits, although not enormous. This is not surprising as many depend on public or semi-public institutions for their money and devote their profits to philanthropic or social purposes (associations are obliged to do so by law). When the director of a multifunctional health care centre (e.g. including general practitioners and a pharmacy) was asked how the centre is doing financially, she explained:

“As an association we are a non-profit organisation. ...With strict bookkeeping we make sure that we make no losses. Just simply do not spend more than you earn. We get a fixed amount per patient so we know exactly how much we can spend.” (Monique, 46-60, Dutch)

The large commercial businesses that we interviewed, amongst which three multinationals, seem to be making large profits, particularly in comparison with small-sized firms. Most small and medium-sized businesses of entrepreneurs in the creative industries are doing well in terms of

profits too. Wibaut (18-30, Dutch) explains that his business in office spaces for freelancers in Feijenoord and throughout Rotterdam:

“...is currently growing extremely fast. Normally, financial planning and the planning of employees [is easier to do], but we are taking such big steps, sometimes one step back and two forward. It has become very difficult to plan ahead. That of course is a very positive ‘problem’.”

However, we also interviewed a few creative entrepreneurs who experience major difficulties making profits and have businesses that are barely breaking even, such as the intercultural communication consultancy firm owned by Indra (46-60, Indonesian). She explains:

“The situation is very insecure. We need to fight to stay upright and that has everything to do with the economic crisis and that, as a small firm, it is very difficult to keep your head above water in this branch. Our most important clients are municipalities and housing corporations.”

Also the economic performance of interviewed small and medium-sized businesses in the retail, catering, beauty, and car garage industries, often run by ethnic entrepreneurs and with a local clientele, varies largely. A few are currently doing very well. One is Sahib (46-60, Surinamese Dutch) who owns two businesses in party articles, and soon will open a third store. He says: *“it [the business] is bursting at the seams [...]. I am making quite some profits”*. However, the majority of these entrepreneurs indicate that they are making minor profits. No differences in this respect were found regarding the objective economic performance of male and female entrepreneurs.

Economic performance over the last five years

As the recent economic crisis has had the strongest effect on the poorest households, its consequences are mostly felt in deprived neighbourhoods (Zwiers et al., 2016). Especially poor areas that are located in a region with a weak economic structure are hit the hardest (Van Kempen, Bolt & Van Ham, 2016). Therefore, it is no surprise that many entrepreneurs in Feijenoord have experienced economic setbacks in the previous five years that relate to the financial crisis. Entrepreneurs of commercial companies explain that the crisis gave clients less purchasing power. Social enterprises mostly experienced the crisis due to austerity measures that have resulted in budget cuts by their clients, which are mostly public and semi-public institutions.

The large commercial companies seem to have suffered least by the crisis. Most made less but still substantial profits during the crisis, and are currently making more profit again, entrepreneurs explain. Small and medium-sized commercial businesses – operating in different sectors - were affected more by the economic crisis than the large ones that we interviewed. Many entrepreneurs in the creative industries, of which the majority does not depend on the area for their customers, have experienced several years with minor profits, or even losses. Most are currently performing well again financially. When asked about his income in the previous five years, Ruben (46-60, home-based freelance interior architect) responds: *“It declined significantly, I barely made profits. ...Now it is back to normal again”*.

Several creative entrepreneurs complain that the high costs of dismissing employees with a permanent contract – as determined by Dutch law – have caused major financial problems. Compared with other European countries, Dutch permanent contracts offer many entitlements as opposed to temporary ones (Muffels, Crouch & Wilthagen, 2014).

“There is a need to be flexible to be able to handle economic setbacks. But I have also always thought that it is important to treasure your employees. I have always treasured them and offered them permanent contracts when possible. That broke me during the crisis. I had no work for them and could not fire them without having to pay the expensive compensations and all that. Everything that I saved in the last 35 years, I had to offer. Now I have nothing, not even a pension.” (Pepin, owner landscape architecture firm, 46-60, Dutch)

Also many entrepreneurs of commercial small and medium-sized businesses at operation in the retail, catering, beauty and car garage industries, often with an ethnic minority background and mostly local clients, have experienced major financial difficulties in recent years due to less purchasing power of customers and increased competition of local or online web shops. Nuwair’s (owner cosmetics shop, 46-60, Pakistani Dutch) profits have declined in recent years and he thinks this is due to the economic crisis and increased competition of larger local firms who have longer opening hours and offer products at a lower price. Muqet (co-owner clothes shop, 46-60, Pakistani Dutch) started his business one year ago and has not made any profits so far:

“Since the Primark [multinational fashion chain] has opened a retail store in the area there are far less customers. ...They opened in November. They are competitors. ...The financial crisis also plays a role and online web shops have been disastrous for retail trade.”

Many of these entrepreneurs argue that they have been hit by the financial crisis particularly because many of their clients have relatively low household incomes, and were struggling to make ends meet during the crisis. Entrepreneurs commonly notice this by the uneven spending patterns of customers every month. Alise (pub owner, 46-60, Dutch) argues:

“People have less to spend. Most customers buy in the period when they receive salary or benefits, and after this it decreases sharply. At the end of the month, it is much quieter.”

Most social businesses, e.g. in the cultural, education and health care sector, have not experienced considerable setbacks in the past five years. Yet, they do mention having been affected by austerity measures and the financial crisis as their clients, e.g. municipalities and social services, underwent cuts in their budgets. Matthijs is a general practitioner and owner of a general practitioner clinic (61-75, Dutch):

“My services have become more customer-oriented because the branch I work in has become more competitive. It is important to stand out. ...It has become a game of demand and supply. ...[Furthermore] since we have the new health care system, it has become more important to pay attention to the contracts that I sign with insurance companies, to make sure that I can offer the services that I want to offer.”

Strategies to deal with economic setbacks

The interviewed small and medium-sized social and commercial businesses have deployed innovative strategies to secure or increase their revenues. Overall, three strategies can be distinguished, that are deployed by companies with a local and non-local clientele, of which the first relates to diversity. It entails the broadening of products and services in order to acquire a more diverse group of customers Janou (18-30, Cape Verdean Dutch), who owns a small designer clothes shop in Feijenoord, decided to host art expositions in his clothes store to

generate more income. When there were fewer vacancies in the branch in which Ella's (owner employment agency, 46-60, Dutch) company usually fills vacancies, her company responded as follows:

"We were trying to survive. When there were no vacancies, we tried to broaden our view, take anything we can get. We started to look at vacancies in the technological sector, change our strategies, started offering businesses advice. We needed to broaden our view, because when there are no vacancies, you still need turnover, to fulfil your obligations. We needed to pay our staff, pay rent, those things."

Entrepreneurs argue that businesses with a diverse set of customers (e.g. regarding culture, ethnicity or income) are more resistant to economic fluctuations as they do not depend on one single group. Hence, customer diversity is thought to reduce financial risks.

A second way in which a number of businesses in various branches responded to financial setbacks is by closing stores and/or dismissing staff. Mustafa (owner, 31-45, Turkish Dutch) explains that in response to financial setbacks, his home care company was forced to dismiss about 70 out of 250 employees in 2013.

Third, a number of businesses with mostly local, socio-economically disadvantages clientele have sought to attract customers by lowering prices and offering special discounts. Ilse (pub owner, 46-60, Spanish Dutch) mentions:

"People have less money and therefore less to spend. They will cut down on things. It is perfectly logical. But one has to keep your wits, think about solutions. Lower the prices, happy hour, in order to continue to attract customers. ...Lower prices mean fewer profits, but if you do nothing, you will have no customers. So it is better to have fewer profits and many customers."

Entrepreneurial drivers

Although many interviewed entrepreneurs have experienced difficulties securing revenues, most speak quite positively about the economic performance of their business. Only two entrepreneurs experience the present economic performance very negatively and a quarter somewhat negatively. How is this possible? We will try to explain this by means of the literature on the importance of businesses aspirations for the experiences of economic performance (see section 4.1).

Next to their objective and subjective economic performance, we have asked entrepreneurs about their business aspirations and the extent to which they feel they have succeeded to achieve them. Amongst others, we asked them: 'how do you define success?' and 'how do you define failure?'. For the large commercial companies, as well as for a few small and middle-sized businesses run by ethnic entrepreneurs, *increasing revenues* is indeed the most important goal. However, many interviewed entrepreneurs do not aspire (extensive) financial profits. For the majority of small and middle-sized businesses in various industries with mostly local clientele, making extensive financial profits is out of reach. Most of these entrepreneurs indicate to be quite happy if they manage to keep their head above water, thus break even or just make enough profits to live from. Furthermore, many of them have other aspirations. Roy (46-60, Norwegian-Spanish-Dutch), a co-owner of a shop that specialises in Spanish foods, is an example of an entrepreneur with modest financial ambitions:

Roy: *“Well, I am not someone who wants to go to work in a Bentley, have a swimming pool in the yard, and a second home in Spain or something like that.”*

Interviewer: *“Do you mean to say that you do not strive for large profits?”*

Roy: *“No, and if it ever happens, it would be a welcome bonus. But I need to stay realistic. ...For us, it is most important that we can run a nice business, that people tell each other ‘let’s go to that nice shop!’. If we can earn a living, then that is fine for us.”*

The interviewed social enterprises appear to not pursue large financial profits either because law does not allow them to or because they have other ambitions. What other business ambitions do entrepreneurs have then?

First, for more than a third of the interviewed entrepreneurs, mostly with small and medium-sized businesses and at work in different branches, a key driver appears to be *customer satisfaction*. Of course, satisfied customers might also bring more revenues, entrepreneurs argue. However, they explain that it is the act of assisting customers with their products and services and the appreciation they receive from customers in return that is most important to them. Both Ella (46-60, Dutch) and Yasin (18-30, Turkish Dutch) run an employment agency in Feijenoord and explain that finding a job for unemployed people is how they define their success:

Ella: *“To me success is, when I find someone a good job and a client a good employee. ...Particularly when we find a job for people who have experienced difficulties finding a job, for example people aged over 50, when we help them off welfare. ...I find that absolutely rewarding.”*

The entrepreneurs explain that that delivering high quality products and services is key for customer satisfaction. Nezhir (46-60, Turkish Dutch), who runs a business in car parts, argues:

“Success to me is having a good reputation. That people say that you have a high quality business, where they are given good services. This I find very important. Even if we would become a multinational, it is not about the money that you earn, but the people who know your name. ...Being honest, keeping your promises and providing high quality services.”

Second, two entrepreneurs indicate that it is an explicit business goal to secure the *satisfaction of employees* with their work. After a tour of his office and during the interview itself, Mustafa (owner home care company, 31-45, Turkish Dutch) explains that having employees that have pleasure in their work is an important business goal for him:

“That is what it is all about. If I succeed in this [satisfied employees], it means success. That is our success. ...Here people have pleasure in their work. ...Do work, which is in their nature. Finance should not be a pre-condition [for success].”

Third, only a small number of entrepreneurs indicate that continuing to work *autonomously*, thus not under a boss, is a major business ambition for them. These interviewees are males and females and with an ethnic minority background and a small-sized business. When asked the question ‘what do you consider a success?’, Hicham (owner telecom store, 31-45, Moroccan Dutch) responds:

Hicham: "At this moment I am not thinking about success, I try to survive."

Interviewer: "What goals do you have with your business?"

Hicham: "My business goal is solely being able to support myself. I want to work autonomously and I do not want to have to apply for benefits."

Finally, a quarter of the interviewed entrepreneurs have other, very specific social or cultural business ambitions, such as counteracting negative stereotypes of residents in Rotterdam South; generating social cohesion in socially diverse neighbourhoods; generating social mobility among local youths; or selling sustainable products. Most of these entrepreneurs work in social enterprises (e.g. in the health care, education, culture, sports sector). Selling sustainable products was mentioned as a goal of by entrepreneurs of multinational companies, though.

4.3 Markets, customers and suppliers

This section will provide insight in the type location of suppliers and customers, the clientele and the strategies that businesses have deployed to deal with a diversity of customers.

The type and location of suppliers

Some businesses work with *suppliers*. Examples of these types of relations are: businesses in the retail, catering, beauty and car industries that are supplied by wholesalers, employment agencies who fill vacancies for other businesses, businesses in the social sector who are granted budgets by (semi-)public institutions to carry out social projects and offices that buy their foods and supplies in local stores. The type and location of suppliers or clients differs greatly. Overall, it does not seem to relate to the urban diversity of Feijenoord.

The businesses with *local* suppliers or clients are often active in the creative industries, such as an events agency, advertisement company, and employment agency. Businesses with suppliers that are located in the greater urban *region* of Rotterdam are mostly small and middle-sized businesses that operate in diverse industries, with entrepreneurs with diverse ethnic backgrounds. The largest businesses including multinationals mostly have *nation-wide or international* suppliers. However, we have also come across a number of small and medium-sized businesses in the catering and retail industries (e.g. a restaurant, supermarket and food shop) that buy their materials from actors in other countries, such as Turkey and Spain.

The type and location of customers

The interviewed entrepreneurs serve different types of customers. About half of the businesses serve multiple types of actors. With the exception of one business, all examined businesses serve individual customers or clients. About a quarter works for municipalities and institutions providing social services and another quarter have commercial businesses as a market. The businesses that market (semi-)public actors are mostly social enterprises, businesses that aim to create social value. The businesses that market other business are mostly businesses in the creative industries and very large businesses, including multinationals.

About a third of the interviewed businesses *solely target residents in Feijenoord*. Two third of these businesses are small and medium-sized and operate in the retail, catering, beauty, and car garage industries. They further include a secondary school and two health care businesses. Very few social enterprises and creative businesses have merely a local focus. Two third of the entrepreneurs with a business with solely a local market have an ethnic minority background.

Another third of the businesses target *the wider urban region of Rotterdam*. More than half of them are operating in the creative industries. Half of the businesses are social enterprises. Half of the interviewed entrepreneurs of these businesses (in different sectors) have an ethnic minority background.

The remainder of businesses target *a nation-wide or international market*. These mostly include small and medium-sized firms in the creative industries and multinational businesses, including an interior designer, a multinational food producer and a large multifunctional event location. Notably, none of the interviewed entrepreneurs of businesses with a national or international audience have an ethnic minority background.

Customers: specific or diverse?

Does the diversity of Feijenoord translate itself into a diversity of customers? For about half of the examined businesses this appears to be the case. These businesses target a wide range of (mostly) *local* social groups, in terms of ethnicity, lifestyle, income, age and/or gender. Yet, it is important to note that for most of them it is not an explicit strategy to target diverse groups. These businesses are mostly at work in the retail, catering, beauty or car industry, but we have also interviewed a few who operate in the creative industries. A majority of the interviewed entrepreneurs with a diversity of local customers have an ethnic minority background. Furthermore, about half of them live in or near Feijenoord. Since Feijenoord is home to relatively high rates of disadvantaged people, about a third of these businesses focus on low-income residents, although most entrepreneurs have not made a deliberate choice to focus on low-income groups. In fact, several entrepreneurs have indicated a wish to (also) attract customers with more purchasing power.

The businesses that *purposefully* focus on a diversity of people, e.g. regarding ethnicity, culture, and/or income, include social enterprises such as the intercultural communication consultancy firm of Indra (46-60, Indonesian Dutch), the intercultural home care company of Mustafa (31-45, Turkish Dutch), and the cultural association of Ben (co-director, 46-60, Dutch) aimed at intercultural story sharing by means of food and art projects. They also include a few small-sized commercial businesses in the catering industry. Roy (46-60, Norwegian-Spanish-Dutch) and Annette (46-60, Dutch) have a shop that specialises in Spanish foods. They deliberately focus their products both on local, often low-income residents and regional customers, who often have higher incomes as a means to reduce financial risks:

“If we would move to another neighbourhood, we would lose one of our current customer groups, namely local people with modest means. That would be a shame. We have customers who buy a bit of meat for a stew, or a small bottle of wine, which we offer for a friendly price. If we lose these customers, and only serve a higher segment, you run the risk that people turn their back to us and we lose sales.”

It is also the business strategy of Asli (owner café-restaurant, 31-45, Turkish Dutch) to intentionally attract a diversity of customers to secure revenues, which is why she once settled in Feijenoord. She explains that she seeks to attract youths, families with children and elderly people, of Turkish as well as other ethnic backgrounds, by adjusting her products and services to diverse ages, household types and cultures. She does this because:

“As an entrepreneur it is important to have a Plan B, or even a Plan C. If I only focus on the Turkish community here, you run the risk that they lose interest and turn their backs on you. ...In the summer time, or with Ramadan my Turkish clients go on holidays. Do you see? You need to pay attention; otherwise my business will be empty. That is why I want to attract diverse people and groups, to prevent ups and downs.”

Most but certainly not all entrepreneurs that purposefully focus on diverse customer groups have relatively high education levels.

For the second half of the examined businesses local diversity does not translate into a diversity of customers. These businesses generally target *non-local* residents or businesses in the greater Rotterdam region or beyond, are often small or medium-sized and operate in the cultural, leisure and creative industries. Furthermore, they mostly target *specific* rather than diverse social groups, in terms of ethnicity, lifestyle, income, age and/or gender, for example: (mostly) young, middle class ‘roller bladers’; freelancers in the creative industries; or people with extensive party cultures or frizzy hair. Most interviewed entrepreneurs of these businesses have a native Dutch ethnicity and a high educational level and do not live in Feijenoord or the wider district of Rotterdam South. Furthermore, most indicate to have made a deliberate choice to focus on a specific group of customers.

An important finding is that the interviewed businesses that have a clear picture of their customers – whether *diverse* or *specific* – seem to have a better objective economic performance, higher profits and/or turnover rates, than businesses that do not have a clear customer strategy. In our sample, the latter are often small-sized businesses that operate in the retail, catering, beauty or car industries, run by an entrepreneur with an ethnic minority background and a low education level, although, a few are also run by native Dutch entrepreneurs.

Dealing with customer diversity

For entrepreneurs with local customers, the hyper-diversity of Feijenoord appears to be an everyday reality (Wessendorf, 2014; Wise & Velayutham, 2009). When asked about the impact of local diversity on their business, many respond that they find this normal. Katy (manager multinational store in electronic devices, 31-45, Dutch) argues:

“To me it is normal, I have always worked in [Rotterdam] South, it is a very passionate area with so much diversity, so many different characters, so many different backgrounds. It is just something you deal with.”

We will shortly discuss five ways in which these businesses deal with diversity in order to explore the impact of diversity on their economic performance. First, entrepreneurs highlight the importance of catering products and services to the diverse interests of customers to attract and retain customers. Businesses with diverse customers are thought to be more resistant to economic fluctuations, as they do not depend on one group alone (see 4.2). However, Taavi (Supermarket owner, 31-45, Turkish Dutch) explains that the high pace of change amongst the population of Feijenoord forms a major challenge for keeping up:

“Satisfying customers remains a major challenge. We continuously have new customers, whom you need to cater to. For example, we presently have a lot of Italian customers for whom I go look for products.”

Second, the narratives of entrepreneurs reveal the importance of diversity-sensitive communication skills for attracting and retaining a diverse group of customers. A number of entrepreneurs explain that they communicate differently with different age, cultural and ethnic groups:

“With customers that have a foreign background I inform them about the price, ‘oke, how much does it cost to insert a zipper?’. I say: ‘ten euros’. ‘No, no, let’s say three euros’. We start to negotiate. But if a Dutch person comes in, ten euros. They pay immediately, because for them a deal is a deal. So with foreign people I start with twelve euro, and we agree at ten. Because if I start with ten we end up at eight. Also Antillean people are like Dutch people, no bargaining about the price. But with Turkish, Moroccan or African people, it is more difficult. I really need to negotiate.” (Joseph, freelance custom tailor, 46-60, Burundi Dutch)

Customer differences often transcend traditional socio-demographic lines, such as ethnicity, and hence customer communication strategies often do so as well. Asli (owner café-restaurant, 31-45, Turkish Dutch) explains:

“We communicate differently with youths and elderly people. In addition, it makes a difference from which part of Turkey people descent from... In Istanbul they eat out more often than the Turks here [in Feijenoord, Rotterdam]. In Eastern Turkey people do not eat out. These differences reflect in how we deal with our customers.”

Third and relatedly, entrepreneurs understand that attracting and retaining a diversity of customers requires in-depth knowledge of socio-cultural differences. Esmá (owner hair shop, 31-45, Turkish Dutch) knows that she succeeds to attract an ethnically and culturally diverse group of customers, because:

“I listen to them, know their culture. I am very interested in cultures, how Indian people are, Pakistani people, what Divali is [Hindu festival of light], the Festival of Sacrifice [Islamic fest], what Easter [Christian fest] means. I know about all of it. I know when it is Christmas, when it is Easter. ...I am a Muslim myself but I send people cards and texts: ‘happy festive event’.”

Finally, entrepreneurs highlight the importance of a diverse workforce, e.g. regarding age, culture, ethnicity and language, to communicate with and provide in the interests and needs of their diverse customers. A director of a health care centre (46-60, Dutch) argues:

Monique: “We always strive for a certain degree of diversity within our organisation. With the general practitioners that can be difficult though. We have had Turkish and Polish general practitioners. Particularly amongst our assistants we succeed to generate that diversity.”

Interviewer: “Why the diversity?”

Monique: “It is important to us that everyone feels comfortable here. We generally speak Dutch, but work with translators as well. It is important to understand the problems.”

However, we also interviewed few entrepreneurs who argue the opposite, namely that an ethnically homogenous workforce increases the economic performance of their business, even

when their customers are diverse. These interviewees are all native Dutch, highly educated males, including a general practitioner and two creative entrepreneurs with small-sized businesses.

“I have always chosen to have white, Dutch people in my team, although eighty per cent of our clients are of foreign descent. This is because ...it is easy to communicate [amongst employees], you share the same norms and values. It saves effort. ...It has been a deliberate choice. I find it important that the work language is Dutch.” (Matthijs, general practitioner, 61-75, Dutch)

4.4 Relations amongst entrepreneurs: Evidence of competition or co-operation?

Most businesses in diverse branches and with different sizes are in contact with one or more local entrepreneurs. Furthermore, about half of the interviewed entrepreneurs indicate to have a close relationship with one or more local entrepreneurs. Most local contacts are between entrepreneurs with a different educational and ethnic background and businesses in different sectors. We have also interviewed several entrepreneurs who have a close relationship with competing firms.

Three types of contact can be distinguished in this respect: informal relationships between entrepreneurial neighbours; formal relationships through entrepreneurial associations, networks or cooperations; and none or very superficial relationships with local entrepreneurs. First, particularly entrepreneurs with small and medium-sized businesses often have informal relationships with *entrepreneurial neighbours*. These contacts serve multiple purposes, such as knowledge exchange, social, material and emotional support, collaboration to improve the image and safety of the area, and purchasing services and goods. Esma (owner hair shop, 31-45, Turkish Dutch) describes how she and her entrepreneurial neighbours provide mutual social support, and purchase services and goods from one another. When asked to describe her relationship with local entrepreneurs, she responds:

“Good, we greet, ‘good morning’, sometimes drink coffee. If my car breaks down, I go to my neighbour (car garage). In the summer when we have no drinks, I ask the pub next door to deliver a round of drinks. Travel books I buy next door. My shoes, I will fix my shoes next door. Next to him is a custom tailor. We have each other. They will come here for their [eye]brows, hair, their children [’s hair]. Yes, I have a very close bond with my neighbours.”

Likewise, Fadit (owner café-restaurant, 46-60, Turkish Dutch) describes how she and the owner of the tobacco store across the road keep an eye out when one of them is away. She takes care of their plants, brings their newspaper inside in case of rain, uses his counterfeit detector, and sends her customers to him where they can withdraw money for a fee.

Most neighbourly contact takes place between businesses in different sectors. However, a few entrepreneurs also appear to maintain contact with or even support competitors. Notably, a majority of the interviewed entrepreneurs who work in the creative industries do only maintain contact with other local creative businesses. Michael (journalism company owner, 18-30, Dutch) and Dylan (owner youth empowerment association, 31-45, Surinamese Dutch) work in a creative hub within which most of their contact with other local entrepreneurs takes place. Also Ronald (freelance mediator and artist, 18-30, Dutch) works in a (different) creative hub, he does maintain non-regulated professional relationships with businesses outside of the hub, but they do all work in the creative industries as well.

Second, a third of the interviewed businesses, in diverse sectors and with diverse sizes, (also) maintain relationships with local entrepreneurs through formal entrepreneurial associations, networks or cooperations. These can be *solely local in nature*, for instance an association for merchants in a certain shopping area, *sector specific*, such as a network of health care businesses in Feijenoord, *thematic*, for instance a network of businesses that aim at preventing poverty. Most of these formal business platforms include different type of entrepreneurs in terms of sector and products and services. Notably, two third are native Dutch, compared to less than half of the total sample of entrepreneurs. Furthermore, except for two entrepreneurs, all have a higher vocational or academic degree.

Third, about a third of the interviewed entrepreneurs have none or a very superficial relationship with local entrepreneurs. This group includes small and medium-sized businesses, is overrepresented by entrepreneurs in the creative industries and social enterprises. The reasons entrepreneurs mention for the absence of local ties include a shortage of time and resources; it does not yield enough; and a short duration of stay. When asked if he has any contacts with local entrepreneurs Victor (director indoor skate park, 46-60, Dutch) responds:

“No, we used to have someone like that in our board. But he left. We did not see the need to take it up. We were never approached [by other entrepreneurs] and we don’t take action either [to become locally involved]. It passes us by. We have our hands full running this business. If we can help anywhere we would certainly try, but we lack time, money as well to be honest, and we also lack staff, time.”

4.5 Long-term plans and expectations of the entrepreneurs

All interviewees plan to continue their career as an entrepreneur and all but one, even with their current business(es). The exception is Aart (owner advertising company, 31-45, Dutch), who plans to dismantle his business and start one in another branch because he believes *“the future of advertising companies is finite and the market will demand other types of organisations”*.

Four kinds of long-term plans can be distinguished and entrepreneurs often have multiple plans. First, almost half of the entrepreneurs express the wish to make *progress* in terms of profits, business recognition, the number of staff, customers and stores, revenue model, and quality of products and services. These entrepreneurs have diverse businesses in terms of size, sector and purpose (commercial and social), and the location of customers. Improving the quality of products and services is mentioned most frequently in this respect, namely by half of them. In order to attract more customers, Roy (46-60, Norwegian-Spanish-Dutch) and Annette (46-60, Dutch) aim to progress their online shop in Spanish products that they have in addition to their physical store and explore the possibility for catering.

Second, about a third of the interviewed entrepreneurs have *no particular or new plans* for the long term. These businesses are small and medium-sized and operate in different sectors. The entrepreneurs have different ethnic backgrounds and include males and females. What links them is that most rely on the neighbourhood for their customers, and none are making extensive profits; several are currently hardly breaking even or are making losses. When asked: ‘what plans do you have for the long-term?’, Taavi (supermarket owner, 31-45, Turkish Dutch) responds: *“no idea, for the time being I will continue to do what I’ve always done”*.

Third, a much smaller number of interviewed entrepreneurs plan to generate more *social value*. These entrepreneurs include social enterprises, creative entrepreneurs as well as two multinational commercial companies that mostly operate on a regional, national or international scale. A multinational food producer plans to counteract obesity and produce more sustainably. Remarkably, Mustafa (owner home care company, 31-45, Turkish Dutch) explains that it is his goal to become superfluous in the long term as “*health care will be arranged through apps, new technologies, [and provided] by communities instead of professionals*”. To get a step closer, he has recently launched an online application that enables community-based home care by bringing together local caregivers and receivers.

Finally, a few elderly entrepreneurs express the wish to *dismantle or transfer* their business due to their retirement. These are small-sized commercial businesses at work in different sectors and operating at different scales, male and female entrepreneurs with diverse ethnicities.

4.6 Conclusions

This chapter sought to examine the economic performance of entrepreneurs in the hyper-diverse context of Feijenoord. To what extent are the businesses economically affected by diversity and how? Many of the interviewed entrepreneurs do not appear to have extensive profits or turnover rates and have experienced economic setbacks in recent years related to the financial crisis and austerity measures. Particularly businesses that largely rely on the neighbourhood for customers, about a third of our respondents, have experienced and still are experiencing financial difficulties. These businesses are typically small and medium-sized, commercial in nature and operate in the retail, catering, beauty, and car garage industries. Entrepreneurs with an ethnic minority background are overrepresented in this group, in comparison with the businesses that have a regional, national or international customer scope. A major obstacle for these entrepreneurs is the relatively low income and hence purchasing power of many of their customers.

Nevertheless, entrepreneurs appear to *experience* their economic performance positively. We have demonstrated that this can be explained by the fact that profit maximisation is not the most important ambition for most entrepreneurs interviewed, including the small and medium-sized businesses with a non-local clientele. Amongst others, satisfied customers and employees, room for creative and innovative product and service design, and accomplished social and cultural aspirations influence the subjective economic performance positively. The findings thus underline the importance of taking into account business aspirations when examining subjective economic performance of entrepreneurs (e.g. Hessels, Van Gelderen & Thurik, 2008; Kloosterman & Rath, 2001; Schutjens & Volker, 2010).

The businesses that focus on a diverse rather than specific clientele mostly rely on the neighbourhood for their clientele: these entrepreneurs capitalise and specialise in local diversity. Businesses with a clearly defined clientele seem to have a higher objective economic performance than businesses without such. Many businesses with a substantial local clientele lack a clear definition of customers however, which might explain their relatively poor economic performance. When defined clearly, doing business for a diverse set of customers has an important economic advantage: it makes businesses more resilient to economic fluctuations. When relying on multiple customer groups, changes in the purchasing behaviour of one customer group forms less of an economic risk. This might be particularly important for doing

business in an area like Feijenoord, where the population is not only diverse but relatively dynamic as well.

Doing business for a dynamic and diverse group of customers requires extensive knowledge of their backgrounds, interests and needs, customised communication strategies and often a highly diverse and dynamic collection of products and services. Although more entrepreneurs are in favour of a diverse rather than homogenous workforce to cater to a diversity of customers, some deliberately choose to exclude ethnic others.

Local entrepreneurial networks appear generally diverse in terms of business sector, and the educational and ethnic background of entrepreneurs. Yet, the local entrepreneurial networks of most interviewed entrepreneurs in the creative industries appear remarkably homogenous in terms of the sector: creative entrepreneurs mostly have contact with other creative entrepreneurs. Along with the absence of a substantial local clientele, this raises questions about the effectiveness of recent municipal policies seeking to attract creative entrepreneurs to disadvantaged areas such as Feijenoord: what exactly is the added value of creative entrepreneurs for Feijenoord?

5 Institutional support and government policies

5.1 Introduction

This chapter will examine to what extent entrepreneurs in Feijenoord are aware of and profit from existing support schemes and government policies for entrepreneurs in Rotterdam. We will first give a brief overview of the existing policy schemes and measures and then answer the following questions: To what extent are entrepreneurs aware of the existing policy schemes and measures as well as other entrepreneurial platforms, programmes and events? Do they participate in these and why (not)? What does participation (not) bring them? In addition, the chapter discusses what the entrepreneurs think should be the priority for the governance of entrepreneurship in their area, Rotterdam, the Netherlands and/or the EU.

5.2 Views on the effectiveness of business support provided by local and central governments

Encouraging entrepreneurship is a key priority for the Municipality of Rotterdam (Municipality of Rotterdam, 2014). By doing so, the municipal government hopes to diversify its economy, advance its transition towards a service-based economy and attract more higher-income groups to the city (EDBR, 2008).

In collaboration with social partners, including housing corporations, banks, knowledge institutions, the local chamber of commerce, and other influential private companies in Rotterdam, the Municipality has initiated various measures to achieve this ambition. First, they have co-provided and attracted *subsidies and funds* for entrepreneurs in three sectors that have had priority since 2005: the creative, harbour and medical and health care industries. In addition, under the National Law on Special Assistance for Freelancers, which is carried out by Dutch municipalities, entrepreneurs experiencing financial difficulties can apply for conditional support, including business coaching and financial support.

Second, the municipality has co-implemented *area-specific revitalisation projects* and programmes aimed at encouraging entrepreneurship. Several areas in Feijenoord have been targeted by such programmes. One is the Rotterdam ‘shopping street policy’, which is carried out by civil servants referred to as ‘business brokers’ and aims to generate diversity in the composition of shops in shopping streets. A second one is the ‘Entrepreneurs’ Scheme for Opportunity Areas’ (Ondernemerregeling Kansenzones), which ran from 2005 to 2012 and aimed to improve the investment climate by providing incentives for investment in real estate. Both programmes have been criticised for favouring businesses targeting middle and upper classes above businesses targeting lower classes, and driving up property prices (e.g. Vervloesem, 2016). The National Programme Rotterdam South, amongst others, seeks to attract entrepreneurs who create employment for the relatively young and low-educated population of Rotterdam South. Other important area-based interventions to enhance entrepreneurship in Feijenoord include the transformation of empty industrial buildings into so-called ‘creative hubs’, low-cost working spaces for (starting) businesses in the creative industries; redevelopment of specific shopping areas (with EU-funds); and improvement of the accessibility of the area in terms of transport.

Finally, the municipality has co-initiated, supported and participated in entrepreneurial citywide and online entrepreneurial *networks and knowledge platforms*. The so-called monthly ‘entrepreneurial breakfast’, which is headed by the mayor of Rotterdam and is meant for all entrepreneurs in the city to meet and exchange ideas, is an example of this. Another example was the ‘Entrepreneurial Counter’ (Ondernemersbalie) of the municipality, where starting and established entrepreneurs could receive information and advice regarding their business. Yet it has recently closed. In Rotterdam South, an influential network is ‘I am Located in South’ (Ik Zit op Zuid), which involves forty-one local companies including a bank, various schools, and an international insurance company that sponsor and initiate socio-economic programmes in the area to increase its economic performance.

In the remainder of this chapter we will pay attention to the question to what extent the current policy schemes mean something for different entrepreneurs in Feijenoord and draw lessons for the governance of entrepreneurship in hyper-diverse areas such as Feijenoord.

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

In this section, we first discuss to what extent entrepreneurs participate in associations and networks. Subsequently, we explain which businesses have been able to profit from subsidies and other support measures from the government.

Support from entrepreneurial unions, associations and networks

Two third of the interviewed entrepreneurs participate in one or more entrepreneurial programmes or initiatives, including a union, business club, special interest group, or other network. Half of them are members of entrepreneurial networks that are not based in Feijenoord. These include profession-specific or sector-specific *national and international* unions, such as the Dutch Catering Industry Union and the National General Practitioners Association. They also include a number of *citywide* entrepreneurial business clubs or networks, such as the ‘Entrepreneurial Breakfast’, a number of private business clubs, and specific Rotterdam platforms for young entrepreneurs, sports entrepreneurs, and an entrepreneurial coalition that aims to

counteract poverty. A number of these citywide networks are co-organised by the Municipality of Rotterdam.

The *Feijenoord-based* initiatives that entrepreneurs participate in, include entrepreneurial associations and cooperation's, special interest working groups (e.g. on safety, health care or food), and short-term events, such as the organisation of a local festival. The Municipality has been involved in the initiation or organisation of several of these networks. A few interviewed entrepreneurs were initiators of such initiatives. In collaboration with a local entrepreneurs association and cultural foundation, Wibaut (director event agency, 18-30, Dutch) has for instance initiated various events in his neighbourhood, including a cultural expedition and several food events. Notably, the small and large-sized entrepreneurs we interviewed appear to operate in separate local networks. Most large-sized interviewed businesses appear to be members of 'I am Based in South', but do not participate in entrepreneurial networks with small and medium-sized entrepreneurs.

In line with Netherlands-based studies of e.g. Kloosterman, Van der Leun & Rath (1998) and Rath & Roosblad (2004), interviewees with a native Dutch ethnicity are much more often members of city-wide or (inter)national professional networks than entrepreneurs with other ethnicities, of whom half participate in Feijenoord-based initiatives. Mustafa (owner home care company, 31-45, Turkish Dutch) explains that he prefers to build his professional network through local and non-conventional networks rather than "boring" labour and sector-specific unions, because:

"Sorry to say but it is just all 'white, old and grey' [an old boys network] you know. ... We are dynamic. I wear a jeans and no tie. I cycle [to work]. I mean, our staff, our concern is their ambitions, and how these fit our clients' demands. The sector-specific unions are alright, but cumbersome. It is difficult to get in contact with enthusiastic people. We also collaborate with a university of applied sciences because they also have an innovative mind-set."

Why do the interviewed entrepreneurs choose to join or initiate formal entrepreneurial networks? The most common reasons mentioned among interviewed entrepreneurs are that it enables them to exchange knowledge, extend and diversify their professional network, and join forces regarding shared interests such as safety and accessibility. For Ruben (freelance home-based architect, 46-60, Dutch), participating in a local entrepreneurs network for his neighbourhood "... yields knowledge as we share, for instance how to deal with specific regulations. Or, if someone has particular knowledge of taxes, he will inform us in case of new regulations". Ella (owner employment agency, 46-60, Dutch) explains:

"I am a member of the '[Entrepreneurial] Breakfast' network, in which entrepreneurs are supposed to be each other's ambassadors. We visit each other every other week. There are for instance interior design businesses, and if anyone in my professional network needs their office refurbished, I will recommend them the business. ... So we help one another. I expect them to do the same when I have a vacancy. That they for instance say 'I know someone who would suit the job' and they refer them to me."

A third of the interviewees, mostly with small-sized businesses do not participate in entrepreneurial networks or initiatives. Most of these entrepreneurs choose not to because they lack time or do not expect to benefit from them. In our sample, entrepreneurs with an ethnic

minority background are overrepresented in this group of non-participants, although we did not find signs of ethnic discrimination or feelings of exclusion among these entrepreneurs.

Other government-based support

Few entrepreneurs are aware of, let alone have profited from, subsidies and other support measures from the government. A number of entrepreneurs have expressed their discontent with the provision of information about existing support measures by the government. According to Victor (director indoor skate park and shop, 46-60, Dutch):

“It would be very helpful if it [subsidy schemes] would become more accessible, that we could see what they could mean for us. I know that some other [skate] parks have received EU subsidies to refurbish and redevelop. It would be great if we could get that as well. ... I don’t have knowledge on this. I must say that I haven’t put too much effort in it. But it is not very easy to understand.”

The few interviewed entrepreneurs who have benefited from specific legal and financial support from the municipality or housing corporations generally have good connections with relevant persons within the municipality or housing corporations, which the entrepreneurship literature refers to as ‘linking capital’ (e.g. Eraydin, Tasan-Kok & Vranken, 2010). They are mostly native Dutch, highly educated and male, have small and medium-sized businesses and work in the creative industries. We will demonstrate this with three examples, in which we cannot provide detailed interviewee information for privacy purposes. First, a native Dutch male entrepreneur describes how he started a new business in our research area. He asked a befriended high placed official of the municipal government to open his business, but shortly before the opening it turned out that he did not have the proper permits, which he explains the Municipality was happy to arrange. Likewise, another interviewed native Dutch male entrepreneur negotiated short-term rental contracts and permission to sublet his property for business purposes with a housing association, in his view because they were so happy to have him in the area. He and interviews with other interviewees confirm that the terms are uncommon. Several other interviewed entrepreneurs with more vulnerable economic positions and mostly an ethnic minority background have mentioned their struggles with the long-term and non-flexible terms of their rental contracts with local housing corporations. As a final example, another native Dutch male entrepreneur is able to generate sufficient revenues for his social enterprise by regularly letting meetings spaces to the Municipality of Rotterdam.

5.4 Policy priorities for entrepreneurship

We asked entrepreneurs about negative and positive experiences with the governance of entrepreneurship in Rotterdam and what they think should be the priority in entrepreneurship policy in Rotterdam. We will first highlight what entrepreneurs think is going well in this respect and continue with suggestions for improvement. Most entrepreneurs have mentioned both positive and negative experiences with the governance of entrepreneurship in Rotterdam. Yet, the interviewed entrepreneurs with large-sized businesses were clearly more satisfied than the small and medium-sized ones.

Positive experiences with the governance of entrepreneurship

First, interviewees generally appreciate how the Municipality seeks to bring entrepreneurs into contact with one another by organising networking meetings, and encouraging entrepreneurial

associations and initiatives. Ella (owner employment agency, 46-60, Dutch) says: “*I think the Entrepreneurial Breakfast is a very good thing. ...Because we get together with all sorts of entrepreneurs, there are always interesting themes*”. Aart (owner advertising company, 38, Dutch) is of the same opinion:

“I think they organise a lot for entrepreneurs. The initiatives are good. They try to connect entrepreneurs. ...I think the Municipality of Rotterdam is doing very well in terms of stimulating, initiating and thinking along [with entrepreneurs].”

Second, interviewees with different backgrounds and businesses appreciate how the municipality has improved the accessibility of the area and spatial quality of local shopping streets and other public spaces in recent years. Esma (owner hair salon, 31-45, Turkish Dutch):

“The Municipality supports us with subsidies. For example, we were recently offered a subsidy scheme, I can’t remember the name... The Municipality would reimburse half of our expenses if we would make an investment in our business, improve the façade or purchase something for inside. ... I am quite satisfied the Municipality is doing this.”

Third, relatedly, interviewees appreciate and encourage the municipality's attempts to attract middle- and higher-income groups to the area, e.g. by improving the quality of public spaces in the area and building more expensive housing. Timothy (co-director multinational industrial business, 46-60, Dutch) expresses this as follows:

“The Municipality has tried to improve these neighbourhoods by replacing old and empty buildings with slightly more expensive housing. This is how they attract a different public. I think this is something positive.”

Finally, particularly the interviewed entrepreneurs of large-sized businesses are very positive about their partnership with the Municipality of Rotterdam. Joanne (co-director multifunctional events accommodation, 31-45, Dutch):

“I am extremely satisfied about our relationship with the Municipality of Rotterdam. I think most businesses are satisfied with this. ... We have lots of connections. We depend on the Municipality for our permits and safety. Yes, we definitely work together very well.”

Entrepreneurial suggestions for improvement of entrepreneurship policy in Rotterdam

1. Listen to and support small and medium-sized businesses

Many small and medium-sized businesses we examined feel unappreciated by the Municipality and other influential actors in Rotterdam. Recurrently, interviewees have argued that the Municipality will not listen to them and their opinion does not matter. Anass (fish shop owner, 18-30, Moroccan Dutch) illustrated this as follows. His shop is located in a shopping street with a tramway running in the middle. He describes how the Municipality implemented a large fence along the tramway to prevent pedestrians to cross the road, even though the majority of local businesses opposed the plan (see Figure 4). The fence has led to a decline of customers, incomprehension and mistrust in the Municipality among local entrepreneurs:

Anass: "Since the fences were implemented we have had less turnovers. There are a Butcher and other shops across the road. People on that side used to cross the road and visit me next. Now they have to go around the fence, and they think 'never mind'. ...We gathered signatures with all the neighbours and they implemented the fence anyway. We were all against, but they just do as they please."

A number of entrepreneurs with small and medium-sized businesses even believe that the Municipality has been working against them. These include commercial businesses in the retail, catering and car garage industries, such as Salim (owner car garage, 31-45, Turkish Dutch):

"The irritating thing is that many entrepreneurs who are doing well, they all have friends within the Municipality or other institutions. All the big players define the rules in such a way that they earn tremendous amounts of money, mostly at the cost of the small entrepreneurs."

Several small-sized businesses, mostly in the social services or health care sector, talk about how the municipality has been obstructing their modes of procurement. Ella (owner employment agency, 46-60, Dutch):

"The Municipality collaborates with large-sized businesses for their vacancies. Why not give the regional businesses a chance? ...It's because they work with procurements."

Figure 4. A fence separates the two sides of a shopping street in Feijenoord



Author: David Wills

According to Ronald (freelance mediator and artist, 18-30, Dutch), the current Municipal modes of procurement in which welfare providers compete for contracts and solely large-sized welfare providers ‘win’, affects the quality of social services:

“The procurement of welfare in Feijenoord is contracted to established large-sized parties. ...During the competition for contracts, parties need to profile themselves strongly to put themselves in the picture. ...Also when spending the money, it almost seems as if profiling has become more important than achieving goals. Having an article in a newspaper [about the established health care providers] for instance becomes more important [than providing high quality services]. This is because they need to keep their heads above water with regards to the procurements.”

Why exactly do many small and medium-sized businesses feel undervalued or excluded by the Municipality and other eminent local businesses? The explanations that these businesses provide relate to their vulnerable economic status. First, many of these businesses make minor profits or even losses. Salim (owner car garage, 31-45, Turkish Dutch) explains that he earns less than the state benefits he would receive if he would end his business and that theoretically it would be smarter to “go sit on the couch at home”. Higher property rents, the implementation of parking fees or a fence along the tramway, and the strict maintenance of regulations have a major impact on these businesses. The following phrase of Roy (46-60, Norwegian-Spanish-Dutch) who owns a shop that specialises in Spanish foods, illustrates this well:

“First, it is very important for us that the rent does not increase. In addition, it would be great if the Municipality would not make a point out of everything. For instance, if you try to put out a terrace, or put something else outside, they will be very difficult. It has been made impossible to do those things. You need permits for everything. And when you request a permit it is often rejected. I think that is the worst ...Why can they not think along with us?”

Second, many discontented small and medium-sized businesses (partly) have a local or regional clientele with a disadvantaged socio-economic position, with low purchasing power, particularly in recent years, as a result of the financial crisis and ensuing policy measures (see section 4.2). It is out of own interest as well as social concern, that these interviewed entrepreneurs argue that the Municipality should do more to counter poverty.

2. Better accommodate entrepreneurial diversity

Several small and medium-sized businesses in a variety of sectors have indicated that the perceived one-size-fits-all approach of the Municipality with regard to the maintenance of regulations and procurements does not acknowledge, let alone accommodate the diverse needs of small and medium-sized entrepreneurs in Feijenoord. The entrepreneurs argue for an individualised, problem-based approach, particularly regarding disadvantaged entrepreneurs. In order to better support starting and disadvantaged entrepreneurs, Nezih (co-owner business in car parts, 46-60, Turkish Dutch) suggests:

“Now the controllers visit us and tell us what is wrong. If you do not fix it, they give you a fine. It would be better to inform us about what exactly it is we need to change, and how. Particularly starting entrepreneurs who have much to deal with. ...The fine is €5000, which I can afford by now. But small entrepreneurs cannot.”

Several entrepreneurs with social enterprises often do not meet all of the requirements of the municipality when applying for subsidies or in case of procurement, while solutions to social problems are often multidisciplinary (see: Tersteeg, Bolt & Van Kempen, 2014). For their own interest and in the interest of the city, they recommend the Municipality to stop working in terms of predefined boxes and start using a thematic approach.

“Some solutions [to social problems] do not fit the predefined. For example, a business partner [social enterprise in community gardening] recently received the unique state of affairs being approached and paid by four different municipal departments, for one assignment. City Planning, Social Affairs, Safety and there was another one. This should not be the case. I am like: get rid of those fixed departments [with regards to subsidies] and provide subsidies on the base of themes. Does it really matter if a problem is solved by framing it as a safety or city planning issue, or that it ticks the ‘greenery’ box?” (Ronald, freelance mediator and artist, 18-30, Dutch)

3. Support bottom-up initiatives

Along with the shift in planning systems from government to governance in the past decade, it has become the explicit goal of the Municipality of Rotterdam to act as a facilitator of bottom-up initiatives rather than as an implementer of top-down measures (Tersteeg, Van Kempen & Bolt, 2014). Nevertheless, many small and medium-sized entrepreneurs indicate that there is a (huge) gap between practice and reality. We will illustrate this with one outspoken example, in which we cannot provide detailed interviewee information for privacy purposes: An entrepreneur in the creative industries mentions how he initiated an independent coalition of local entrepreneurs aimed at improving the image of their area of settlement, e.g. by launching a website about the area. He informed the local area manager about their plans and asked her if she would like to be involved (non-financially). To his surprise she refused and in the months that followed she secretly asked other coalition members to end the initiative. Until today, he does not know why the manager is opposed:

“I think it is because until recently, the Municipality had much control in these projects. They determined how things went, they defined the terms, other partners were submissive. In this project [the coalition] they would be an equal partner. I think this is difficult for the Municipality.”

4. Counteract (institutionalised) racism

Several ethnic entrepreneurs have *experienced* discrimination on the base of their ethnicity by government services and banks and customers, which contributes to the feeling that they are not appreciated or even excluded by the government. We will give some examples, but cannot provide detailed interviewee information for the purpose of their privacy. It is important to note however that all have the Dutch nationality. First, these entrepreneurs argue that controllers of the Ministry of Social Affairs or Municipal services check them more frequently and more aggressively. For example, one ethnic minority interviewee used to be manager of a mainstream supermarket. He now runs his own supermarket and argues:

“There is a lot of discrimination. In many different ways. For instance, the labour inspection [by the Ministry of Social Affairs]. When I worked at [mainstream supermarket] the inspection always neatly asked when they could come and visit us for the purpose of inspection. Me they visit unannounced, with ten guys, acting as if it is the hideout of a

terrorist movement. They immediately walk towards the staff, ask for their legitimations. Everyone in the store [customers] is asked to show their legitimation, except for the people with blond hair. It shocks me and I think it is discriminatory.”

Second, two interviewees have experienced difficulties getting a loan from a bank, in their view because of their ethnic minority background. When asked if he received any support when taking over his current business, one with a Dutch nationality argues:

Entrepreneur: “I could not turn to any institutions.”

Interviewer: “Did you try?”

Entrepreneur: “Of course I tried, it was very difficult.”

Interviewer: “How come?”

Entrepreneur: “I think this is solely because they do not want to lend money to people of foreign descent.”

Third, a freelance entrepreneur with a döner kebab shop was forced to relocate her business by her landlord, a housing corporation. She was offered to move to a business space across the road, where she had to pay twice as much rent and she is not allowed to sell döner kebab (although the latter is not part of her contract). She therefore changed cuisine. Her story shows a remarkable resilience to the challenges that she faced:

Entrepreneur: “I used to make Turkish pizza myself, I used to have a kitchen upstairs in the other place. Here we don’t have enough space. So now I use a sandwich machine and sell pre-cut foods.”

Interviewer: “So you are not cooking that much anymore?”

Entrepreneur: “Well, I make Couscous salad, Bean salad, mainly salads, I don’t make Pizza anymore, soup I cook.”

Interviewer: “Did it alter the number of customers?”

Entrepreneur: “Not really. I used to have döner kebab. Many customers miss it. But it is not allowed. It is supposed to lower ‘the image’ [of the neighbourhood, according to the housing corporation], and they want me to attract a different type of customers. There might be some bad stories about döner kebab shops, but not all those people are bad. They see me as belonging to the same category.”

Finally, several entrepreneurs have experienced discrimination on the grounds of their ethnicity by customers. One entrepreneur decided to start his businesses in diverse Feijenoord, as here he experiences less discrimination by and more customers. Another entrepreneur explains how he had difficulties gaining trust of customers with a native Dutch ethnicity when taking over his current business and lost many of them.

5.5 Conclusions

The picture that emerges is that there has been a concerted effort by the Municipality to attract and support large-sized businesses as well as small and medium-sized businesses in the creative industries. Small and medium-sized businesses in other sectors are aware of the Municipal focus on creative and large-sized entrepreneurs. The *perceived* lack of support and the mainstream, top-down approach of the Municipality and other controlling institutions, including the labour inspection by the Ministry of Social Affairs, appears to cause a feeling of social exclusion among

many of these entrepreneurs. Many entrepreneurs have become quite pessimistic about their economic perspectives and about the government in general. A perceived lack of acknowledgement of their needs, strict and inflexible maintenance of regulations, high fines and (latent) racist practices towards ethnic minority entrepreneurs further feed into this negative experience of the governance of entrepreneurship in their area. None of the entrepreneurs, including disadvantaged freelancers, were aware of the Municipal support measures for disadvantaged entrepreneurs as decided by the national law on Special Assistance for Freelancers (SAF).

A second important conclusion that emerges is that – with the exception of the SAF law - the current Municipal policy schemes and measures are supporting entrepreneurs that are performing relatively well economically, and have a relatively high social capital and good connections with the Municipality and other institutions that shape the governance of entrepreneurship in Rotterdam. We have given a few examples of how these connections contribute to the economic performance of these businesses. Many of these entrepreneurs for instance profit from the entrepreneurial networking meetings arranged or stimulated by the Municipality.

The findings suggest that the Municipality and other institutions that govern entrepreneurship undervalue small and medium-sized businesses in non-priority sectors in disadvantaged urban areas such as Feijenoord. It should be acknowledged that they play an important role in the neighbourhood in several ways. They offer affordable and specialised goods and services that cater for the needs of the local population, they provide employment (in an area with a high rate of welfare dependency) and without them, a high proportion of the commercial buildings would be vacant (which would have a very negative impact on the liveability of the area). Therefore, the municipal government needs to be aware of the highly diverse backgrounds, abilities, experiences and knowledge of entrepreneurs in Feijenoord and the need for customised solutions to the challenges that many face, including language barriers, a lack of knowledge about legislation, few financial resources and discrimination.

6 Conclusions

6.1 Summary of the key findings

The aim of this report was to examine to what extent being located in a hyper-diverse neighbourhood influences the economic performance of businesses in such neighbourhoods. To what extent can hyper-diverse neighbourhoods provide assets or challenges for entrepreneurship? We first examined start-up and settlement motives among entrepreneurs in diverse, dynamic and deprived Feijenoord (Chapter 3) and found that diversity was not the most important reason for starting a business and/or settling in Feijenoord. A combination of other personal and situational factors was, of which the affordability of housing prices in Feijenoord is an important one. However, diversity did play a role in the decision to settle in the area for a substantial number of interviewees. A few entrepreneurs with diverse backgrounds and businesses deliberately settled in Feijenoord because the area is home to a wide range of (sometimes very specific) social groups in terms of lifestyle, race, ethnicity, culture or income, to which they cater their products and services. In addition, for many entrepreneurs in the creative industries doing business in a diverse neighbourhood appeared a personal preference, even though they often do not depend on the

neighbourhood for their clientele. They were attracted to the vibrant atmosphere that local diversity brings to the neighbourhood.

Second, we examined the extent to which entrepreneurs profit from local diversity and/or whether it provides challenges (Chapter 4). We found that a few entrepreneurs with a clearly defined diverse local clientele profit from Feijenoord's diversity. These entrepreneurs have medium and high educational levels, various ethnic backgrounds and work in diverse economic sectors. Having multiple customer groups makes their business more resilient to economic fluctuations. Nonetheless, most interviewed entrepreneurs with a substantial local clientele – a third of our respondents – perform relatively poorly in terms of profit margins, and have experienced recent economic setbacks that relate to the financial crisis and austerity measures. These businesses often lack a clear customer strategy and are typically small and medium-sized, have commercial objectives and operate in the retail, catering, beauty, and car garage industries. Relatively low educated entrepreneurs with an ethnic minority background are overrepresented in this group, in comparison with the businesses with a non-local audience. A major obstacle for these entrepreneurs is the relatively low income and hence purchasing power of many of their customers. As the economic crisis has had an adverse effect on the purchasing power in Feijenoord, entrepreneurs with a local orientation have been in a more vulnerable position than the other entrepreneurs. For those active in the retail sector, the competition with online shopping made the struggle to survive even harder (Weltevreden & Van Rietbergen, 2009).

In our sample, the businesses that perform best mostly do not rely on the neighbourhood for their customers and hence do not capitalise on local diversity. The businesses include cultural and creative businesses and social enterprises of which the frontrunners mostly do not reside in Feijenoord or neighbouring areas either. Along with the absence of a diverse, locally-embedded professional network among many businesses in the creative industries we discovered, this raises questions about the effectiveness of recent municipal policies seeking to attract creative entrepreneurs to disadvantaged areas such as Feijenoord: what exactly is the added value of these industries for Feijenoord?

Third, we examined the extent to which entrepreneurs in Feijenoord profit from existing policy schemes and measures and what they think should be the priority in entrepreneurship policy in Rotterdam (Chapter 5). We found that entrepreneurs with small and medium-sized businesses in the creative industries as well as large-sized (multinational) firms profit mostly from existing policy schemes and measures, and often maintain friendly relationships with the Municipality, labour unions and other formal institutions in the governance of entrepreneurship in Rotterdam. This is not surprising, because the creative industries and large-sized businesses have had Municipal priority in recent years.

Small and medium-sized business in other sectors than the creative industries, particularly those with a local clientele, often feel unappreciated and sometimes even worked or discriminated against by the Municipality and other regulatory institutions. Except for the conditional Municipal support measures for disadvantaged freelance entrepreneurs as determined by the national law on Special Assistance for Freelancers, few formal support schemes and measures exist for these businesses,. A perceived lack of support and a standardised, top-down approach of the Municipality and other regulatory institutions cause feelings of exclusion among many. Consequently, many have become pessimistic about their economic perspectives and have little trust in governmental institutions. Ethnic entrepreneurs' report of (latent) racist practices by the

Municipality, housing corporations, the Labour Inspection of the Ministry of Social Affairs and banks, as well as native Dutch customers, which further feeds into the distrust of authorities and feelings of social exclusion.

6.2 Policy recommendations

This study firstly raises the question: how valuable are small and medium-sized businesses in non-priority sectors in disadvantaged urban areas to the Municipality of Rotterdam and partner institutions that govern entrepreneurship? We presented the question to civil servants of the Municipality, who argue that the firms that feel ‘excluded’ are not unimportant to the Municipality. However, large-sized businesses, the creative industries and high-skilled industries might receive more attention because they provide more employment for the city and economic resilience in the long-term because they diversify the city’s economy. Nonetheless, the literature points towards several other ways in which ‘excluded’ businesses can be socio-economically valuable to the city.

First, they allow entrepreneurs and socio-economic participation and to earn a living, which this study shows is important to most of them. Given the poor starting positions of many, the alternative might be unemployment, reliance on state benefits or even illegitimate activities (e.g. Reijonen & Komppula, 2007; Tonoyan et al., 2010). This also applies to their employees, who tend to live in Feijenoord or elsewhere in Rotterdam South. Second, this study has shown that most provide products and services for a low-income clientele, such as the possibility to repair a phone or drink a beer at low cost, something that is often not possible for these people in mainstream retail shops and pubs in Rotterdam. Third, the businesses lower vacancy rates, which is particularly important for neighbourhoods such as Feijenoord with a relatively low socio-economic status (e.g. Sutton, 2010). Finally, a strong neighbourhood economy attracts people, and an increased number of ‘eyes on the street’ which positively affects the level of social cohesion and safety in the area (Jacobs, 1972; Risselada, 2013).

In order to sustain small and medium-sized entrepreneurship in disadvantaged areas such as Feijenoord, more support and customised measures are required, that accommodate the highly diverse backgrounds, abilities, experiences and knowledges of the entrepreneurs in Feijenoord. Many of these entrepreneurs experience language barriers, have few knowledge of legislation, few financial resources and some even experience (institutionalised) racism. The standardised implementation of regulations, including high fines, have a major impact on these entrepreneurs, as many are in a vulnerable economic position. Unexpected and aggressive governmental inspections of small and medium-sized businesses, as well as not acknowledging their interests (e.g. low parking fees) can harm the economic status of a business and cause feelings of exclusion and mistrust in the government. A diversification of the workforce of financial and governmental institutions could be a step forward to get a more inclusive and fair treatment of ethnic entrepreneurs.

A second important question that this study raises is: what exactly is the added value of entrepreneurs in the creative industries for Feijenoord? Local entrepreneurial networks appear generally diverse in terms of business sector, and the educational and ethnic background of entrepreneurs. Yet, the local entrepreneurial networks of most interviewed creative entrepreneurs appear remarkably homogenous in terms of the sector: creative entrepreneurs mostly have contact with other creative entrepreneurs. Along with the absence of a significant local clientele

and the fact that many entrepreneurs (as well as their employees) live elsewhere, this raises questions about the effectiveness of recent municipal policies seeking to attract creative entrepreneurs to disadvantaged areas such as Feijenoord. To strengthen the local economy of Feijenoord it is important that those businesses become more embedded in the diverse local entrepreneurial networks. This can be stimulated by requiring businesses to work together with other local entrepreneurs in different sectors when they apply for a municipal subsidy.

In contrast to entrepreneurs in the creative sector, small and medium-sized businesses are very much oriented on Feijenoord for their customers. They have a local network, but the professional network is in most cases quite small and many entrepreneurs lack linking capital with governmental institutions or other city-wide organizations. As the economic performance is very much dependent on the social capital of the entrepreneur, it is crucial that the municipality helps to organize network trainings for new entrepreneurs. Moreover, next to the existing network meetings organized by the municipality, which attract mainly the most successful and highly educated entrepreneurs, ‘middlebrow’ network activities at the neighbourhood level should be facilitated to improve the contacts between the entrepreneurs and the municipality and between the entrepreneurs themselves.

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Appendix: The interviewed entrepreneurs

Name	Age	Gender	Enterprise and position	Ethnicity and education level
Asli	31-45	F	Co-owner medium-sized café-restaurant	Turkish Dutch, Lower vocational education
Wibaut	18-30	M	Owner large events agency, a restaurant, a freelance office space rental for freelancers	Dutch, Higher vocational education
Aart	31-45	M	Owner of a medium-sized advertising company	Dutch, Higher vocational education
Fadime	46-60	F	Co-owner of a small-sized café-restaurant	Turkish Dutch, Primary school education
Ilse	46-60	F	Pub owner	Spanish Dutch, Lower vocational education
Taavi	31-45	M	Owner medium-sized supermarket	Turkish Dutch, Lower vocational education
Azra	31-45	F	Freelance tailor shop	Turkish Dutch, Lower vocational education
Alise	46-60	F	Pub owner	Dutch, Lower vocational education
Ben	46-60	M	Co-director small-sized cultural enterprise	Dutch, Higher vocational education
Sahib	46-60	M	Owner two medium-sized shops in party articles	Surinamese Dutch, Higher vocational education
Pepin	46-60	M	Owner small-sized landscape architecture firm	Dutch, Academic education
Victor	46-60	M	Director medium-sized indoor skate park	Dutch, Higher vocational education
Muqeeet	46-60	M	Co-owner small-sized women's clothes shop	Pakistani Dutch, Secondary education
Hicham	46-60	M	Owner of a small-sized telecom store	Moroccan Dutch, Secondary education
Roy and Annet	46-60	M F	Owners small-sized shop in Spanish foods	Norwegian-Spanish-Dutch and Dutch, Secondary education
Pim	61-75	M	Manager large-sized supermarket	Dutch, Higher vocational education
Michael	18-30	M	Owner medium-sized journalism company	Dutch, Higher vocational education
Thomas	46-60	M	Freelance furniture maker	Dutch, Higher vocational education
Esma	31-45	F	Owner small-sized hair salon	Turkish Dutch, Lower vocational education
Anass	18-30	M	Owner small-sized fish shop	Moroccan Dutch, Lower vocational education
Indra	46-60	F	Owner medium-sized consultancy firm	Indonesian Dutch, Higher vocational education
Ronald	18-30	M	Freelance mediator and	Dutch, Higher vocational

Name	Age	Gender	Enterprise and position	Ethnicity and education level
			artist	education
Nuwair	46-60	M	Owner small-sized cosmetics shop	Pakistani Dutch, Lower vocational education
Joseph	46-60	M	Freelance custom tailor	Burundi Dutch, Lower vocational education
Mustafa	31-45	M	Owner large-sized home care company	Turkish Dutch, Higher vocational education
Remy	46-60	M	Location manager large-sized secondary school	Indonesian Dutch, Higher vocational education
Ella	46-60	F	Owner small-sized employment agency	Dutch, Higher vocational education
Janou	18-30	M	Owner small-sized designer clothes shop	Cape Verdean Dutch, Higher vocational education
Katy	31-45	F	Manager large-sized multinational store in electronica	Dutch, Lower vocational education
Timothy	46-60	M	Co-director large-sized multinational industrial business	Dutch, Academic education
Matthijs	61-75	M	General practitioner and owner of medium-sized practice	Dutch, Academic education
Sarah	31-45	F	Co-director of large-sized multinational in foods	Dutch, Academic education
Nezih	46-60	M	Co-owner large-sized business in car parts	Turkish Dutch, Secondary education
Yasin	18-30	M	Owner small-sized employment agency	Turkish Dutch, Higher vocational education
Boris	61-75	M	Freelance cooking workshops	Dutch, Higher vocational education
Willem	46-60	F	Senior legal officer in small-sized law firm	Dutch, Academic education
Dylan	31-45	M	Owner small-sized youth empowerment association	Surinamese Dutch, Higher vocational education
Monique	46-60	F	Director medium-sized health care centre	Dutch, Academic education
Salim	31-45	M	Owner small-sized car garage	Turkish Dutch, Higher vocational education
Ruben	46-60	M	Freelance home-based architect	Dutch, Academic education
Joanne	31-45	F	Co-director large-sized multifunctional events accommodation	Dutch, Academic education