Maghrebian Entrepreneurs in Quebec: An Exploratory Study and a Conceptual Framework

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The Maghrebian community is becoming the most important and the fastest growing ethnic group in Quebec, Canada. Despite their obvious assets such as a high level of education and sound experience, its members still face the greatest difficulties finding a convenient job. No wonder Maghrebian immigrants are among the poorest of the province according to informal statistics by the community leaders. To overcome this “social disadvantage”, many Maghrebian immigrants choose to start a business; other alternatives being going back home, moving to another Canadian province or even another country, and applying for the government social welfare program. The major aim of this exploratory paper is to identify the most important conditions under which Maghrebian entrepreneurs start their businesses in Quebec.

1. Introduction

Immigration plays an increasingly important role in the socioeconomic and cultural development of some western countries like the U.S. (Morris, 2000), France (Tangeaoui, 1993), Canada (Menzies et al. 2007) and some of its regions such as Quebec (MRCI, 2004). However, available figures show a steady ethnic diversification among immigrants who choose the latter as their host place. Indeed, most immigrants who choose to settle in Quebec used to come from France and other Western-European countries. Due to sharp drops in birth rates in these countries, the first position shifted to new regions like North-Africa, including the Maghreb. The last census revealed that 60 percent of all North-Africans who immigrate to Canada (or about 56,000 people) settle in la Belle Province whereas it attracts only 13 percent of all immigrants to the country (MRCI, 2004).

Speaking French in their majority (96.5%) like other Quebecers, and generally highly educated – 38.4 percent hold a university degree versus 14 percent for all Quebecers (Quebec-ICC, 2005) – Maghrebian immigrants have a clear-cut preference for the urban area of Montreal with a concentration rate of 91.8 percent. Quebec City attracts only 3.6 percent of these immigrants.

Despite their increasing importance as a community and their definite assets such as the command of language, education, and professional experience, Maghrebian immigrants face much more difficulties finding a traditional job than other Quebecers. Their unemployment rate rises to 24.1 percent versus 8.2 percent for Quebecers, and their average income ($22,663) is lower ($27,125 for Quebecers) (Québec–ICC, 2005). Hence, many Maghrebian immigrants choose to start their own business as a way to thwart away this social disadvantage.

As one can see, the case of Maghrebian entrepreneurs in Quebec is one of entrepreneuring by necessity or under conditions of adversity. In this paper, we present the general conditions under which Maghrebian entrepreneurs choose the option to start a business rather than selecting another option. In fact, this paper echoes the call by many researchers to deepen the study of the ethnic dimension of entrepreneurship to better understand how entrepreneurs go about detecting and exploiting opportunities in their host countries (Waldinger et al. 1990; Robichaud, 2002; Brenner et al. 2004). It will complement studies of other ethnic groups of entrepreneurs in Quebec and more particularly in Montreal such as Portuguese (Robichaud, 2001), Haitians (Brenner et al., 1992), Sikhs, Jews, Italians, and Chinese (Brenner et al., 2004).

The first section of the paper presents a brief literature review on immigrant entrepreneurs to better situate our issue. The second one summarizes the exploratory study undertaken to understand those conditions. The third one suggests a conceptual framework aiming at depicting the situation of Maghrebian immigrants facing the above-mentioned
difficulties and deciding to start their own business. The key points of this paper are summarized in the concluding section.

2. Literature Review

It is true that some immigrants’ admittance is contingent upon their commitment to start a business in Quebec. However, Robichaud (2002) finds that two thirds of all Portuguese entrepreneurs in Greater Montreal had no prior intention to start a business before coming to Quebec. Menzies et al. (2007) reach similar conclusions regarding other ethnic groups. It seems that immigrants’ entrepreneurial intention is mainly triggered by their difficulty to find a job in their host country (Giguere, 2007) rather than by a prior entrepreneurial intention.

An immigrant or ethnic entrepreneur (Chaganti & Greene, 2002) can be defined according to the theoretical framework developed by Carter and Ram (2003) as someone who identifies, assesses, and exploits opportunities through a business he or she starts, acquires or inherits and that has tight relationships with an ethnic community they belong to. Indeed, as Busenitz and Lau (Quoted by Aissaoui, 2004: 13) put it, ethnic entrepreneurship can be understood only in the perspective of its cultural or ethnic context.

Ethnicity goes beyond national origin. Light and Gold (2000) “draw an important distinction between ethnic-owned economies (ethnic business owners and their coethnic employees and helpers), ethnic enclave economies (clustered around a territorial core) and ethnic-controlled economies (coethnic employees exert significant economic power in an occupation, sector or industry)” (Morris, 2000: V). Light and Gold (2000) withdraw the conclusion that “ethnicity can confer economic advantage beyond whatever an individual’s wealth and human capital contribute.”

Theories and approaches aiming at explaining immigrant entrepreneurship are threefold: structural, cultural and situational. According to the structural approach, opportunities on the market stem from activities and niches deemed devaluing or not-profitable enough, and consequently, neglected by the host country’s entrepreneurs. Immigrant entrepreneurs who choose such activities and niches are usually referred to as “Middlemen Managers” (Pyong-Gap, 1984).

The cultural approach argues that the way entrepreneurship is looked at by an ethnic community can either be advantageous or disadvantageous for the entrepreneurial orientation of its members (Toulouse and Brenner, 1990). Some of the ethnic values and groups of values associated with entrepreneurship include authority, self-restraint, equality, and individuality (Bales and Couch, 1969); hedonism, morality, achievement, and fulfillment (Musek, 1993). Prominent values vary according to ethnic communities. American entrepreneurs for instance have liberty, egalitarianism, materialism, achievement, and individualism as salient values (Lipset, 1996). Koreans are known for their hard work, frugality, future orientation, and respect for elders (Min and Jaret, 1985).

The situational approach posits that immigrant entrepreneurs start their businesses in reaction to what they consider a rejection by their host country. That is what Helly and Ledoyen (1994) and others call the “Social disadvantage”. Indeed, “in an environment of unemployment and discrimination, ethnic ownership economies accelerate wealth creation, income generation, employment options, and social mobility for coethnics,” Morris (2000: VI).

Beyond the “social disadvantage” and the ethnic group’s features and values (Morris and Schindehutte, 2005), entrepreneurial orientation among immigrants is determined by several factors including the entrepreneur’s personality, the available resources, the opportunity structure, and the host country’s orientation and practices with regard to immigrants and their integration and accommodation (Bherer et al. 1989; Portes et Rumbaut, 1990; Robichaud, 1999 and 2002, Aissaoui, 2004; Brenner et al. 2004). Nevertheless, be the host country as it may, belonging to an ethnic group has several advantages that may outweigh, at least partially, the social disadvantage if the immigrant entrepreneur knows how to take benefit from them. Some of these advantages are: “reduc[ing] the costs of doing business and provid[ing] access to an array of resources and customers” through ethnic connections (Morris, 2000: VI), and ensuring access to sensitive, first-hand information with regard to opportunities and resources including technical ones (Allali, 2001).

With regard to Maghrebian entrepreneurs in Quebec, no available data can make possible the definition of a specific entrepreneurial profile. We know however that more than 60% of all Maghrebian new immigrants to Canada settle in Quebec. We also know that more than 90% of them choose the Greater Montreal as their final destination (MRCI, 2004). However, nothing exists regarding how many businesses are created by these immigrants, nor in what businesses and under which conditions.
Given the growing importance of the Maghrebian community in Quebec that has become the fastest growing one; we aim at understanding its entrepreneurial orientation as well as conditions under which its members go into business, and difficulties they face. Aware of the limitations of such an endeavor, we set as objectives of this study, the exploration of the broad issue of Maghrebian entrepreneurship in the Montreal area. Specifically, we try to understand what alternatives are available to immigrants who fail to find a convenient job; why some entrepreneurs decide to start a business instead of selecting another alternative; what stimuli encourage them to do so; what obstacle they face to start a business and how they overcome them.

It is obvious that our conclusions will open the path to a deeper work of research to better understand this community with regard to its entrepreneurial participation in the economy of Quebec. This will undoubtedly complete available knowledge of ethnic entrepreneurial groups in the province as this is the case for instance for Haitians (Brenner et al., 1992), Portuguese (Robichaud, 2001 and 2002), Sikhs, Jews, Italians, and Chinese (Brenner et al, 2004; Filion et al., 2007), Indians, and Vietnamese (Filion et al., 2007).

Summary of the Exploratory Study

The major goal of this exploratory study was to prepare the field for a more comprehensive and ambitious three-year long field research funded by FQRSC. More precisely, this study aims at identifying the key variables that could help determining alternative career choices for the Maghrebian immigrants in addition to starting a business in Montreal.

3. Methodology

Two data collection methods are used in this exploratory study: a focus group discussion with a sample of Maghrebian entrepreneurs on one hand, and an informal talk with three counselors in charge of assisting immigrant entrepreneurs on the other. By informal talk we mean free non-questionnaire dependent discussions with the three counselors with a view to exploring the key issues with regard to starting a business by immigrant entrepreneurs. This inductive data collection method was chosen due to the shortage of relevant data on Maghrebian entrepreneurs that made it almost impossible to define research hypotheses beforehand.

A. Focus group discussion

A meeting with 12 Maghrebian entrepreneurs in Montreal was organized with the researcher. Entrepreneurs were selected in cooperation with CDEC-CDN-NDG. None had the intention to create a business prior to his arrival to Montreal.

The discussion was structured around four axes corresponding to four stages defined in collaboration with experts from CDECs, namely: (1) Arrival to Quebec and job search; (2) Disillusionment and desperation; (3) Consideration of other alternatives (to employment); and (4) Decision to start a business.

For each axis, attendees were asked to talk about their experience. Once each participant had exposed his experience – all of them were males – a free discussion was opened up to further enrich the axis. Before the end of the meeting, a general discussion started to give an opportunity to participants who wanted to talk about other points that could not fit in any of the three axes.

B. Interview of counselors

Three counselors to immigrant entrepreneurs were selected for identifying the major variables of interest for such a study. Two of these counselors were themselves Maghrebian natives, and the third one was a Quebecker pure-laine. All of them work at CDECs operating in areas with a high concentration of Maghrebian entrepreneurs as officers in charge of helping would-be entrepreneurs to prepare their business plans and to start their businesses. In addition to the counselor from CDEC-CDN-NDG, the two others were selected respectively from CDEC Rosemont-Petite-Patrie, and CDEC Montreal-Nord.

A non-structured interview for about one hour and a half length was conducted with each one of them. The purpose was to understand general conditions under which Maghrebian entrepreneurs start their businesses and to find out whether a general pattern of entrepreuneuring can be detected from their experiences.
4. Key Findings

All interviewees - be they entrepreneurs or counselors - agree that entrepreneuring for Maghrebian immigrants is a direct consequence of their failure to find a suitable job. Even the entrepreneur, who created his business after having been employed in a large corporation, said his decision was taken as a reaction to his disappointment with his previous job as he could not be promoted as quickly as he thought he should.

At the second stage, all entrepreneurs spoke out their disappointment and disillusionment. While professional experience and education were critical criteria in the process of their selection as immigrants, they were completely irrelevant when they started looking for a job in Quebec. All of them were told that they needed Canadian experience and education to be considered for a job.

Alternatives

With regard to alternatives considered at the second stage, the following options were identified:

- Going back to their home country
- Moving to another Canadian province
- Moving to another country
- Enrolling in the social welfare program
- Starting a business

A. Going back to the home country

Many participants in our focus group explained that, while very rare in the beginning, this option is more often than before selected by disappointed immigrants. Indeed, almost all Maghrebian immigrants used to be senior executives in their country. Once they decide to immigrate to Canada, they abandon an enviable social situation. Therefore, it is understandable that they perceive the difficulty of finding a suitable job in Quebec as a personal failure, and are ashamed to return home empty-handed.

Nevertheless, due to an unprecedented awareness of the Maghrebian immigrants’ situation in Quebec, nurtured by repeated TV programs and newspapers reportages, more and more newcomers have started to go back home.

B. Moving to another Canadian province

According to our participants, many disappointed Maghrebian immigrants choose to move to another Canadian province and mainly to Ontario and, more recently to Alberta where their chances to find a better job seem greater.

C. Moving to another country

Few Maghrebian immigrants who were unable to find a job choose to go to another country. Two countries were stated by our participants as being popular destinations for Maghrebian immigrants, namely France for Algerians who hold in their majority French citizenship, and US for immigrants from Morocco and Tunisia.

D. Enrolling in the social welfare program

This group is undoubtedly the most disappointed Maghrebian immigrants. Reasons put forward by our interviewees are twofold. For some immigrants, it is a sort of “revenge from the system” that lured them away from the stable and enviable situation they used to have in their countries. For others, it is a tentative solution they opt for waiting for a better one to become available.

Starting a business

This is definitely the alternative we are interested the most. The information we have about other alternatives, except for enrolling in the social welfare program, is second-hand information. Indeed, five participants out of the twelve we interviewed had benefitted from this program prior to starting their businesses. But none had experienced any of the other alternatives.
With regard to starting a business, participants as well as experts were asked to identify reasons for selecting such an alternative. We also asked them to state difficulties they faced when starting their business and how they overcame them. With the help of our three counselors, we tried to identify industries most preferred by Maghrebian entrepreneurs.

A. Major reasons for starting a business by Maghrebian entrepreneurs

In addition to failing to find a suitable job, the following reasons were given by our interviewees supportive of their decision to start a business in Quebec. The number of entrepreneurs starting businesses for a specific reason is given only for information without the statistical significance:

- Taking benefit from a previous experience in their home country: Maghrebian immigrants are so sure that their experience is relevant to start a business in the same field they used to work in back home. Four out of our twelve entrepreneurs (about 33%) had started their businesses for this reason.
- Importing from or exporting to their home country: Two entrepreneurs (about 17%) said they started an importing-exporting business to promote home products in Quebec or Canadian products in their home country.
- Exploiting an opportunity: Two entrepreneurs (about 17%) started a business because they had identified an unsatisfied customer need. The two said that the need was spotted within their ethnic community.
- Partnering with an established immigrant entrepreneur: One entrepreneur (about 8%) said that the main reason behind his starting a business was a proposal by another Maghrebian entrepreneur who wanted to expand his successful ethnic business.
- Buying a franchise: Two entrepreneurs (about 17%) decided to buy a franchise to benefit from a successful business concept.
- Being one’s own boss: This is the case of the entrepreneur (about 8% of our sample) who resigned from his position at a large company to create his own business because of the glass-ceiling that prevented him from accessing a top management position.

B. Major difficulties faced by Maghrebian entrepreneurs and how they tackled them

Our interviewees reported the following major difficulties Maghrebian entrepreneurs usually face when they first start a business:

- Obtaining information about starting a business: This is undoubtedly the least difficult thing Maghrebian entrepreneurs have to face since many training, tutoring, and counseling programs exist at CDECs and other institutions.
- Business financing: It is true that this is a common difficulty for most entrepreneurs, be they immigrant or not, but it seems more prominent for Maghrebian entrepreneurs for two major reasons. First, they do not have financial references that would make it easier for them to obtain a loan from banks and/or other financial institutions. Second, even if they had generally obtained some money from selling their belongings (car, real estate, etc.) in their home country before coming to Quebec, the currency regulation in the Maghreb makes it nearly impossible to have this money transferred abroad. Most entrepreneurs participating in our focus group said they overcame this difficulty either by starting at a very small scale – sometimes as self-employed professionals -, or by borrowing money from other Maghrebians established in Quebec. As one can see, the role of the ethnic community as an alternative to financial institutions emerges here as a promising research path (Allali, 2001).
- Identifying a business opportunity: When a Maghrebian entrepreneur chooses to start a business rather than opting for another alternative, one of the most challenging difficulties he/she faces is the choice of a business concept. Two major paths seem to be favored by Maghrebian entrepreneurs, namely, buying a franchise, and starting an ethnic business. As for buying a franchise, an increasingly preferred alternative, Maghrebian entrepreneurs seem to prefer franchises in fast-food and service industries, such as house-keeping. With regard to the opportunity structure (Robichaud, 2002), two target markets can be identified: on one hand, most Maghrebian entrepreneurs limit their opportunity search within their community. This reduces the scope of their activity to ethnic customers.
On the other hand, a limited but increasing number of entrepreneurs target potential customers beyond the borders of their ethnic group.

- Obtaining business information: As surprising as it may appear, many entrepreneurs are reportedly suffering from finding accurate business information pertaining to their specific businesses, such as profile of potential (ethnic) customers and suppliers, information regarding import of specific ethnic products, etc. Most of them pinpoint the critical role their community plays in securing such sensitive data.

- Labor: Some entrepreneurs face difficulties in finding skillful employees in specific ethnic businesses such as in ethnic pastry. Many of them are forced to offer job to non-resident Maghrebians.

- Legal aspects: Many Maghrebian entrepreneurs are surprised by the prevalence of law in every aspect of starting and managing a business in Quebec versus in their home country. Most of them are not used to consulting a lawyer – and incurring additional expenses – when negotiating a franchising contract or starting a trading business, for instance.

**Favorite industries of Maghrebian entrepreneurs**

A noticeable trend with regard to business selection by Maghrebian entrepreneurs is a sort of mimetic. Indeed a concentration of these entrepreneurs can be seen in a limited number of industries, namely ethnic food production and distribution, ethnic pastry, house-keeping, and importing-exporting of ethnic products. New businesses have appeared recently in such areas as installation of satellite-dishes and receptors to capture home country’s TV channels and hair-dressing.

**Maghrebian ethnic economies**

As for Light and Gold’s (2000) typology of ethnic economies, available data don’t permit to clearly categorize Maghrebian-owned businesses in one specific group. Indeed, some of these businesses seem to be closer to ethnic-owned economies since their owners, their employees and their helpers are Maghrebian immigrants. Some others are rather ethnic enclave economies as Maghrebian businesses are concentrated in specific areas of Montreal and mainly in Côte-des-Neiges, Montreal-Nord, and Saint-Laurent. Finally, some companies seem to fit in the ethnic-controlled economies category as we clearly witness a concentration of Maghrebian-owned businesses in a limited range of industries wherein they start to exert economic power.

**5. Toward a Conceptual Framework**

Based on our findings and on our brief literature review, we propose a tentative conceptual framework in Figure 1. We are fully aware that regarding its current status, it is more a summary of our findings than a real conceptual framework. Nevertheless, it provides a springboard to improve our understanding of the conditions under which Maghrebian entrepreneurs start their businesses. Basic research propositions will be withdrawn from the framework.

**Basic research propositions**

Building upon our preliminary findings, we posit that:

P1.: The decision of starting a business rather than selecting another alternative is made after the Maghrebian entrepreneur detects an opportunity. In other words, failing to find an opportunity drives the Maghrebian immigrant to select one of the above-mentioned alternatives.

P2.: The decision to start a business in Quebec is influenced by ethnic considerations (e.g. to service an ethnic market, to use home-country imported raw materials, etc.). Indeed, we have found that most participants in our focus group had made their decision to start a business after they detected an opportunity stemming from their ethnic community. It would be highly recommended to check to what extent belonging to the Maghrebian ethnic community influences an entrepreneur’s decision to start a business in Quebec.
P3.: Entrepreneurs’ previous experience in their home country influences their choice of an industry to start their business. Their proposition may either complement or conflict the previous one. Our purpose is to verify, in the event ethnic considerations don’t influence the decision of starting a business, whether previous experience of the Maghrebian would-be entrepreneur does.

P4.: Maghrebian businesses in Quebec are primarily ethnic-enclave economies (Light and Gold, 2000) since we witness a geographic concentration of these businesses in specific areas of Montreal.

P5.: Maghrebian entrepreneurs in Quebec start their businesses according to the situational approach (Helly and Ledoyen, 1994). In other words, they do it primarily in reaction to their social disadvantage.

In addition to this hypothetic-deductive approach based on a tentative conceptual framework and basic research propositions, one could adopt an inductive one to capture more information on how the Maghrebian ethnic community helps entrepreneurs start their business in Quebec.

6. Conclusion

The Maghrebian community is becoming the most important ethnic group in Quebec. Despite their obvious assets such as a high level of education and sound experience, its members still face the greatest difficulty in finding a conventional job. No wonder Maghrebian immigrants are among the poorest in the province. To overcome this “social disadvantage”, many Maghrebian immigrants choose to start a business in the face of other alternatives being going back
home, moving to another Canadian province or even another country, and applying for the government social welfare program.

Those among Maghrebian immigrants who opt for entrepreneurship have to face many difficulties. Their community is, more often than not, of great help to cope with such difficulties. The kind of relationship and interactions between Maghrebian entrepreneurs and their community gives both parties their peculiarities we will strive to study in the near future.

Endnotes

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Surname of Quebec.

We mean by “Maghrebiens”, people from Morocco, Algeria or Tunisia dependless of their confession.


Quebec-born.

www.cdec-rpp.ca

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References


