

Globalization, Immigrant Entrepreneurial Success, Issues and Prospects: An Assessment of Sri Lankan Entrepreneurs in Japan*

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《Abstract》

The number of foreign-born population living in advanced countries have been increasing at an unprecedented rate in the past few decades. Immigrant entrepreneurs have begun to be increasingly focused due to increasing numbers and contribution made by them to the host, home and global economies. Even though absolute number and growth rate of foreign born population has been significantly low in Japan, the composition of it has substantially diversified during the past two decades. However, only a very small number of scholars have paid attention to conduct studies on immigrant entrepreneurs in Japan due to various reasons. The aim of this research is to assess entrepreneurial success, explore issues, and evaluate prospects of Sri Lankan Immigrant Entrepreneurs in Japan (SLIEJ). A well-structured questionnaire was distributed among 500 SLIEJ and 316 were responded. A quantitative method was used to understand relationship

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among entrepreneurial issues, entrepreneurial success and entrepreneurial prospects. Exploratory and Confirmatory Factors Analyses, and Structural Equation Model (SEM) were used to evaluate data and verify hypothesized relationships. Three main hypotheses were tested. Overall findings indicate that the relationship between immigrant entrepreneurial issues and entrepreneurial success was significantly positive. Relationship between entrepreneurial success and entrepreneurial prospect was also significant. Among the main issues faced by SLIEJ were inconsistency and sudden changes of policies by Sri Lankan government, low quality low price new products importing from china (mainly automobile & machinery sector), Quality maintenance of Sri Lankan suppliers, technology issues of Sri Lankan suppliers, regulations for agricultural good importation in Japan, and skill labour shortage in Japan. Use of innovations, export orientation and high assimilation into Japanese society and economy were identified as special characteristics of successful Sri Lankan immigrant entrepreneurs in Japan.

1 . Introduction

The amount, percentage share, and structure of foreign-born population living in a country can be considered as important measures of global integration. The number of foreign-born population living in advanced countries have been increasing at an unprecedented rate in the past few decades and it has reached over 120 million people by 2014 (OECD 2016). According to available statistics, the total number of foreign-born population in the world's largest economy, United States of America, was 20 million (8 percent) in 1990 and increased up to 43 million (13 percent) by 2016. In United Kingdom, it was 3.8 million (6.7 percent) in 1991 and increased up to 8 million (13 percent) by 2013. Between 2010 and 2015, some European countries annually received more than one million immigrants from other continents while Asians were the majority among them. The highest number of foreign-born population as a percentage of the total population has been living in Switzerland as 28.3, followed by Australia with 27.6 and Canada with 20 by 2015. A growing share of foreign-born population has been considered as a revolutionary change observed in advanced countries during the past few decades. Their impact on host countries as well as home economies as employees, entrepreneurs, exporters, importers, local suppliers of ethnic resources and innovative producers, and consumers, have significantly increased while diaspora networks, use of new technology, physical and social capital of them have more powerfully influenced relations between host countries and home countries in the 21st century.

Structural changes in foreign-born population has also been an important phenomenon due to changes in their regional distribution patterns, ethnic compositions, types of industries and socio-cultural influences on host and

home societies. For example, regional distribution patterns of foreign-born population has shown more bias towards metropolitan cities in advanced countries due to reasons such as availability of economic opportunities, concentration of new industries, welfare facilities, recent policy changes favoring more skilled immigrants and advancement of human and social networking patterns. There were 18 metropolitan cities in the world having more than one million foreign-born population in 2015, and out of which, 6 cities had more than two million foreign-born population (New York, Los Angeles, London, Toronto, Paris & Hong Kong), although New York was the only city to record 5.6 million foreign-born population in 2015. When the stock of foreign-born population increases or structurally diversify, the host countries as well as migrant-sending (home) countries gain various types of advantages and disadvantages. Access to skilled and unskilled labour, brain-gain and expansion of knowledge economy (Nathan, 2014) access to ethnic networks and resources, growing investment and job opportunities, increasing number of business registration, high economic growth, increasing competition in production and distribution activities, improvement in innovations and technology, generation of foreign currency, successful immigrant entrepreneurs and their internationalization are some of the commonly cited advantages for host countries. Among the negative impacts of the growing share of foreign-born population high pressure on limited resources and growing competition in resource usage and product markets, creation of economic and social enclaves, high competition in SME sector, rising cost of utilities, increasing medical and education expenses, impact on socio-cultural relations, assimilation difficulties of migrant people and security issues, communication issues, operational safety issues in host country are often cited by researchers. However, due to various reasons such as substantial decline in fertility

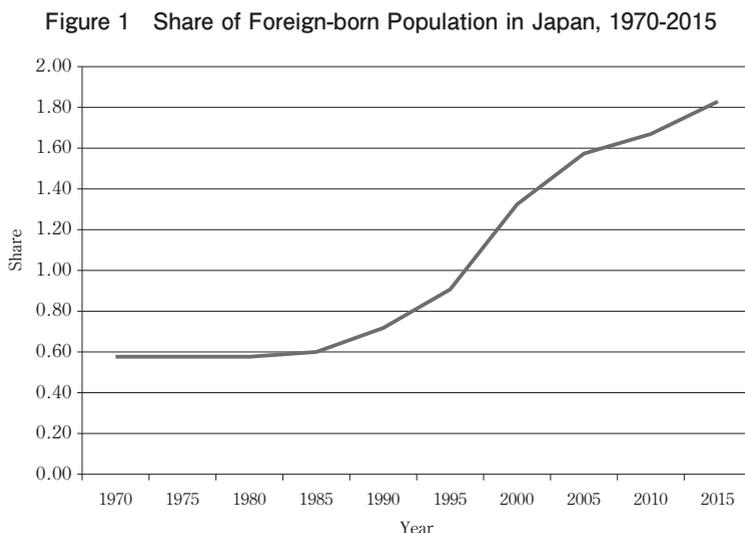
rates, growing share of elderly population, increasing marriage age, cost cutting approach adopted by business organizations due to severe competition, expansion of services, knowledge and innovation sectors and severe shortage of labour supply in advanced countries, growing cross-border marriage rate, expansion of foreign language education in developing countries, it is hard to control positive growth of foreign-born population in advanced countries. Therefore, actual number of foreign born population and their share in total population in advanced countries have been varying according to historical relations, economic opportunities, and immigration policies they adopted. By considering advantages and structural issues within the country, some advanced nations have taken progressive steps to actively promote in-bound skilled migration, increase business visa holders and promote entrepreneurship among the immigrant population while few other advanced countries have delayed such initiatives.

As the second largest economy in the world, Japan recorded 802,477 foreign-born population (0.68 percent) in 1982, and it has increased to 1,281,644 (1.03 percent) by 1992 (Sato, 2004). As shown in Figure 1, this number has increased up to 2,033,656 (1.7 percent) by 2012 and further escalated to 2,307,388 (1.8 percent) by August 2016 (Ministry of Justice, Japan, 2016). Needless to mention that it has been the lowest number and share of foreign born-population among the advanced countries. Even though absolute number and growth rate of foreign born population has been significantly low in Japan, the composition of it has substantially diversified during the past two decades (Sato, 2004).

On one hand, number of illegal workers have come down while number of students and trainees have grown substantially in Japan during the past two decades. On the other hand, number of investor/business management visa

holders have increased while there are enough evidence to recognize an increasing number of immigrant entrepreneurs in Japan during the same period. (Karunaratne, 2009 and 2017, Rahman & Lee, 2011). According to available data from Ministry of Justice, the total number of business visa holders in Japan increased dramatically from 7,342 in 2006 to 20, 117 in 2016. Further, a growing share of Asians (from 72 percent to 83 percent of total number of foreigners in the same period) in Japan and the increasing transnational nature of their economic activities (relation to global supply chain activities) generate curiosity to conduct research on business integration aspects of immigrant entrepreneurs in Japan.

The structural diversification in terms of Japanese descents, permanent residents, unskilled temporary workers (both documented and undocumented), skilled workers, business visa holders, trainees and students, and immigrant entrepreneurs and unequal regional distribution



Source: Karunaratne (2017a)

pattern of foreign born population can be identified as special characteristics of foreign-born population in Japan during the past three decades. However, these characteristic have not been sufficiently analyzed by researchers due to relatively low number of foreign-born population in Japan in comparison to other advanced countries (Sato, 2004; Karunaratne, 2007a).

According to 'The Economist' (2014), "Japan's population began falling in 2004 and is now ageing faster than any other nation on the planet. More than 22 percent of Japanese are already 65 year or older. A report compiled with the government's co-operation two years ago warned that by 2060 the number of Japanese will have fallen from 127 million people to about 87 million people, of whom almost 40 percent will be 65 years or older. Japan's population will keep declining by about one million people per every year in the coming decades, which will leave Japan with a population of 42 million in 2110".

Therefore, Japan need to become more flexible and competitive place for at least skilled workers and immigrant entrepreneurs in this 21st century. Even though, Japanese government implemented a new point-based visa system for "highly skilled foreign professionals", offering an unprecedented array of benefits and fewer restrictions compared to the other visa categories in 2012, applications for new visa system have been far below expectations because the benefits offered are restricted and skewed toward long term residents (Green, 2014). According to the findings of Green (2014), the new visa system in Japan also suffers from unclear application requirements, inconsistency in its goals and ideal candidates, and shows evidences that competitive benefits alone are insufficient to successfully attract skilled foreign labour. On contrary, recent rapid growth in tourist arrival (reached 20 million in 2016), sizable increase in number of foreign

students (reached 208,379 by 13 percentage growth in 2015), introduction of special skilled visa category, and escalating number of business visa holders provide green light for growth and expansion of immigrant entrepreneurs and further assimilation of foreign born people into Japanese society.

The aim of this study is to assess entrepreneurial success of Sri Lankan immigrant entrepreneurs in Japan, understand their issues, and evaluate their prospects. The author followed participatory observations, conducted in-depth interviews, and questionnaire survey among 500 (number of respondents 316) Sri Lankan immigrant entrepreneurs in Japan during the period of September 2016 to August 2017. Quantitative and qualitative methods were used to analyze data, results have presented and compared with findings of other researchers. This paper is organized into five sections as introduction, review of literature, methodology, data analysis and findings, along with a summary and conclusions.

2. Review of Literature on Migration, Entrepreneurship and Immigrant Entrepreneurship

The purpose of this section is to summarize published documents on international migration, immigrant entrepreneurs in conceptual, theoretical and empirical perspectives and provide summary of former studies on immigrant entrepreneurs in Japan.

2.1 A Brief Review of Theories on International Migration

A person who was born in one country and living in another country either for temporary (at least more than one year) or permanently, is known as a foreign born person. This definition consider initial immigrants

or first generation migrants as well as kids born for foreigners in the host country (by descent) as foreign born population. Impact of increasing foreign born population due to international migration flows have been much debated in aspects of social sciences such as sociology, political science, labour economics throughout history. As globalization proceeds, studies on dynamic international migration flows tend to increase the significance of literature on foreign born population known as “diaspora” activities in host countries and influences on home countries since the latter half of 20th century. A *diaspora* is a Greek word to indicate scattered population whose origin lies within a smaller geographic locale. Diaspora can also refer to the movement of the population from its original homeland (Ember, Ember & Skoggard, 2004).

Although there are various explanations given to human migration by different scholars, there are only limited number of important theories which attempted to explore sociological, economics and business factors behind human migration. All these theories attempted provide explanations on features and determinants of international migration. Table 1 summarizes explanations given such important ten theories. It is worth to consider focusses of these theories in interpretations of features of growth and spatial change of international migrations in advanced country like Japan.

2.2 Evolution of Concept of Entrepreneur/Entrepreneurship

Contrary to migration, there is no unified single definition for entrepreneurship (Gedeon, 2010). Historically, various definitions for the concepts of entrepreneur and entrepreneurship have emerged in an attempt to explain activities of an entrepreneur. The problem of defining the word “entrepreneur” and establishing the boundaries in the field of

entrepreneurship has still not been solved (Bruyat and Julien, 2000). Table 2 summarizes various approaches of entrepreneurs/ entrepreneurship. Originally Cantillon, Turgot and Say, Schumpeter (1934) laid the foundation for the meaning of entrepreneurship. Cantillon defined entrepreneur as someone who assumes the risk and may legitimately appropriate any profits. The entrepreneur “insures” workers by buying their labour (in production process) for resale before consumers have indicated how much they are willing to pay for them. The workers receive an assured income while the entrepreneur bears the risk caused by price fluctuations, changes in market conditions, innovations, regulations and policy changes.

Turgot and Say point out that the entrepreneur obtain and organizes

Table 1 Summary of Theories on International Migration

Theoretical Approach and its origin	Focus of Analysis
1. Laws of Migration; Ravenstein 1885 & 1889	Migration processes are mainly seen as an uni-directional or bi-directional movement brought about by emigration, immigration or return migration caused by isolated factors, such as economic or political ones
2. Push-pull models; Lee 1966	Pull and push factors initiating migration are present in the source as well as in the receiving regions of migrants
3. Neoclassical (macro); Lewis 1952; Todaro 1969; Borjas 1989	Migration as a result of labour market gaps between countries. Differentials in wages and employment conditions between countries, and on migration costs
4. Neoclassical (micro): Harris-Todaro 1976	Individual rational actors decide to migrate because a cost-benefit calculation.
5. New economics Theory: Stark 1991	Views migration as a household strategy to minimize family income risks or to overcome capital constraints on family production activities
6. Dual Labour market: Lewis, 1952, Harris – Todaro 1976, Piore 1979	Structural changes in demands and supplies of developing countries.
7. World Systems Theory: Wallerstein 1974, .	Market and cultural potential from the core to peripherals
8. Network Theory; Tilly and Brown 1967	Informal social connections connect current migrants, former migrants and potential migrants in sending and receiving countries
9. International Theory;	Organizations that support, sustain, and promote international movement
10. Cumulative Causation; Massey 1990.	Conditions that make subsequent migration inevitable , more likely or easier

Source: Authors' Compilation

factors of production to create value. As one of the most influential writer in this field of study, Schumpeter (1934) related entrepreneurship to innovations. He argues that the essence of entrepreneurship lies in “employing existing resources in a different way, in doing new things with them, irrespective of whether those resources increase or not” (Schumpeter 1934: 66-69).

According to Schumpeter, the innovative activity of an entrepreneur

Table 2 Evolution of Concept of Entrepreneurship

Author	Definition of Entrepreneur/entrepreneurship
Cantillon, 1755, 1959	Entrepreneur is an individual that equilibrates supply and demand in the economy and his function is to bear risk or uncertainty.
Jean Baptiste Say (1767-1832), 2001	Entrepreneur as a manager being an agent of production in the economy rather than a risk taker.
Alfred Marshall, 1964	Entrepreneur has innovation function by continuously seeking opportunities to minimize costs and ultimately maintaining equilibrium in the economy through perfect competition.
Hebert and Link, 1989, Wennekers and Thurik 1999	The entrepreneur is someone who specializes in taking responsibilities for and making judgmental decisions that affect the location, form and use of goods, resources or institutions.
Schumpeter (1949)	Entrepreneur as the creative destroyer of equilibrium through innovation and discovery of opportunities by introducing new products or new processes. Entrepreneurs identify opportunities, assemble required resources, implement a practical action plan and harvest the reward in timely, flexible way. (Sahlamn and Stevenson, 1991).new processes. Entrepreneurship is a way of managing that involves pursuing opportunity without regard to the resources currently controlled.
Kirzner, 1997	Entrepreneur as a residual claimant and risk taker in the environment of uncertainty.
Schutz, 1975	Entrepreneur using information revealed to react to opportunities through change of behavior.
Ruef 2001, Ruef et al 2002	Entrepreneurial ventures are clearly social entities Enterprises can be formed as a result of teams Entrepreneurship has a psychological contract involving a give and take “transactionary’ relationship in form of teamwork involving two or individuals who jointly establish a business in which they have an equity (financial) interest. A person must be involved from the beginning and also must have an equity stake in the venture to be considered a member of the team.

Source: Authors’ Compilation

feeds a creative “destruction process” by causing constant disturbances to an economic system in equilibrium, creating opportunities for economic profit. Later he defined “Entrepreneur as an individual who exploit market opportunity through technical and/or organizational innovations.” However, Drucker (1985) defined the entrepreneurship as “about taking risk” and later noted that the entrepreneur always searches for a change, responds to it and exploit it as an opportunity. Alternatively sociological theories have defined entrepreneurial ventures as social entities from the beginning, because even solo ventures implicitly involve a choice not to share ownership with others in the founding process. Furthermore, the biological perspectives of entrepreneurship involves a psychological satisfaction and differences in behaviors in their exhibited by different gender in their endeavors as entrepreneurs. In the context of Japan, Hirschmeier (1964) examined the history of entrepreneurial development and defined entrepreneurship as “the will to develop. To invest, to take risks and to break with traditional business attitudes” He classified Japanese entrepreneurship into three categories, first as Romantic entrepreneurs, who open started new business, often changed their industry, type of business or management styles and established many businesses to achieve maximum wealth. According to Hirschmeier (1964) romantic entrepreneurs tended to found companies, one after the other in Meiji period in Japan. They were less concerned with maintaining or expanding the businesses. The prototypical romantic entrepreneur was Shibusawa Eiichi, who had a hand in founding of more than 600 companies over the span of his career and secondly as classical entrepreneurs, who carried out similar entrepreneurial activities for a long period. According to him classical entrepreneurs might have found other businesses, but these new companies were usually extensions from the original line of business.

A third type of entrepreneurs were semi-romantic entrepreneurs who fell somewhere between the romantic and the classical entrepreneurs.

2.3 Review of Theories on Immigrant Entrepreneurship

Immigrant entrepreneurs are defined as individuals or immigrant groups who establish, maintain, and expand their businesses outside their home country. The phenomenon of immigrant entrepreneurship have been explained by four main theories known as: (1) the market disadvantage theory, (2) cultural perspective, (3) neoclassical perspective, and (4) institutional perspective (Chrysostome, 2010). *The market disadvantage theory* was introduced by Light (1979) and extended by Ladbury (1984), Jones, Macevoy, and Barrett (1994). According to this theory immigrants face many problems that prevent them entering job market of their host countries. Therefore, they engage in self-employment activities, which remain the only alternative for them. Among the problems they face are, language barriers, lack of recognition for academic and professional achievements in their home countries, limited knowledge on host country culture, resources, production techniques and markets, lack of mobility due to limited information and income, discrimination in the host-country job market are well noted in the literature on immigrant entrepreneurship (Light, 1979; Ladbury, 1984; Light & God, 2000; Min & Bozorgmehr, 2003; Volery 2007; Chrysostome, 2010). Alternatively, *the cultural perspective* considered several factors influencing on establishment and sustainability of immigrant entrepreneurship in western developed countries. Ethnicity differences in level and types of businesses, cultural traditions of home country, pre-migration entrepreneurial mentality, ethic and social networks, ethnic resources and niche markets were important ingredients of cultural perspective.

According to *neoclassical perspective*, immigrant entrepreneurship is a result of arbitration between the earnings expected from highest possible employment opportunity (wage) and self-employment (profits). Therefore, information collection and usage, innovative ideas, management skills, and risk management skills are more effective elements of establishment and sustainability of immigrant entrepreneurship in western countries (Chrysostome, 2010). On contrary, *institutional perspective* of immigrant entrepreneurship highlighted importance of government and institutional support for effective development of immigrant entrepreneurship (Linskey, 2004). According to Scott (1995), there are three different institutional structures, known as relative structures, cognitive structures, and normative structures. Kostova (1997) explain these three structures as government policies, widely shared social knowledge and value systems. As Ibrahim and Galt (2003) emphasized, the role of government policies in generating immigrant entrepreneurs and their sustainability in western countries have been significantly effective.

2.4 Models on Immigrant Entrepreneurship

The essence of the above-mentioned four theories have been integrated into two models attempting to explain the immigrant entrepreneurship phenomenon and widely known as *the middlemen minority (interactive) model*, and *the mixed embeddedness model* (Volery, 2007). The middleman minority model emerged from the primary explanations for ethnic entrepreneurship in economic perspectives. As explained by Waldinger et al (1990), at the turn of twentieth century, the concept of ethnic business was first observed among increasing number of Jewish and Italian immigrants in New York City, with the latter group not even having sufficient funds for new investments. When number of people from one

ethnic community is increasing and regionally concentrating in host countries, accumulating capital with employment and other opportunities in advanced countries, entering into information flows, international marriages, access to host country networks and resources, the supply of ethnic resources and services for late comers become a good opportunity of a foreign born people in that country. Therefore, Waldinger et al (1990) suggested that opportunity structure in terms of market conditions, access to ownership, job market conditions as well as legal frameworks and availability of cultural, traditional resources and ethnic social networks are important for the development of immigrant entrepreneurship. On the other hand, the mixed embeddedness model introduced by Razin and Light (1998) is a further development of ethnic resources and opportunity structure. According to them structures of local economy and legal institutional factors exert a strong influence on the creation and existence of immigrant businesses. This model was based on three main assumptions on business opportunities as (1) must not be blocked by barriers of entry or government regulations (2) must recognize through potential entrepreneurs, (3) entrepreneurs must able to seize it in tangible way. This model recognizes ethnic strategies, ethnic networks and financing ethnic businesses as important dimensions of venture creation and business performances among immigrant entrepreneurs. In addition to the above two models, Chrysostome (2010) suggested five categories of survival factors of immigrant entrepreneurs. The first as ethno-cultural factors he recognizes (1.1) size of the ethnic market niche; (1.2) the ethnic social networks; (1.3) size of the ethnic labour pool (1.4) the level of ethnic emotional support. The second as financial factors, (2.1) access to start-up capital and (2.2) access to emergency loans were recognized. The third as managerial factors (3.1) level of education in home and host country and

(3.2) previous work experience identified. The fourth as psycho-behavioral factors (4.1) the level of risk aversion and (4.2) the level of commitment was recognized. Finally as the fifth, institutional environment factors (5.1) the institutional support, (5.2) the access to counseling programs and (5.3) the system of tax incentives were presented. These factors can be used in modeling the growth, structural changes, successfulness as well as survival of immigrant entrepreneurs in the modern world. According to Volery (2007), immigrant entrepreneurs are defined as persons who have immigrated to a new country and started a business there. This paper also uses a term “immigrant business owner” as a synonym to an ethnic entrepreneur. The definition of ethnic entrepreneurship includes those individuals who employ themselves as well as those who employ others in host country.

2.5 Review of Empirical Literature on Immigrant Entrepreneurship

The current phase of globalization has shown a steady growth of immigrant entrepreneurs in western countries. This has led to generate large number of empirical researches on immigrant entrepreneurs and entrepreneurship during the past three decades (Kloosterman and Rath, 2001, Kerr & Kerr, 2015). Covering many empirical studies in recent past, Aliaga-Isla and Rialp (2013) reviewed 45 articles published in academic journals based on their objectives, theoretical frameworks, methodologies and suggested several gaps in the empirical literature on the immigrant entrepreneurship. The important aspects of this survey article was that they identified six common dimensions of recent studies on immigrant entrepreneurship as; (1) most papers published were in the context of USA, Europe and Oceania; (2) mostly based on the individual level of analysis (3) deductive perspective was widely used (4) dearth of theory

building (5) lack of effort to create official data on immigrant businesses (6); advocated the importance of qualitative and mixed methods to provide a more nuanced understanding of the immigrant entrepreneurship phenomenon.

2.6 Trends in Studies on Immigrant Entrepreneurship

There are three main long-term trends in studies on immigrant entrepreneurship: The first, prevailing literature have mainly focused on the reality of the USA, followed by Europe and Oceania due to significant number, long term history, high magnitude of their contribution to economy and society as well as the large number of studies. The second, since 1980s, several new concepts such as economic enclaves, ethnic business, and immigrant entrepreneurship were gradually emerged as useful literature with respect to growth and structural changes of foreign born population in western advanced countries. Some of those studies have pointed out conceptual definitions as alternative methods to investigate ethnic, minority or enclave immigrant entrepreneurs in the western context (Kloosterman & Rath, 2001, Zhou, 2004, Volery, 2007). The third, path-breaking research studies on structural changes of foreign-born population, emergence of ethnic or immigrant entrepreneurs and their activities, impacts on host countries have essentially emerged from sociology, anthropology and labour economics perspectives rather than management and entrepreneurial perspectives. As Volery (2007) pointed out research into ethnic entrepreneurship can be traced back to classic work such as those of Weber (1930), Sombart (1914) and Simmel (1950). These scholars' concepts such as the stranger as traders, social structure of society, pervasive religious cannons have influenced subsequent literature and study of immigrant entrepreneurs.

2.7 Review of Studies on Immigrant Entrepreneurship in Japan

Japan has been an exceptional country with respect to above-mentioned three trends in global immigrant entrepreneurial studies due to absence of long term history and large concentrated immigrant groups. Therefore, newly emerged concepts, theories and models have not yet been much tested or debated in the context of Japan. However, as Sato (2004) highlighted, even though number of foreigners have been slowly increasing, composition of them have been diversified and many of them have assimilated into Japanese society and economy. As he emphasized, diversification was noticeable in terms of ethnicity, gender, visa category, and international marriages in Japan in recent past. Further, Kudo (2015) highlighted as, an increasing in the number of cross-border marriages since the 1980s has added a new element to the growing cultural diversity in Japanese society. Rahman and Lee (2011) showed that 40,000 Bangladeshi migrants including students, dependents, regular and irregular migrants were in Japan at the end of 2010 and that constituted a strong base for the development of Bangladeshi migrant businesses in Japan. Furthermore, according to Kharel (2016), there are already 3,000 Nepal restaurants and over 55,000 Nepal migrants in Japan by the end of 2015. Therefore, although Japan has been considered as an exceptional case and late comer to immigration literature, diversification of its immigrant population and emergence of immigrant businesses in recent past qualifies to conduct research studies on immigrant businesses in Japan. (Karunaratne 2009a, and 2009b, Billore 2010, Rahuman and Fee 2011). In contrast to western countries, especially Asian immigrant entrepreneur in Japan can learn lessons from special characteristics of Japanese economic development and management techniques adopted by strong SME sector in Japan such as use

of new technology, lean management styles, team work and groupism, strong networks among entrepreneurs, strong sub-contacting system, and export orientation.

One of the secret of post-war Japanese economic development has been adopting well-designed public policies baked by scientific research studies and practical situational analysis (The world bank, 1993). Recent changes in migration policy in Japan has not been an exception to this. As Omura (2011) empirically found and highlighted “the increasing in foreign born population boosted Japan’s GDP by 0.16 percent without capital accumulation and by 0.24 percent with capital accumulation during the period of 2000-2009”. According to Simasawa, and Oguro (2012), permanent migration flows of 150,000 will improve the Japanese economy and welfare of current and future generations. Not only economic growth, but also to increase business start-up rate, adaptation of new technologies and innovations for small firms, presence of high skilled immigrants are vital for Japan.

In recent years, immigrant entrepreneurs have come to occupy a prominent place in the SME sector in many cities in developed countries, with varying degrees of success (Sahin, et al 2014). On contrary, according to Imai and Kawagome (2015) the pace of new company formation has been declining in Japan, and it has been lower than other industrial countries for a long time period. Specially declining trend of business start-up rate may be worrisome for it may indicate waning entrepreneurship and weakening mechanism of resource allocation and economic growth. Therefore, in this era, promotion of immigrant entrepreneurship at least among long term foreign residents and highly assimilated foreigners in japan is vital for overcoming long term economic recession in Japan. However, scientific studies on immigrant entrepreneurs in Japan have been limited due to

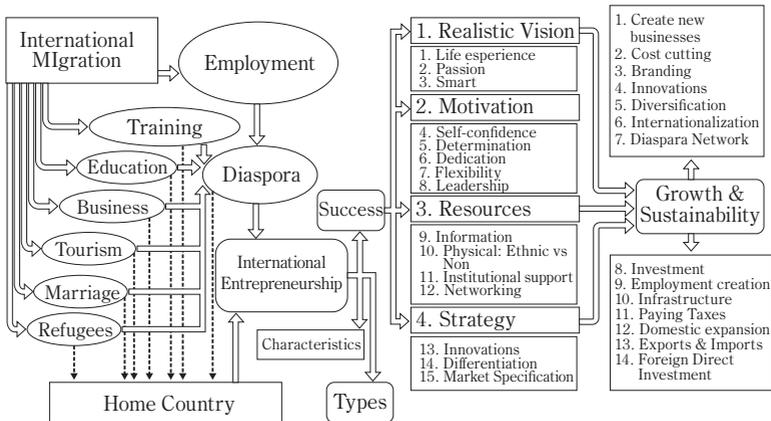
relatively low number of immigrant entrepreneurs and their scattered regional distribution pattern, relatively new phenomenon, lack of access to macro-level data and hardships in generating micro-level data (language and cultural barriers for Japanese scholars and less opportunities and high cost for foreign scholars) in Japan. A very few Japanese scholars have paid attention to immigrant entrepreneurs in Japan due to lack of macro-level data availability (such as regular surveys), relatively new phenomena, smallness of their economic activities in comparison to business activities in Japan, language differences, limited access to immigrant entrepreneurial networks, and scattered nature of them in Japan. Mostly cited widely available studies on immigrant entrepreneurial activities in Japan are represented by Karunaratne (2009a, 2009b and 2016), Higuchi (2010), Rahman, and Fee (2011), Billore et al (2010), and Billore (2011), Kudo (2009 and 2015), Kharel (2016). An extensive review on studies on immigrant entrepreneurship is available in Karunaratne 2017.

2.9 Overall Conceptual Framework

As shown in Figure 2 conceptual relationships among international migration, diaspora, immigrant entrepreneurship, entrepreneurial success, growth and sustainability of immigrant Entrepreneurs have been illustrated by the recent researches on immigrant entrepreneurship. In addition, contemporary researches on immigrant entrepreneurship have been focusing on characteristics of immigrant entrepreneurs or types of their activities, networking styles and level of innovations. According to available literature, issues faced by immigrant entrepreneurs can be classified under the five main sub-themes as entrepreneur human capital level, experience, level of networking, elements in business environment and lack of familiarity (Sanders & Nee 1996, Alam & Hoque, 2010, Enow,

2010, Azmat & Zutshi, 2012, Desiderio, 2014, Bewaji, Yang, & Han, 2015, Kremel 2016). For example under the human capital sub-theme, lack of education of immigrant entrepreneurs effect on their entrepreneurial success through their language use, communication abilities, receiving business advices and perceptions of understanding of other social constructs in host societies. Therefore, human capital is vital for immigrant entrepreneurs to develop entrepreneurial skills. Numerous and complex entrepreneurial issues which differ cross-culturally, affect immigrant entrepreneurial success. Therefore, by understanding the significance and complexity of issues, this study deals with some operationally essential issues that affect the immigrant entrepreneurial success including capital finance, cost, training, quality and safety, competition and local authority’s rules and regulations.

Figure 2 Conceptual Relationship of Immigrant Entrepreneurial Success Growth and Sustainability



Source: Authors’ creation based on U.S. Department of State. <https://www.ait.org.tw/infousa/zhtw/DOCS/enterp.pdf>.

As Rahman and Fee (2011) pointed out, although management literature on entrepreneurship focusses on innovation, ethnic business studies tend to overlook the importance of innovations in broader perspectives. Therefore, innovations in migrant entrepreneurship should be highlighted in an analysis of contemporary migrant entrepreneurship, especially in Asia. Since contribution of innovations, small and medium size enterprises and their relations with large firms, technological advancement and export orientation had been significant in the economic development process of Japan, it is worth to investigate existing literature on immigrant entrepreneurs in Japan to understand their assimilation level into Japanese economy and society.

According to Fairlie (2009), the available literature on immigrant entrepreneurial success in host societies can be measured by using financial and non-financial measurements. Entrepreneurial financial success refers to the success that can be measured through financial indicators such as profit, sales turnover, share prices, revenue, etc. (Garrigos-Simon & Marques, 2004; Grant Jammine, & Thomas, 1988; Marques, Naragajavana, & Simon, 2005; Tracy & Tan, 2001). A number of studies also found that individual owner/founder goals as non-financial measure related to entrepreneurial success (Hisrich & Brucsh, 1987; Lerner, Brush, & Hisrich, 1997). However, Tseng (2010); Zack, McKeen, & Singh, 2009 have considered the number of employees, efficiency, reputation, perception, market share, future strategies and other stakeholders as the non-financial indicators of entrepreneurial success. Adamu (2014) used eight major indicators to measure accumulative success of immigrant entrepreneurs as (1) Improvement of sales turnover and growth, (2) Profitability, (3) return on investment, (4) Market share, (5) Customer satisfaction, (6) Customer Loyalty, (7) relationship with stakeholders (board

of directors, employees, suppliers, advisers and relevant institutions), (8) Business images and branding. According to Stephens, (2013) Building business networks with business consultants, accountants and customers, among other stakeholders has a positive effect on entrepreneurial success.

2.10 Hypothesis Development and Conceptual Framework

Based on above review of literature, this study adopted six major measurements of entrepreneurial success, namely, total revenue, increased sales, increased demand, increased profit, and increase in the number of employees recruited. These record for these measures were retrieved for the past three years. Thereafter, a measurement of the immigrant entrepreneurs' prospects was based on similar indicators, with the perception of those stated indicators in the coming years. Research model is given in Figure 3 below. In order to understand factors determining success of Sri Lankan immigrant entrepreneurs in Japan, three main hypotheses were developed and conceptual framework is depicted in Figure 3 below:

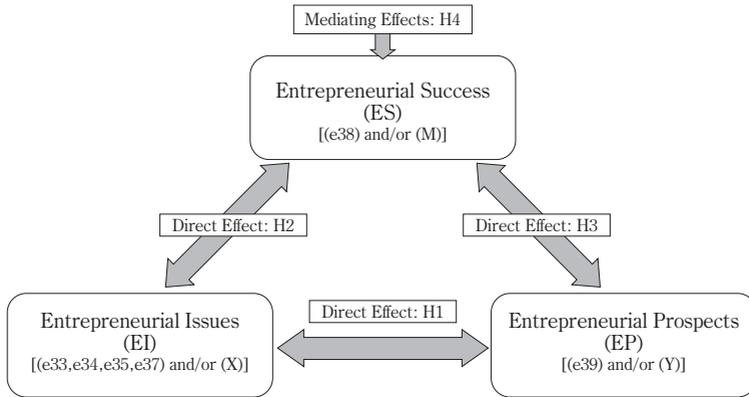
Hypothesis 1: There is a significantly positive relationship between entrepreneurial successes (ES) and their prospects (EP).

Hypothesis 2: There is a significantly a direct relationship between entrepreneurial issues (EI) and their Success (ES)

Hypothesis 3: There is a significant relationship between entrepreneurial success (ES) and their prospects (EP)

Hypothesis 4: There is a mediating effect of entrepreneurial success in the relationship between entrepreneurial issues and entrepreneurial prospects.

Figure 3 Conceptual Framework for Research



Notes: Modelling the Mediator in the AMOS Graphic for the Observed Variables
(X-Independent variables, Y-Dependent variable, M-Moderator)

3. Research Method

3.1 Population and Sampling Technique

The ultimate goal of this study is to explore micro level-data from the Sri Lankan immigrant business entrepreneurs in Japan and analyze those data in scientific methods to understand their issues and evaluate entrepreneurial (business) success. A structured survey questionnaire was distributed among 500 targeted Sri Lankan Immigrant business entrepreneurs in Japan from Hokkaido to Okinawa during the period of October 2016 to July 2017 and a high respond rate of 63.2 percent was received. The author was able to use his contacts with Sri Lankan immigrant entrepreneurs in Japan developed during the direct (100 participants) interviews conducted in 2007 (outcome presented in Karunaratne, 2009) and Snowball method adopted to direct interview of 197

entrepreneurs from September 2016 to March 2017 (outcome presented in Karunaratne, 2017). Questionnaire was divided into four sections as Section I; demographic and social characteristics, Section II; measured factors influencing on Entrepreneurial (business) success, Section III; measured Entrepreneurial (business) prospects, while Section IV; devoted to evaluate their internationalization in terms of export orientation, mergers and acquisition of foreign firms (including Sri Lanka) and foreign assets, joint ventures and foreign direct investment projects started in other countries in collaboration with Japanese banks. Information collected through section I and IV analyzed through qualitative techniques while quantitative techniques were adopted to analyze data collected through section II and Section III.

3.2 Measurements, Data and its Analytical Methods

As shown in Figure 3, this study included a three-dimensional construct comprising Entrepreneurial Issues (EI), Entrepreneurial Success (ES) and Entrepreneurial Prospects. All three dimensions are measured on a 5-point Likert-type scale ranging from 1 (highly unimportant) to 5 (highly important). Three major latent constructs in the structural equation modelling (SEM) were designed in accordance with the conceptual framework. The immigrant entrepreneurial success consisted of nine questions measuring success adopted from the scale of Admu (2014), namely (1) total revenue, (2) increasing sales turnover, (3) increase in Demand, (4) increase in profit, and (5) return on investment, (6) market share, (7) customer satisfaction, (8) image and branding, (9) increase in the number of employees recruited. They were based on the past three year record of the above-mentioned success indicators. Prediction was based on same indicators for the coming years.

The analysis was performed through SPSS. To explore the dimensions with respect to underlying items, an exploratory factor analysis (EFA) was employed. Thereafter, a confirmatory factor analysis of the measurement model was constructed using AMOS version 22. The value obtained from Cronbach's alpha (α) lies between 0 and 1. According to the rule, the closer the value is to 1, the higher would be the consistency of the measurement scale. In this research we were able to obtain the value as 0.878, which was closer to 1, which means that the instrument was highly consistent and stable. At the end, a structural model was developed and tested based on the stated hypotheses.

4. Characteristics of Sri Lankan Immigrant Entrepreneurs in Japan

This section presents characteristics of Sri Lankan immigrant entrepreneurs in Japan, based on questionnaire survey conducted during the 10 months. Findings of this survey is highly comparable with outcomes presented by Karunaratne, 2008b, 2009a, 2009b and 2017b. All those publications were based on direct interviews conducted with 100 participants in 2007 and 197 participants in 2017. Characteristics presented here are based on 316 respondents from Sri Lankan Immigrant entrepreneurs representing from Hokkaido to Okinawa in Japan. Most respondents were male (95.6 percent), and majority (42 percent) of respondents were between 40 and 49 years old. Most respondents (41 percent) had completed high school in Sri Lanka. In addition, considerable proportion of Sri Lankan immigrant entrepreneurs (21 percent) were either graduated from a university or technical training collage in Sri Lanka or Japan. Among them 96 percent were able to speak in Japanese while 39 percent of them had between 20 to 30 years of experience in Japan. The

Table 3 Sri Lankan Immigrant Entrepreneurs in Japan by Industry

Industry	Percentage
Used-Automobile, Parts and Machinery Trading	36
Restaurants	18
Spices and Food Trade	12
Human Resources	10
Tea Trading	8
Gem & Jewelry trading	5
Tourism/handicraft	4
Miscellaneous	7
Total	100

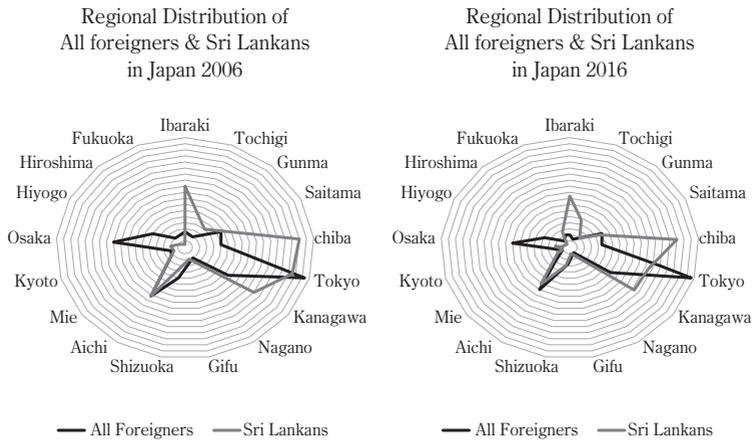
Source: Authors' calculations based on sample survey conducted-2016/2017

results revealed that most of the respondents (85 percent) migrated to conduct vehicle business between Sri Lanka and Japan. However, their current industrial structure can be summarized as given in Table 3 below.

In addition, regional distribution pattern of Sri Lankans in Japan can be illustrated with the help of data recorded by the Immigration Bureau of Japan. Regional distribution of all foreigners and Sri Lankans in most populated prefectures in Japan is depicted for 2006 and 2016 in Figure 4. These statistics were used to determine sample structure of the surveys conducted by the author. Six main conclusions on regional distribution of Sri Lankans are given below in the Figure 4.

Figure 4. Regional Distribution of All Foreigners and Sri Lankans in Japan 2006 and 2016

Figure 4 Regional Distribution of All Foreigners and Sri Lankans in Japan 2006 and 2016



Prof. H. D. Karunaratne, JF head office, Tokyo 13.03.2017

COMPARISON OF REGIONAL DISTRIBUTION OF FOREIGNERS AND SRI LANKANS IN JAPAN

1. 20% foreigners and 12.7% Sri Lankans in Tokyo
2. 10% foreigners and 2.3% Sri Lankans in Osaka
3. 8% foreigners and 14.2% Sri Lankans in Kanagawa
4. 5.5% foreigners and 16.6% Sri Lankans in Chiba
5. 2.4% foreigners and 10% Sri Lankans in Ibaraki
6. 1.5% foreigners and 5.4% Sri Lankans in Tochigi

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5. Quantitative Data Analysis and Discussion

This section presents data analysis based on exploratory and confirmatory factor analyses and Structural Equation Model (SEM). Since this is an exploratory research, Exploratory Factor Analysis (EFA) was

chosen as the most appropriate quantitative analytical method and results are given in Table 5. Special findings were that meeting the required criteria and supporting the adequacy of results, all values were greater than 0.5. Sampling adequacy was analyzed by using Kaiser-Meyer-Olkin (KMO). The value of KMO was 0.857 which is above the threshold value of 0.7, depicting that the data is suitable for factor analysis. Furthermore, in order to determine whether the data has normal multivariate distribution, Bartlett's test of Sphericity was employed. The results were significant at $p < 0.001$, hence meeting the assumption of multivariate normality. Moreover, cumulative variance explained by 7 factors with eigenvalues more than 1 was 67.24 percent, which is above the threshold percentage of 60 percent. The percentage of variance explained by 1 factor was 26.27 percent, followed by the variances of the remaining six factors i.e. 12.54 percent, 8.58 percent, 6.19 percent, 5.23 percent, 4.54 percent, and 3.86 percent, respectively as shown in Table 4.

It was revealed that the loading of most items was below 0.85. The value of Cronbach's alpha for the three main constructs extracted from the above analysis, namely, entrepreneurial issues, entrepreneurial success, and entrepreneurial prospects ranged from 0.79 to 0.92 (all above 0.7), confirming the reliability and internal consistency of the underlying items. Finally loadings in the rotated component matrix were above 0.6, as recommended by Hair et al (2010), indicating the suitability of conducting confirmatory factor analysis.

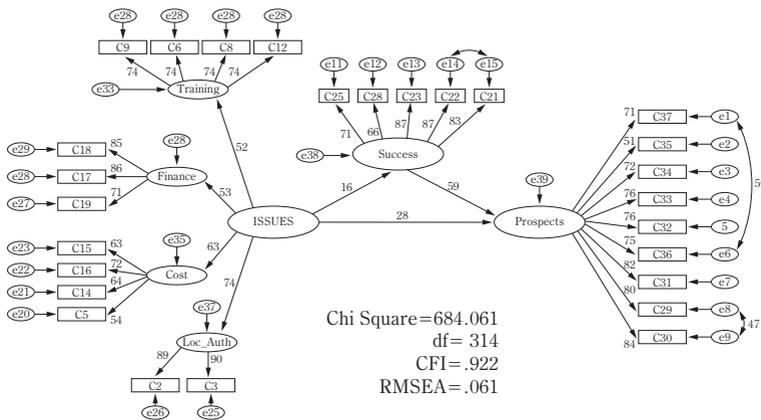
Utilizing AMOS software, a Confirmatory Factor Analysis (CFA) was conducted. Using maximum Likelihood Estimation (MLE) was employed on the three major factors extracted from the exploratory Factor analysis. Several fit measures, such as Comparative Fit Index (CFI), the Goodness of Fit Index (GFI), and the Root Mean Square Error of Approximation

Table 4 Exploratory Factor Analysis

Items	F1 Entrepreneurial Prospects	F2 Entrepreneurial Success	F3 Training	F4 Finance	F5 Cost	F6 Quality & Safety	F7 Local Authority
C30	.862						
C29	.830						
C31	.822						
C36	.754						
C32	.739						
C33	.710						
C34	.709						
C37	.687						
C35	.431						
C21		.832					
C22		.817					
C23		.769					
C28		.688					
C25		.682					
C27		.623					
C12			.756				
C8			.749				
C6			.742				
C9			.730				
C18				.876			
C17				.825			
C19				.751			
C15					.768		
C16					.733		
C14					.670		
C5					.567		
C11						.835	
C10						.784	
C13						.702	
C2							.767
C3							.756
C1							.755
Initial Eigenvalues	8.40	4.05	2.74	1.98	1.67	1.45	1.23
Percentage of Variance	26.27	12.54	8.58	6.19	5.23	4.54	3.86
Cumulative Percentage	26.27	38.81	47.40	50.66	58.63	63.38	67.24

(RMSEA), were evaluated. The threshold values for each of the above tests were determined for each measurement model. To assess the model fit, models were revised accordingly. The revised model fit the data well, with

Figure 5 The Results of AMOS indicating Regression Weights between constructs



all the values of CFI, NFI and GFI, being above the recommended threshold values of 0.90 and RMSEA being less than 0.05. The causal relationship between the three construct set as entrepreneurial issues, entrepreneurial success and entrepreneurial prospects was tested using Structural Equation Modelling (SEM). Figure 5 shows the results, indicating that the hypothetical relationships fit the observed data and the model satisfies the required criteria.

For example, $\chi^2/df = 2.179$ was below the threshold value of 3. Similarly, CFI was 0.922 (above the threshold value 0.9), whereas RMSEA was 0.061 (below 0.08) hence satisfactory. However, the value of NFI was 0.862, (below the threshold level value 0.9). Finally, according to our study structural paths between immigrant entrepreneurial issues and their success and prospects were statistically significant ($p < 0.05$).

Finally, Table 5 summarizes the hypothesized path coefficients of the model. The significance tests for the structural model parameters are used as the basis for accepting or rejecting three main hypotheses specified in

Table 5 Results of Hypothesized Path Coefficients

Hypothesized Structural Path	Hypothesized Relationship	Std. Reg Weight	C.R	S.E	P	Remakes
Issues (EI)⇒Success (ES)	H1	0.165	2.205	0.089	0.027	Supported
Success (EI)⇒Prospects (EP)	H2	0.587	9.110	0.052		Supported
Issues (EI)⇒Prospects (EP)	H3	0.284	4.220	0.064		Supported

Statistic	Results
X2 Significance	0.0000
Normed x2 (CMIN/df)	2.179
Comparative fir index (CFI)	0.922
Normed fit index (NFI)	0.866
Root mean error square of approximation (RMSEA)	0.063

Notes: Entrepreneurial Issues (EI); Entrepreneurial success (ES), Entrepreneurial Prospects (EP)

this study.

The relationship between entrepreneurial issues and success was significantly positive, as proposed in Hypothesis 1 ($p = 0.012$). A strong positive relationship exist between immigrant entrepreneurial success and prospects, as proposed in Hypothesis 2 ($p = 0.00$). A direct relationship between entrepreneurial issues and prospects was significant, as assumed in Hypothesis 3 ($p = 0.00$). More importantly, the result showed a significant mediating effect of the entrepreneurial success on the relationship between the entrepreneurial issues and their prospects. Therefore, the data from the survey we conducted in Japan was supported all hypotheses of this study.

6. Conclusion and Policy Implications

Even though the number and share of foreign-born population in Japan has been low in comparison to other advanced countries, their composition is diversified in many aspects such as in the type of visa, profession, ethnicity, location and level of assimilation during the past two decades.

There are enough evidences to show that the number of immigrant entrepreneurs have grown in Japan during the past few years. Therefore, this study was focused on entrepreneurial issues, entrepreneurial success and entrepreneurial prospect of Sri Lankan immigrant entrepreneurs in Japan. One of the aims of this study was to review published documents on immigrant entrepreneurship in conceptual, theoretical and empirical perspectives and summarize existing studies on immigrant entrepreneurs in Japan including Sri Lankans. Findings of this study indicates several gaps to be addressed for further development of research on immigrant entrepreneurship in Japan as (1) it is a relatively new concept and a limited number of studies have been conducted due to small size of foreign born population and their scatted nature, wider language and cultural differences, insufficient macro-level data and difficulties in accessing micro-level information; (2) there are enough evidences to show that the number of immigrant entrepreneurs in Japan have been increasing in recent past and are predicted to increase in future; (3) most of the existing Asian immigrant entrepreneurs in Japan have emerged through migrant workers, assets generated in Japan and married to Japanese; (4) since services and ICT sectors have been expanding, foreigners have new avenues to start businesses in Japan (5) the large number of SMEs in Japan still focus on local markets with high technical abilities and suffer due to the limited access to Asian markets, although mutual benefits can be expanded if they have wider access to develop linkages with immigrant entrepreneurs in Japan; and finally, (6) internalization of immigrant businesses in Japan (export orientation, mergers and acquisition of foreign firms and assets, joint ventures and FDI projects started in collaboration with Japanese banks) has been a new phenomenon in the literature of immigrant entrepreneurship in the 21st century. Therefore, immigrant

entrepreneurship continues to remain as an unexplored research field in Japan. A quantitative method was used to understand relationship among entrepreneurial issues, success and prospects. Exploratory and Confirmatory Factors Analyses, and Structural Equation Model (SME) were used to evaluate data and understand above relationships. Three main hypotheses were tested. Overall findings indicate that the relationship between immigrant entrepreneurial issues and entrepreneurial success was significantly positive and relationship between entrepreneurial success and entrepreneurial prospect also significant. Among the main issues faced by Sri Lankan immigrant entrepreneurs were policy inconsistency and drastic changes in policies by Sri Lankan government, Low quality, low price new products coming from china especially in automobile and machinery sector, quality maintenance of Sri Lankan suppliers, technology issues in Sri Lankan suppliers, regulations for agricultural good importation in Japan, and Skill labour shortage in Japan. Use of innovations, export orientation and high assimilation into Japanese society and economy were identified as special characteristics of successful Sri Lankan immigrant entrepreneurs in Japan.

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