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Résumé de l'article

*The immigrant entrepreneurs face many obstacles in host countries. Recently some researchers in management and economics have started to shade some light on these issues. However, there still remains much to be known about the phenomenon of immigrant entrepreneurship. The purpose of this paper is to fill this gap. It focuses on the factors that can foster the survival and success of the immigrant entrepreneur. This research studies the factors that can help necessity immigrant entrepreneurs achieve businesses success in their host countries. It proposes a profile for the necessity immigrant entrepreneur and discuss the relevance of the concepts of success and survival for necessity immigrant entrepreneurs. The research proposes a model that is rooted in a theoretical explanation of the survival of immigrant entrepreneurs. This model has been tested through a multiple-case study of immigrant entrepreneurs in the Latin American community of Montreal, Canada, and the results are discussed.*

# Survival of Necessity Immigrant Entrepreneurs: An Exploratory Study

by

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*The immigrant entrepreneurs face many obstacles in host countries. Recently some researchers in management and economics have started to shade some light on these issues. However, there still remains much to be known about the phenomenon of immigrant entrepreneurship. The purpose of this paper is to fill this gap. It focuses on the factors that can foster the survival and success of the immigrant entrepreneur. This research studies the factors that can help necessity immigrant entrepreneurs achieve businesses success in their host countries. It proposes a profile for the necessity immigrant entrepreneur and discuss the relevance of the concepts of success and survival for necessity immigrant entrepreneurs. The research proposes a model that is rooted in a theoretical explanation of the survival of immigrant entrepreneurs. This model has been tested through a multiple-case study of immigrant entrepreneurs in the Latin American community of Montreal, Canada, and the results are discussed.*

## 1. Introduction

The continuous increase of ethnic diversity in contemporary societies has led to the emergence of many important issues related to social cohesion, integration and social solidarity. This reality has been illustrated by the number of publications – books and academic articles – focusing on ethnic diversity. Today one of the most important issues related to ethnic diversity in our societies is the challenge of integration of immigrants into the job market of their host countries. Most importantly, in the developed countries that are major destinations for immigration, such integration has become a very serious issue. Immigrants face many obstacles to settlement and integration into the job market for various reasons including discrimination, but also due to limited skills. The despair resulting from this difficult situation forces some immigrants to start their own businesses and to become their own employers. Entrepreneurship gives immigrants social dignity in the host country, but is also a very challenging initiative given the various obstacles they face. For instance, immigrants can't easily gain access to start-

up capital through formal financial institutions because they don't have a credit history in their host countries that would be convincing to financial institutions. Therefore, no matter the potential of success of their entrepreneurial project, it's difficult for new immigrants to find the start-up capital, and they generally must rely on the support of family and friends for this capital. Also, they can't easily hire employees from the mainstream society of their host country because their financial constraints don't allow them to pay the normal salaries and grant the usual benefits legally expected by employees. Consequently, they end up with very long work hours. There are many other obstacles immigrant entrepreneurs have to face in order to survive in the host countries. Unfortunately, for many years business researchers have not focused on immigrant entrepreneurship, thus leaving the study of that phenomenon to anthropologists and sociologists. However, recently some researchers in management and economics have started to work on immigrant or ethnic entrepreneurship. Even if that effort has started to make a difference in the literature, there still remains much to be known about the phenomenon of immigrant entrepreneurship. The purpose of this paper is to contribute to the filling of this gap. It focuses on the factors that can foster the survival and success of the immigrant entrepreneur.

This paper is structured as follows: first, we present the characteristics of necessity immigrant entrepreneurs. Second, we discuss the concept of success/survival of necessity immigrant entrepreneurs and explain why the concept of survival is more appropriate for necessity immigrant entrepreneurs. Third, we propose a model based on a theoretical explanation of the survival of immigrant entrepreneurs. In the last section we test that model through a multiple case study of immigrant entrepreneurs selected in Montreal.

## **2. Characteristics of necessity immigrant entrepreneurs**

The term necessity immigrant entrepreneurs refers to immigrants who undertake business activities because they face various obstacles that prevent them from having access to the job market of the host country. Their entrepreneurial activities represent the ultimate avenue of survival in the host country. In general, contemporary necessity immigrant entrepreneurs are "natives of developing countries" (Rumbault, 1995; Massey, 2000). For instance, in the U.S. many of these immigrants came from Latin America, Asia and the Caribbean Islands after the 1965 U.S. Immigration Act abolished the system of national origins quotas. Few of them are from the Middle East and Africa (Min and Bozorgmehr, 2003). They have a "home country education". In general, they are not highly educated and have a limited professional experience (Min and Bozorgmehr, 2003) that is not related to their business. One of the most important challenges many necessity immigrant entrepreneurs face at the beginning of their entrepreneurial activities is the lack of capital. Many of them do not have access to formal financial sources and have to rely on their ethnic community to find the start-up capital. One of the financial sources they commonly use is the Rotating Credit Association coordinated by their ethnic community (Light, 1972; Bonnet, 1980; Light and Bonacich, 1988; Yoon, 1997). In fact, their ethnic community is of critical importance to the necessity

driven immigrant entrepreneur. It provides the “co-ethnic employees” (Bonacich and Modell, 1980; Min and Bozorgmehr, 2003) that the immigrant entrepreneur needs for relief from the long work hours spent on the business and to overcome the cumbersome regulations imposed on employers to protect employees. The particularity of the co-ethnic employees is that they are flexible and do not expect to be paid like the employees of the mainstream society. The relationship between the necessity immigrant entrepreneur and the co-ethnic employees is one of solidarity. The co-ethnic employees provide their flexible labour to help the necessity immigrant entrepreneur and in return get the status of worker, a social status that is very difficult to acquire in the mainstream job market. In many cases these co-ethnic employees are family members of the necessity immigrant entrepreneur. The ethnic community also represents the *ethnic market niche* that is targeted by the necessity immigrant entrepreneurs (Auster and Aldrich, 1984; Min and Bozorgmehr, 2003). Sometimes the product offered is an ethnic product that is well known and sought by the ethnic community. The necessity immigrant entrepreneur maintains strong ties with the ethnic community. Despite the recent trend of immigrant entrepreneurship that includes women, the vast majority of necessity immigrant entrepreneurs are middle-aged male immigrants (Collins, 2002). They are in general involved in an endogamous marriage (Shaw, 2001) and for many of them the spouse provides help with the business.

### **3. Clarifying the concept of success of necessity immigrant entrepreneurs: the survival factors**

The concept of success and its measurement have drawn the attention of many business scholars, given the teleological character of most research in business. The literature proposes a wide range of indicators that are used to measure the performance of small businesses such as the ones owned by immigrant entrepreneurs. Those indicators can be divided into two major categories- namely, the survival indicators (Kalleberg and Leicht, 1991) such as the age of the small business and its profitability and growth indicators. Profitability here means that the costs of the small business are covered by its income. As for the growth indicators, they are evolutionary and refer to the increase of various elements such as sales, market share, net profit and the number of employees. Other growth indicators include return on investment, return on sales, return on assets and return on cash flow (Keats and Hitt, 1988; Muse, Rutheford, Oswald and Raymond, 2005). Growth indicators have been prevailing in literature and a recent trend positing performance as a multidimensional concept even suggested the use of several indicators for effective measurement (Lumpkin and Dess, 1996). Previous research does not differentiate between the performance indicators of the small businesses owned by immigrant entrepreneurs and other mainstream small businesses. Yet, these two types of small businesses are not similar. They do not necessarily have the same objectives and do not face the same challenges. Moreover, given the recent development of immigrant entrepreneurship, it is not realistic to use the same performance indicators for the different types of immigrant entrepreneurs. This study proposes two major categories of immigrant entrepreneurs: the necessity immigrant entrepreneur and the opportunity immigrant entrepreneur,

and demonstrates that it is not realistic to use the same indicators to measure the performance of necessity immigrant entrepreneurs and opportunity entrepreneurs. If growth indicators such as increase of market size and the number of employees or the geographical extension of the market can be effective to measure the performance of opportunity immigrant entrepreneurs, they are not necessarily relevant to measuring the performance of necessity entrepreneurs. They may be relevant at the very beginning of the venture of necessity immigrant entrepreneurs, but they do not have a strong relevance in the long run. In fact, necessity immigrant entrepreneurs in general target a niche market that is the enclave market. The size of that market does not necessarily increase significantly over time to the point where it can lead to a significant growth of the business of the necessity immigrant entrepreneur. The increase in the number of employees used by the necessity immigrant entrepreneur does not necessarily mean that the business is growing. It may simply indicate an expression of solidarity to some co-ethnic workers who were unemployed and need support or to new co-ethnic immigrants who need help upon their arrival and accept low wages in return. In all of these cases, the increase in the number of employees does not translate into a significant increase in the payroll of the business of the necessity immigrant. The geographical extension of the market is not necessarily a convincing performance indicator for the necessity immigrant entrepreneur either, because the enclave market that is targeted is in general located in a very specific area where the co-ethnic community is concentrated. Based on the arguments provided above, this study suggests that the success of necessity immigrant entrepreneurs should be measured in terms of survival. Two indicators can be considered relevant for the measurement of their performance namely age and profitability. However, in this study only the age of the business will be considered in measuring the performance of the necessity immigrant entrepreneur.

The phenomenon of immigrant entrepreneurship has been explained from different theoretical perspectives in the existing literature. A review of these theories and an attempt to explain through them the survival of necessity immigrant entrepreneurs can undoubtedly help to propose a model of survival factors for this cohort.

#### **4. Toward a model of survival for necessity immigrant entrepreneurs**

##### ***4.1 Survival of the necessity immigrant entrepreneurs: theoretical explanations***

*The market disadvantages theory:* the reasoning behind this theory is that immigrants face a lot of problems that prevent them from entering the job market of their host country. In this desperate situation they turn to self-employment which remains the only job alternative for them (Light, 1979; 1984; Jones and al., 1994 Min and Bozorgmehr, 2003; Volery, 2007). From the iron cage perspective, the survival factors of immigrant entrepreneurship are the commitment and the determination to succeed of the immigrant since self-employment is the most desirable job alternative.

*Cultural perspective:* immigrants move to a host country with entrepreneurial abilities they have already developed in their home country. In short, from the cultural perspective, the factors that are critical for the survival of the immigrant entrepreneur are the pre-migration cultural tradition of entrepreneurial mentality, the ethnic social network and the ethnic niche market.

*Neo-classic perspective:* from the neo-classic perspective which is a utility oriented perspective, entrepreneurship is a result of arbitration between the earnings expected from self-employment and the wages expected from being an employee (Ibrahim and Galt, 2003). In light of the above one can say that from the neo-classic perspective, the survival factors of necessity immigrant entrepreneurs are risk management, innovative ideas, managerial skills, education level and work experience.

*Institutional perspective:* institutional theorists assume that the institutional structure is critical in the emergence of business ventures (Scott, 1995; Kostova, 1997). From that view, the rate of immigrant entrepreneurship will vary depending upon the policy initiatives designed by the government to promote it (Ibrahim and Galt, 2003).

#### **4.2 A Theoretical Model**

Based on the analysis presented in the previous sections, this study proposes a model of survival factors for necessity immigrant entrepreneurs. The model includes five categories of factors: ethno-cultural factors, financial factors, managerial factors, psycho-behavioral factors and institutional factors.

### **5. Ethno-cultural factors**

#### **5.1 Ethnic market niche**

The market niche is a very important factor in the survival of the necessity immigrant entrepreneur. In this study, the term refers to the market in which mainstream entrepreneurs are not doing business given the opportunity structure of the host country. Some of the reasons that can explain the low interest of native entrepreneurs in such a market include insufficient economic reward (Siqueira, 2007) and limited skills. There are two types of market niche: the ethnic market niche on which this section is focusing and the non ethnic market niche. The ethnic niche market refers to the co-ethnic consumers of the immigrant entrepreneurs. In general this market is targeted with an ethnic product such as ethnic food, ethnic newspapers (Evans, 1989) and ethnic clothes such as Indian or Sri Lankan Canadian saris (women's clothes).

The ethnic market is a critical factor in the survival of the necessity immigrant entrepreneur because of his or her competitive advantages. The immigrant entrepreneur has critical skills that the native entrepreneur does not have and cannot imitate. In addition to offering an ethnic product to his or her

ethnic market, the immigrant entrepreneur can easily develop a profitable social network with his or her co-ethnic consumers because he or she shares with them the same culture and can communicate with them in their language. Unlike the native entrepreneur, he or she has ethnic sensitivity. He can also express to his or her ethnic community an ethnic solidarity (Min and Bozorghmer, 2000) through various social actions that will ultimately help maintain or increase his or her ethnic market share.

The size of the ethnic market share of the necessity immigrant entrepreneur is the most important determinant of the survival of his business. If the size of the ethnic market share is not large enough to generate a sufficient volume of sales to cover the costs incurred in operating the business, the critical ethnic skills of the immigrant entrepreneur will become useless. The size of the ethnic market share of the immigrant entrepreneur is influenced by the size of the ethnic community. In other words, the larger the ethnic community, the larger the potential size of the ethnic market share of the immigrant entrepreneur. In fact, the correlation between the size of the ethnic community and immigrant entrepreneurship is known in literature. In her study, Zhou (2004) noted that the success of ethnic businesses hinged on the size of the ethnic population. She also insisted on the fact that in markets with a high density of co-ethnic workers, the niches in which the ethnic entrepreneur was engaged were likely to be more profitable. Reeves and Ward (1984), Evans (1989) as well as Shinnar and Young (2008) also pointed out the influence of the size of the ethnic group on the success of the immigrant entrepreneur's business.

It is important to stress that while the ethnic market niche is the main focus of this section, the non ethnic market niche should not be neglected when one is studying the survival factors of necessity immigrant entrepreneurs. The non ethnic market niche does not require any ethnic product or ethnic community. Unlike the ethnic market niches that cannot be considered by the native entrepreneur because of his or her limited skills for such a market niche, the non ethnic market niches are in general neglected by native entrepreneurs because of the insufficient return they offer and the effort that targeting such markets requires. Of course, these non ethnic market niches represent a pull factor for necessity immigrant entrepreneurs given the obstacles they face in the job market. Thus there are several industries that are controlled by necessity immigrant entrepreneurs targeting non ethnic market niches. This is the case in the taxi industry and retail magazine stands in New York City that are controlled by Indians (Sheth, 1995) and the grocery industry in Detroit that is controlled by the community of Christian Iraqis, the Chaldeans (1982). It is also the case for the cleaning industry in Massachusetts that is controlled by Brazilians (Martes, 2000; Siqueira, 2007). The non-ethnic market niche can complement the ethnic market niche. Furthermore the immigrant entrepreneur does not face any significant competition from mainstream entrepreneurs because they are not attracted by the effort required to satisfy the non ethnic market niche and the low return it provides. The proposition resulting from this section can be formulated as follows:

**Proposition No 1:** *The larger the size of the ethnic market niche, the better the survival of the business of the necessity immigrant entrepreneur.*

## **5.2 Ethnic social network**

The ethnic social network is another important factor for the survival of the business of the necessity immigrant entrepreneur. The term social network has drawn the attention of many researchers and various definitions have been proposed in the literature. In this study, the term ethnic social network refers to the formal and informal ethnic connections (Sequeira and Rasheed, 2006) of immigrant entrepreneurs. Informal connections are particularly important to the necessity immigrant entrepreneur. The informal connections of the immigrant entrepreneur include his or her family members and friends in the host country and his or her connections in other countries. The importance of the ethnic social network depends on three elements: the size of the network, the degree of interconnection among the individuals of the network and the frequency of their mutual communication (Allen, 2000; Sequeira and Rasheed, 2006). The degree of interconnection among the co-ethnic members of the social network is critical. As a matter of fact, the structure of the ethnic network influences the resources the immigrant entrepreneur can mobilize (Gereffi, 1998; Salaff, Greve and Wong (2006). An ethnic network based on multiple ties will give the immigrant entrepreneur better access to various ethnic resources than an ethnic network characterized by structural holes. Burt (1992) underlined the necessity to bridge structural holes in order to transform the social network into a network that will be helpful to the entrepreneur. Of course, creating a social network with numerous multiplex ties or bridging the structural holes to transform the social network into an effective one requires a significant amount of time (Zhou, Bankston and Kim, 2002).

In addition, the social environment of the host country can have a big impact on the formation and the nature of the ethnic social network. When immigrants perceive the social environment of their host country as a hostile one they tend to rely more upon their ethnic community and to develop strong social ties within that ethnic community. Ram (1994) found in his research that the reliance on the ethnic network by the Asian employers that he interviewed in the West Midlands was shaped by racial discrimination in the wider environment. Portes (1998) noted that a hostile environment in the host country contributes to greater cohesion in the ethnic community.

The critical role of the ethnic network for the success of immigrant businesses has been addressed by several researchers. Salaff, Greve and Wong (2006), Chen (2000) and Peng (2000) pointed out the importance of the ethnic network for the success of diasporic Chinese immigrant businesses. Sequeira and Rasheed (2006) suggested that for immigrant entrepreneurs operating in an ethnic enclave, strong ties are critical to success. Also Brown and Butler (2003) noted the importance of the role of the network for the success of the entrepreneur in that the ethnic social network gives the immigrant entrepreneur access to ethnic resources. According to Ward (1991) and Ram (1994) it is a source of competitive



advantage for the immigrant entrepreneur. Some of the resources the ethnic social network can provide include ethnic labour and emotional support as well as strategic information and trust. Strategic information refers to informal information (Fadahusi, 2000) about co-ethnic financial sources, co-ethnic customers but also co-ethnic suppliers and providers of specialized managerial services such as advice from ethnic accountants. Trust results from the reduction of risks and uncertainties (Sequeira and Rasheed, 2006) because of multiple ties. Given the critical importance of ethnic labour and emotional support for the necessity immigrant entrepreneurs we will focus more on those two resources below.

### ***5.3 Ethnic Labour***

The importance of ethnic labour for the business of the immigrant entrepreneur has been recognized in previous studies (Evans, 1989; Waldinger, 1990; Zou, 1992; Bates, 1994; Basu and Goswani, 1999; Altinay and Altinay, 2006). Ethnic labour is one of the most important competitive advantages the necessity immigrant entrepreneur can have access through his or her ethnic social network. The difficulty of ethnic newcomers in having access to the job market of the host country due to limited qualifications and particularly to poor English represents an important factor in the formation of an ethnic labour pool that is very favourable to the necessity immigrant entrepreneur. The size of that labour pool can have a great impact on the business of the necessity immigrant entrepreneur. Actually, the larger the ethnic labour pool, the better the access of the immigrant entrepreneur to co-ethnic workers. He or she can have access to low cost ethnic co-workers who are loyal and willing to accept demanding work schedules. In many cases the co-ethnic workers are family members or ethnic acquaintances of the immigrant entrepreneur and the work relationships are to some extent a way to express ethnic solidarity. For the ethnic co-worker, the job offered by the immigrant entrepreneur is a means of survival in the host country and sometimes to integration into that country. On the other hand, for the immigrant entrepreneur, the job offered to the co-ethnic worker is a way to help his or her ethnic community and also to have access to help that he or she cannot find in the mainstream job market. Another important advantage of using ethnic co-workers is their mastery of the ethnic language. Given that the market niche targeted by the necessity immigrant entrepreneur is in many cases a niche formed by co-ethnic consumers, using co-ethnic workers helps to create and maintain satisfying business relationships with the ethnic niche market.

### ***5.4 Ethnic Emotional Support***

Emotional support is an important resource that can be provided by the ethnic social network. It refers to verbal encouragement (Allen, 1994) and other forms of attention that a member of the ethnic social network can give to the necessity immigrant entrepreneur. Emotional support is a critical resource for the necessity immigrant entrepreneur because he or she has to run a business in an environment that is culturally very challenging and sometimes hostile. Of course, this activity is risky and very stressful. Emotional support can be very helpful when the necessity immigrant entrepreneur is facing critical uncertainties.

In general, emotional support is provided by close members of the ethnic social networks, namely the family members and close friends. It can also be provided by subgroups of the ethnic social networks such as ethnic confessional groups. Martes (2000) found that the moral support of the ethnic church played a critical role in the success of Brazilian entrepreneurs in the house cleaning industry of Massachusetts. Min (1992) also found that Korean immigrant churches served as centres for social support for Korean immigrant entrepreneurs. The propositions resulting from this section can be formulated as follows:

***Proposition No 2:*** *The ethnic social network can contribute to the survival of the business of the necessity immigrant entrepreneur.*

***Proposition No 2a:*** *The larger the size of the ethnic labour pool, the better the survival of the business of the necessity immigrant entrepreneur.*

***Proposition No 2b:*** *The higher the level of the ethnic emotional support, the better the survival of the business of the necessity immigrant entrepreneur.*

## **6. Financial factors**

The importance of financial factors in the survival of small and medium size entrepreneurs (SMEs) is known. SMEs generally face on a small scale the same financial challenges that large companies face, but unfortunately unlike the large companies they do not always have easy access to the financial resources they need to remain in operation. For immigrant entrepreneurs in particular, it is very difficult to have access to financial resources from the formal financial system, namely financial institutions. Such a situation can even be worse for the necessity immigrant entrepreneur because their businesses in general do not involve any innovative product or activity that can impress financial institutions. Yet immigrant entrepreneurs need financial resources to effectively face the operating expenses of their businesses. Some of these expenses that are important to their survival are those related to the advice of lawyers and accountants. There are also other critical expenses such as the ones related to procurement, lease, energy, taxes or unexpected lawsuits. The necessity immigrant entrepreneur can easily end up bankrupt if his or her business does not have sufficient working capital to properly face these critical operating expenses. In other words, financial resources represent a critical condition for the survival of the necessity immigrant entrepreneur. In this context, two financial factors: start-up capital and informal emergency have to be considered. The first factor is adequate for the start-up capital and the second is informal emergency loans.

### **6.1 Start-up capital**

Adequate start-up capital is a critical factor in preventing the immigrant entrepreneur from failing. Bates (1994) found out that there is a link between the size of the start-up capital and the survival and/or the profitability of the business of the immigrant entrepreneur. He noticed that Vietnamese immigrant entrepreneurs in general rely heavily on loans from family and friends to start their businesses. Hence their businesses are small because of their limited amount of start-up capital and have a high rate of failure (Bates, 1997). In contrast, Indians rely heavily on formal financial institutions for the start-up capital of their businesses and they have a high rate of survival (Bates, 1997). Of course the lesson to be learned from such findings is that immigrant entrepreneurs should mainly finance their start-up capital with loans from formal financial institutions in order to survive. However, such a conclusion is not necessarily relevant for the necessity immigrant entrepreneurs. It is known in literature that in general immigrant entrepreneurs do not rely on the financial resources of the formal institutions of mainstream society. In fact, the profile of the necessity immigrant entrepreneur does not fit with the type of entrepreneur who can have easy access to loans from the formal institutions of mainstream society. They are ethnic minorities and are often victims of ethno-racial discrimination (Light, 1972). They are poor and do not have any convincing credit history or any assets or wealthy sponsors that can serve as guarantees for loans. They have to rely on the informal sources of their ethnic social networks to fulfill their financial needs. Ram (1994) mentioned that entrepreneurs from ethnic minority groups informally borrow from their ethnic community because they face discrimination when trying to raise money from formal sources. Also Bates (1997) found that family and friends of the ethnic community represent an important source of financial resources for the immigrant entrepreneur. More specifically, he noticed that in the case of Asians immigrant entrepreneurs included in his study, the percentage of financial resources coming from the family and friends took the form of equity and represented a critical component of the capital structure. Light (1972) and Light and Bonacich (1988) have pointed out the role of RCA (Rotating Credit Association), particularly in Asian communities in the US. The degree of access to financial resources will depend on the quality of the ties that were developed in their ethnic social networks and in particular the trustworthiness that they have created in it. If the profile of necessity immigrant entrepreneurs forces them to rely on their ethnic social network for their financial needs, this financial source provides them with various advantages. They do not have to go through a demanding process of loan application and cumbersome paperwork. Also they do not have to face high interest rates for the loans or prohibitive late fees when an unfavorable economic conjuncture is slowing down their sales. Basu and Goswani (1999) as well as Altinay and Altinay (2006) found a positive relationship between cheap financing from the extended family and the growth of the immigrant business.

## 6.2 Emergency Loans

The second financial factor to consider is informal emergency loans. Non-traditional emergency loans represent a back-up strategy that the necessity immigrant entrepreneur can use to deal with an unexpected crisis of liquidity. Today the most effective sources available to necessity immigrant entrepreneurs to finance start-up capital and emergency loans still remains the Rotating Credit Association and their family and friends. Formal financial institutions and government initiatives are without doubt some sources that the necessity immigrant entrepreneurs should seriously consider if they offer programs designed to promote immigrant businesses. The propositions resulting from this section can be formulated as follows:

***Proposition No 3:*** *The higher the degree of access to start up capital, the better the survival of the business of the necessity immigrant entrepreneur.*

***Proposition No 4:*** *The higher the degree of access to emergency loans, the better the survival of the business of the necessity immigrant entrepreneur.*

## 7. Managerial Factors

Managerial factors refer to professional education and experience. These two factors play critical roles in the survival of the immigrant entrepreneur.

### 7.1 Education Level

The education level is an important factor in the survival of the immigrant entrepreneur. It helps the entrepreneur understand the challenges faced in the host country and the best approaches to meet them. In other words, the education level plays an important role in the decision process of the immigrant entrepreneur. Several previous studies have underlined the impact of education level on the performance of the organization. Robb and Fairlie (2007) found education to be a critical factor which explains the gap between the Asian immigrant and white owned businesses. Also Christopher (1998) reported that low levels of education is one of the barriers to business performance and viability in the black minority community in the US. These findings confirm the results of a previous study of Bates (1989) who found that the survival of the minority business is directly related to the education level of the owner when that business operates within the minority community. Other studies such as Siqueira (2006) also pointed out a positive impact of education on the survival of small businesses. The education level of the necessity immigrant entrepreneur is in many cases the one they acquired in their home country. In some ethnic communities the education level is very high. For instance, the necessity immigrant entrepreneurs from Indian, Iranian and Taiwanese communities are in general highly educated with college degrees and half of the males holding a master degree (Min and Bozorghmer, 2000). Their survival rate is higher than the one of other ethnic communities in which the education level is low.

## 7.2 Previous Experience

The immigrant's previous experience refers to two types of experiences: previous work experience and previous business ownership experience. Previous business ownership experience of the necessity immigrant entrepreneur is a critical factor in the survival of his or her business (Taylor, 1999; Shepherd and al., 2000; Vinogradov and Isaksen, 2008). In fact, having been exposed to the challenges related to starting a new business, some immigrant entrepreneurs learn and develop relevant managerial skills in their home country before they leave for their host country. Some of the challenges are related to establishing relationships with key stakeholders, allocation of human resources, adjusting to market demands and facilitation of communication within the organization (Vinogradov and Isaksen, 2008). Learning can result from both positive and negative previous experiences. Of course when a previous venture was successful, the immigrant entrepreneur tends to replicate the previous successful business practices. But learning can also be very fruitful in the case of failure of a previous venture. In this case, the necessity immigrant entrepreneur tends to avoid the mistakes that led to the previous failure.

As for previous work experience, Boden and Nucci (2000) found that longer work experience of the business owner is positively associated with business survival. Christopher (1998) reported a significant effect of previous work experience on minority business survival. He pointed out that previous managerial, executive or supervisory experience is positively related to firm survival. The propositions resulting from this section can be formulated as follows:

**Proposition No 5:** *The higher the education level of the necessity immigrant entrepreneur; the better the survival of his or her business.*

**Proposition No 6:** *The longer the previous work experience of the necessity immigrant entrepreneur; the better the survival of his or her business.*

## 8. Psycho-behavioural Factors

### 8.1 Risk Aversion

The influence of risk aversion in entrepreneurial activities has been known for long time. Schumpeter (1934) and Knight (1921) have addressed it. More recently several other researchers have insisted on it. Sauner-Leroy (2004) studied the impact of managers' risk aversion on their investment decisions and found a significant negative correlation between risk aversion and productive investment. Also Berger and Gabriel (1991) examined the relationship between risk aversion and earnings among US immigrants and natives. They realized that the higher the degree of risk aversion, the lower is the earning. In fact, risk aversion is a serious impediment to entrepreneurship in general (Kihlstrom and Laffont, 1979; Van Praag and Cramer, 2001; Kan and Tsai, 2006) and to immigrant entrepreneurs in particular given their specific circumstances. In accordance with

the works of Schneider and Lopez (1986) as well as March and Shapira (1987), it can be argued that immigrant entrepreneurs who have high risk aversion tend to overestimate the probability of loss resulting from strategic choices that have uncertain or unforeseeable outcomes, whereas the immigrant entrepreneurs who have a low risk aversion tend to overestimate the probability of gains. The immigrant entrepreneur whose risk aversion is low has a better chance to succeed while it is very difficult for the immigrant entrepreneur whose risk aversion is high to succeed. In fact, by limiting their exposure to risk, immigrant entrepreneurs also limit their chances of success by not taking advantage of business opportunities they could have exploited. Therefore, low risk aversion is a critical factor for the survival of necessity immigrant entrepreneurs.

## **8.2 Commitment**

Commitment refers to a willingness to exert considerable effort on behalf of an organization (Ingersoll and al, 2000). It is a dedication to the goals of the organization and as such it can contribute towards explaining the difference between successful and unsuccessful entrepreneurs (Sharir and Lerner, 2006). According to Allen and Meyer (1990), there are different types of commitment: namely, the affective commitment that refers to emotional attachment and involvement in the organization, the continuance commitment that refers to the awareness of the costs associated with leaving the organization, and the normative commitment that refers to the feeling of moral obligation to stay with the organization. In this study, only the first type of commitment will be considered. Thus, the term commitment will refer to the affective commitment.

Commitment is critical for necessity immigrant entrepreneurs given the very challenging circumstances of their businesses. It assures the continuous existence of the business (Chan, 2006). This is consistent with the findings of some existing studies that focused on commitment. Meyer and al. (2002) found a positive relationship between affective commitment and positive behaviours of employees and their identification with the organization. Also, Chan (2006) as well as Mowdy and al. (1979) suggested that commitment seems to lead to behaviour that exceeds formal normative expectations. In fact for the necessity immigrant entrepreneur, entrepreneurial activities represent the last resort in the host country and they face a lot of constraints such as financial and market constraints along with those activities. The failure of such entrepreneurial activities is also in general the failure of a dream they have been nurturing for many years and they are aware of the various psycho-social consequences that such a failure can have on them. Therefore they make an incredible amount of sacrifices in order to overcome the challenges they face. The term sacrifice here includes long work hours, readiness for demanding work, less time for family and social life, and inadequate salary. For some necessity immigrant entrepreneurs, commitment can stem from family values, particularly if they were exposed to a family business. For instance, some Jewish, Chinese and Iranian immigrant entrepreneurs are particularly prepared for such commitment because family business is almost part of their cultures. The propositions resulting from this section can be formulated as follows:

**Proposition No 7:** *The lower the risk aversion of the necessity immigrant entrepreneur, the better the survival of his or her business.*

**Proposition No 8:** *The higher the level of commitment of the necessity immigrant entrepreneur, the better the survival of his or her business.*

### **8.3 Institutional Factors**

Institutional factors play an important role in the development of entrepreneurial activities. More specifically when it comes to immigrant entrepreneurs institutional factors can have a critical impact. In previous studies, several researchers have pointed out the importance of the institutional environment on entrepreneurial activities. Gohmann, Hobbs and McCrickard (2008) suggested that an institutional environment favorable to economic growth provides incentives for efficient production as well as investments in physical and human capital. They insisted on the fact that the institutional environment determines the rules of the game that affect entrepreneurial decisions. This is consistent with the position of Baumol (1990) according to whom the rules of the game of the institutional environment lead entrepreneurs to engage in productive or unproductive activities. In the last few decades, the increasing influence of immigrant entrepreneurship on the economy of several Western countries considered as main immigration destinations has led their governments to create various programs to support immigrant entrepreneurs. These countries include the United Kingdom, the United States, Canada and Australia. In a recent special issue focusing on government policy and entrepreneurial activity, Minniti (2008) discussed a wide range of programs that can be divided into three major categories: counseling programs, a system of tax incentives and credit assistance programs. Counseling programs consists of various activities that aim to prepare the entrepreneur to effectively face the challenges of his or her business. They can include, among others, business planning, organizational design, management of operating problems (Chrisman, 1989), development of business networks (Hansen, 1995) and/or training regarding various issues such as those related to regulations and the business environment. McMullan and Long (1990), Chrisman and McMullan (2000) found that the counseling provided to entrepreneurs at the very beginning of their ventures can make a difference in the subsequent performance of these ventures. Also Kirk and Belovics (2008) pointed out the importance of counseling in the future career of entrepreneurs. Tax incentives represent an important tool that is traditionally used by government to promote investments. It can be used to promote entrepreneurial activities. More specifically, for necessity immigrant entrepreneurs whose financial resources are limited, tax incentives can alleviate the burden of the expenses they face for the growth of their business. The system of tax incentives should be tailored to meet the specific needs of necessity immigrant entrepreneurs. Credit assistance programs include mutual credit which offers the advantage of reducing transaction costs, the microfinance system which is more practical with nonmonetary collateral requirements (Minniti, 2008) and the venture capital that does not seem to be convenient for necessity immigrant entrepreneurs. Given the financial factors

already addressed in a previous section, the credit assistance programs will not be taken into consideration in the propositions related to institutional support. Only the counseling programs and the system of tax incentives will be considered for the propositions of this section which are formulated as follows:

***Proposition No 9:*** *The higher the institutional support, the better the survival of the business of the necessity immigrant entrepreneur.*

***Proposition No 9a:*** *The higher the access to counseling programs, the better the survival of the business of the necessity immigrant entrepreneur.*

***Proposition No 9b:*** *The more favorable the system of taxes incentives, the better the survival of the business of the necessity immigrant entrepreneur.*

## **9. Methodology**

A multiple case analysis was conducted to test the theoretical model proposed in Figure 1. For that purpose, ten cases of necessity immigrant entrepreneurs of Latin American origin living in Montreal, Canada, were selected from various business areas. All immigrant entrepreneurs were in business for a minimum of three years. Several previous research studies have considered a minimum of three years a convincing indicator of the survival of small businesses. Table 1 provides an overview of the profile of the immigrant entrepreneurs selected. Semi-directed interviews were realized with those immigrant entrepreneurs and the data collected were analyzed through an inter-sites comparison according the approach of Yin (1994). The empirical patterns identified in each case were compared to the empirical patterns identified in the other cases in order to find out their degree of convergence. An ultimate comparison was made between the convergent empirical patterns and the theoretical patterns in order to find out if the theoretical propositions formulated in the theoretical model are confirmed or not. Table 2 presents the results of the inter-sites comparison.

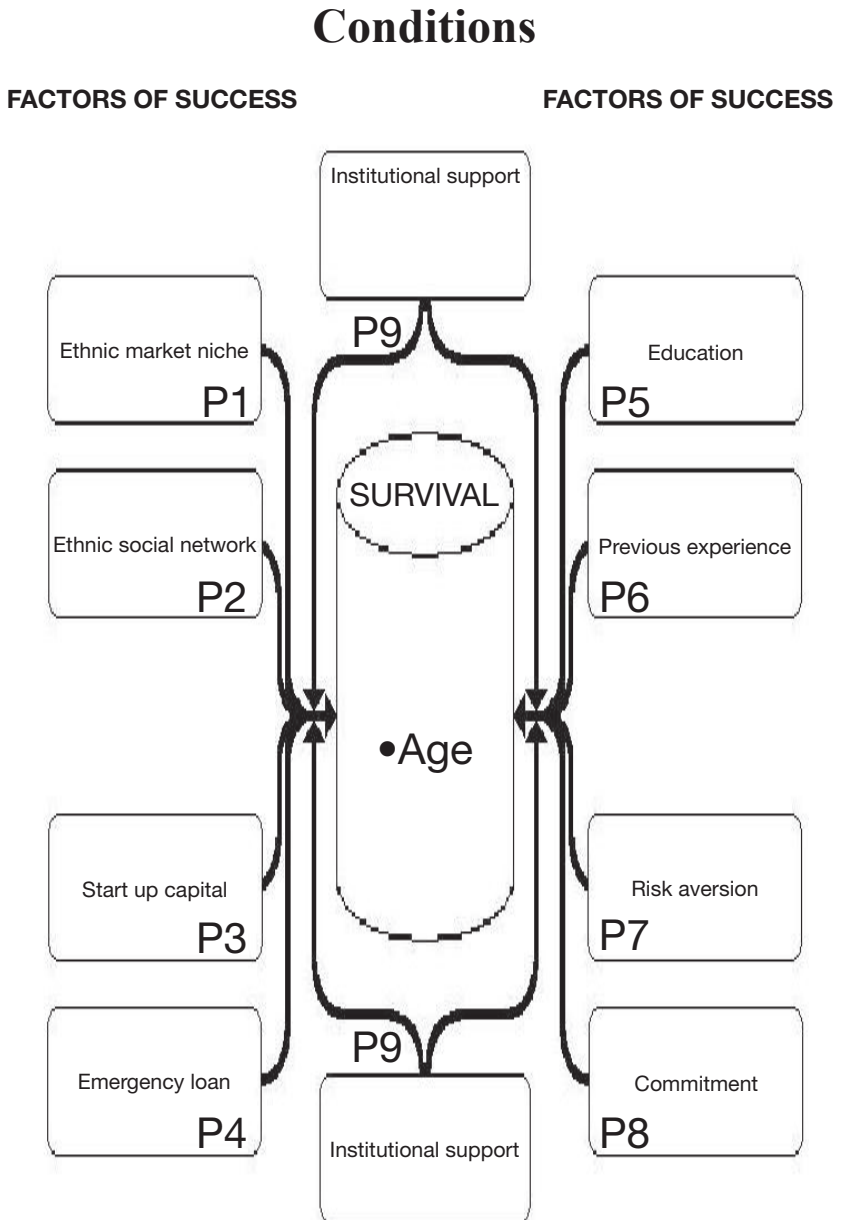


**Table 1: Profile of the cases analyzed**

<b>Different cases</b>	<b>Home country</b>	<b>Type of business</b>	<b>Year of creation</b>	<b>Number of employees</b>
Case No 1	Columbia	Events services provider	2003	1 FT*; 5PT*
Case No 2	Chili	Restaurants	1985	15 FT
Case No 3	Chili	Industrial manufacturing	2003	25 to 52 FT
Case No 4	Columbia	Travel agency	1976	17 FT
Case No 5	Columbia	Service provider	2004	5 FT
Case No 6	Columbia	Industrial manufacturing	2004	3 FT
Case No 7	Columbia	Wholesale distribution	2007	2 FT; 5 PT
Case No 8	Columbia	Immigration consulting	2002	3 FT
Case No 9	Columbia	Manufacturing & wholesale	2004	3 FT; PT
Case No 10	Venezuela	Service provider and retail	2004	1 FT; 43 PT

\* FT: Full time; PT: Part time

Figure 1: Model of survival factors of necessity immigrant entrepreneurship



## **10. Results of Multiple Case Analysis**

The results of the study are presented in Table 2.

Proposition No 1 suggests that the size of the ethnic market as a success factor is not confirmed. None of the immigrant entrepreneurs who participated in the study had an exclusive ethnic market. All of the respondents said that their ethnic market and ethnic network is not of significant importance. It was interesting to note that most of the respondents were very critical of the Latino community. They expressed a lack of confidence in the people in their ethnic community and some of them even raised the fact that their ethnic community can be an obstacle. Another interesting element to point out is that having an ethnic product is not necessarily a determinant of an ethnic market. Six of the immigrant entrepreneurs interviewed have an ethnic product but reported that their customers are from various cultures. Four immigrant entrepreneurs don't have an ethnic product.

Proposition No 2 is partially confirmed. Six of the immigrant entrepreneurs interviewed reported that their employees are Latin American. The reasons they gave to explain their preference for co-ethnic employees are the following: (1) it helps to meet the expectations of the ethnic customers. Some of them don't speak French very well; (2) it's easier to work with employees of the same culture. On the contrary, the immigrant entrepreneurs who don't use co-ethnic employees justify this by the fact that their customers are from various cultures. They also said that people of the same ethnic community are not necessarily qualified enough to meet the expectations required. Only one immigrant entrepreneur reported that he got help from the ethnic community. The other nine immigrant entrepreneurs reported that they didn't get any emotional support from the ethnic community. This seems consistent with the finding reported above, according to which there is a lack of confidence among the people of the Latin American community in Montreal.

Proposition No 3 is not confirmed. Most of the immigrant entrepreneurs interviewed didn't have easy access to start-up capital at the creation of their business. In general they relied on personal savings and family financial support. This was the case in 8 of the immigrant entrepreneurs interviewed. Only two of them reported that they had more money than needed when they started their businesses. However, their performance is not better than the performance of the other immigrant entrepreneurs who didn't have extra money for start-up capital. These immigrant entrepreneurs reported that having extra money for start-up capital would not have made any difference to their business.

Proposition No 4 is not confirmed. None of the respondents have access to emergency loans. They said that they have not been in need of such emergency loans. This is surprising because it is not rare that small businesses face difficult financial situations that require emergency loans.

Proposition No 5 suggests that education as a survival factor is confirmed. All of the immigrant entrepreneurs who participated in the study are educated and some of them are highly educated. A great majority hold University degrees. Nine of them held Bachelor or Masters and only one held a High School degree. It is interesting to point out that only one of them holds a graduate degree in business. Yet they all survived for more than three years. This allows us to draw the conclusion that the survival of an immigrant entrepreneur is not related to holding a graduate degree in business.

Proposition No 6 suggests that previous experience as a survival factor is not confirmed. In fact, only one immigrant entrepreneur had previous experience in business. The other nine immigrant entrepreneurs didn't have any relevant experience that prepared them for their business, even though their businesses had survived the minimum of three years. They worked in various fields that have nothing to do with business.

Proposition No 7 suggests that low levels of risk aversion as a survival factor is partially confirmed. The great majority of the immigrant entrepreneurs interviewed showed a relatively low level of risk aversion. Nine of them were not afraid of taking risks. They reported that the whole story of their immigration to Canada is a very risky adventure. Their home country business environment is a lot riskier than that of Canada. So they were used to taking risks before immigrating to Canada. Only one immigrant entrepreneur reported a high level of risk aversion

Proposition No 8 suggests that commitment as a survival factor is confirmed. Nine of the immigrant entrepreneurs interviewed stated that their commitment to their business is critical to the survival of the business. They reported various types of sacrifice they made for their business. Some of the sacrifices reported are related to limited quality of life, long work hours, limited time spent with their families and friends, etc. The commitment of immigrant entrepreneurs to their business seems to be a normal step to undertake after taking the risk to immigrate and start a business in their host country. In particular, for the necessity immigrant entrepreneurs who represent the focus of this study, the survival of the business is the only way to survive in the host country.

Some conclusions can be drawn from the results presented above. First, immigrant entrepreneurs of Latin American origin do not rely on their ethnic community. While their ethnic community can represent a pool of labor or can help to promote their products, in general they use employees from various cultures and do not exclusively target the ethnic market. Secondly, none of the entrepreneurs we interviewed mentioned any kind of disappointment or frustration with respect to their economic and social status in the host society, even if they don't have any significant emotional support from their ethnic community. This may be explained by the long and very difficult migratory process they went through. Lastly, the interviews and the analysis conducted didn't reflect any long-term perspectives. The study has not pointed to any evidence that the immigrant entrepreneurs interviewed desire to build a business for the long term and to pass it to their children.

The small number of interviews we conducted and the limited analysis that follows the collection of data should preclude any sort of generalization. Moreover, the focus on entrepreneurs of Latin American origin may also constitute a bias. Nonetheless, these results will contribute toward a comprehensive framework for the understanding of ethnic entrepreneurship as a specific phenomenon. In that sense, this study is not intended exclusively for academic purposes, but also for use in the elaboration of future public policies. Once we are able to deconstruct the processes and dynamics behind ethnic entrepreneurship, we will be able to not only provide a more positive image of this mode of entrepreneurship but also to encourage its development, to the benefit of both immigrant entrepreneurs and the host society itself.

**Table 2: Results of the Inter-Site Comparison of the Cases**

Theoretical Patterns	Empirical patterns		Results		
	Concordant Patterns (CP)	Non concordant Patterns (NCP)	Degree of concordance		Confirmed , Partially Confirmed, Non confirmed
			CP	NCP	
Ethnic market		Non ethnic market	0	10	P1: Non Confirmed
Ethnic labor	Easy collaboration with co-ethnic employees Language expectations of ethnic clients	Various ethnic employees Limited qualification of ethnic employees	6	4	P2a: Partially confirmed
Ethnic emotional support	Ethnic association's help	Very limited support from ethnic community	1	9	P2b: Non confirmed
Start up capital		No formal financing Personal savings Family support	0	10	P3: Non confirmed
Emergency loans		No emergency loan; no need	0	10	P4: Non confirmed
Education	High School degree to graduate degree		10	0	P5: Confirmed
Previous experience	Relevant previous experience	Irrelevance of previous experience	1	9	P6: Non confirmed
Risk aversion	Low risk aversion	High risk aversion	9	1	P7: Partially confirmed
Commitment	Sacrifice of family & social life	Balance business& family	9	1	P8: Partially confirmed
Institutional support		No government support	0	10	P9: Non confirmed

## 11. Conclusion and Implications

This research studied the factors that can help necessity immigrant entrepreneurs to survive in their host countries. It pointed out the profile of necessity immigrant entrepreneurs and discussed the concept of success/survival. It came to the conclusion that the concept of survival is more relevant for necessity immigrant entrepreneurs. The research proposed a theoretical model that it tested through a multiple case study of immigrant entrepreneurs of Latin American origin living in Montreal. This model which represents the major contribution of this study suggests five categories of survival factors: namely ethno-cultural factors, financial factors, managerial factors, psycho-behavioral factors and institutional factors. This study has two types of implications: theoretical implications and practical implications. From the theoretical perspective, it has laid a theoretical foundation for researchers who may be interested in the development and the performance of immigrant businesses. From a practical perspective, it has proposed a framework that can help necessity immigrant entrepreneurs who are starting their business or are facing the challenges of their existing business to understand the critical factors they should take in consideration to survive. It also provides a guideline that can be used by non governmental organizations to advise immigrant entrepreneurs. Moreover, this study can help the policy makers to adjust their policies targeting immigrant entrepreneurs and to design their programs in a way that will meet the expectations of immigrant entrepreneurs.

The small number of interviews we conducted and the limited data analysis does not allow for any type of generalization. Moreover, the focus on entrepreneurs of Latin American origin does not give any insight into immigrant entrepreneurship in other cultural communities. Yet the results of this study contribute to a better understanding of the phenomenon of immigrant entrepreneurship.

Different future research tracks can be suggested. First of all, the theoretical model proposed in this research needs to be tested on a large sample of immigrant entrepreneurs. Also, given the emergence of different types of immigrant entrepreneurs today, it could be a good contribution to propose a typology of contemporary immigrant entrepreneurs. Moreover, it will be a great research agenda to explore a model of success factors of opportunity immigrant entrepreneurs. With the increase of the number of skilled immigrants in North America, it may be a great idea to explore the factors that influence their desire to start their own businesses.

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