

Chinese Family Intra-Preneurship: Examining Chinese Business Owners in New York City

Ingrid Fray

EXECUTIVE SUMMARY

Over the past fifteen years, Chinese immigrant entrepreneurs have been very successful in launching and sustaining entrepreneurial ventures, especially within the restaurant industry. According to the 2012, United States Census Bureau, Chinese owned 423,609 firms (27.3 percent), with receipts of \$142.8 billion (28.1 percent). Among Chinese-owned U.S. firms, 40.0 percent were in the food services sector. The reason for their success “family intra-preneurship”.

For the purposes of this study, “inner group networking” is defined as organized informal networking created by a group who share with each other their business interests, personal contacts, insider secrets, trade, financial resources and employees. This paper examines the role of “inner group networking” as an innovative means of networking within the Latin American community in New York City to achieve entrepreneurial success.

One-on-one interviews were conducted with three Latin American restaurant owners and as a result of those interviews the research suggests the following:

- 1. Latin American entrepreneurs pass along their techniques of venture start-up and continuity to less established entrepreneurs in their own cultural groups to maintain their ethnic presence in communities, leading to the continued success of other Latin American ventures, and*
 - 2. Latin American informal networks are created in the host country through networking, during employment, and by purchasing goods and services from their cultural or ethnically specific businesses. “Inner group networking” by Latin American business owners has successful helped launch and maintain entrepreneurial ventures.*
-

I. INTRODUCTION

Immigrant entrepreneurs are becoming an increasingly important part of the U.S. economy, constituting 12.2% of the total American work force and representing 16.7% of all new businesses in the United States (Fairlie, 2008; U.S. Census Bureau, 2000; Wang, 2008). In 2007, immigrant-owned firms numbered 5.8 million, up from 4.0 million in 2002, an increase of 45.5% (American Community Survey, 2010 U.S. Census Bureau, 2010). Immigrants have outpaced native-born Americans in new business start-ups 5 to 1 across the United States and are nearly 30% more likely to start a business than non-immigrants (Hull, 2010; Ewing Marion Kauffman Foundation, 2011; Toussaint-Comeau, 2008).

It is clear that immigrant entrepreneurial ventures not only contribute to the growth of the U.S. economy, but also play a key role in its sustainability. Immigrant businesses create employment through new business ventures that contribute to wealth creation in countries that are major destinations for immigrants, such as the United States (Chrysostome & Xiaohua, 2010), and they create employment for both the native born and immigrants. Their success is impressive since immigrants frequently face a number of obstacles when trying to enter the general labor market. For some, that obstacle is discrimination, and for others, it could be their lack of proficient English. Smith, Tang & Miguel (2012) conducted a study in 272 American metropolitan areas, and found that between 1970 and 1980, immigrants had a higher rate of self-employment than native born Americans and it continues to increase despite the number of obstacles they face. The study suggested that further examination should be conducted to analyze what their entrepreneurial techniques are which has led to their higher success rate.

From 2002 to 2005, the three immigrant populations who owned the greatest number of firms in the United States were Latin Americans, Chinese, and Jamaicans (a subset of the Caribbean), contributing a total income of \$348 billion to the U.S. economy from 2002 to 2007 (American Community Survey, 2010 Min & Myungduk, 2010; U.S. Census Bureau, 2010). These groups have carved out an important niche in business. An explanation however, as to *why* these particular groups have achieved such high success as compared to other immigrant groups has not yet been offered by the United States Census Bureau, as its broad collection methods cannot yield a more detailed picture.

According to (Chand & Ghorbani, 2011; Clydesdale, 2008; Hamilton, Dana, & Benfell, 2008; Masurel, Nijkamp, & Vindigni, 2002; Shane 2003; Singer, 2004; Yang Liu, 2009) there are three important proposed factors that may contribute to the success of immigrant business ventures: (a) cosmopolitan urban centers as sources of entrepreneurship; (b) ethnic support for entrepreneurship as it relates to networking and finance; and (c) ethnicity and entrepreneurial culture.

II. IMPEDIMENTS TO TRADITIONAL EMPLOYMENT

Kim (2001), points out that over the past thirty years, immigrants have shown consistently high rates of entrepreneurship and success. Entrepreneurship among immigrants is higher than among native-born residents because immigrants often face impediments when trying to enter the general labor market and instead choose self-employment as a means of economic support for themselves and their families (Basu, 1998; Chand & Ghorbani, 2011; Ilhan-Nas, Sahin, & Cilingir, 2011). For example, Chand & Ghorbani (2011), discuss that many Chinese immigrants who migrated to the United States could not find employment because of the language barrier. They could not speak English at all or could not speak it well. So many had to work with other Chinese immigrant business owners, where they didn't have to worry about a language barrier. The same they state applied to Latin Americans who could not find employment because of their lack of English skills. In addition, many did not have adequate education to either find or secure employment. Many Latin Americans entered the country with only an eighth grade education and had to accept menial work, such as cleaning or dishwashing, with minimal interface with customers or clients.

Levie (2007) conducted a study of immigrants in the United Kingdom and found that migrant groups could not secure employment in the local labor market because they were perceived as outsiders, were uncompetitive because of poor language skills or education, held unrecognized qualifications and experience, or had no knowledge of the local labor market and the system that existed in their new country. Because they lacked the knowledge of local or state labor laws, many immigrants often took jobs that were low wage or "off the books," without receiving adequate health or other benefits, such as time off or sick days. One of the important elements of finding a traditional job is having adequate skills to communicate with individuals within and outside organizations. Having adequate communication skills enables organizations to thrive by adequately performing a service that garners a high return in investment for that business. Without good communication skills, many immigrants are relegated to employment in the back office, away from clients or customers, and so are not seen as obviously contributing to a firm's success.

Since immigrants are often systematically excluded from employment that offers a competitive salary, job security, and promotion opportunities (Yoon, 1997), entrepreneurship tends to offer a viable alternative to low-paying, menial jobs in the informal economy (Bogan & Darity, 2008). This is often the case for Latin Americans, Asians, and individuals from the Caribbean islands who have difficulty securing employment that offers them an affordable standard of living. Their entrepreneurial activities represent the ultimate avenue of economic survival in the United States (Chrysostome & Arcand, 2009).

In an economically developed society, the general labor market places a considerable handicap on immigrants who come from countries that are economically less developed, culturally non-European, and socially less developed (Hosler, 1996). This handicap is difficult to overcome because many immigrants are desperate to find employment in order to pay for the basic necessities of adequate housing, food, and healthcare. Traditionally, Latin Americans, Chinese, and Jamaicans do not have time to educate themselves in the new country, so they try to transfer skills—skills they learned from their home country—to the host country. A study conducted by Shinnar, Cardon, Eisenman, Zuiker and Myung-soo (2009) among 150 immigrant entrepreneurs found that immigrants entered into entrepreneurship because of what is described as the "push factor." The push factor for immigrant entrepreneurs describes a situation in which an immigrant who migrates from an economically underdeveloped country cannot find employment in a more developed country such as the United States and does not have time to become educated or learn new skills. The immigrant then utilizes informal skills from his or her home country to start a venture.

III. COSMOPOLITAN URBAN CENTERS AS SOURCES OF ENTREPRENEURSHIP

With increased migration, many immigrants have taken advantage of their ethnic or cultural group's settlement pattern, carving out a niche for the sale and distribution of native products and services. This can be seen particularly in Chinese immigrant populations. In fact, of the ten largest segments of foreign-born individuals within a metropolitan area, those with the greatest success at launching and sustaining entrepreneurial ventures are from China (New York City Department of City Planning, 2008).

Management scholars have suggested that the region, city, or particular neighborhood where an immigrant chooses to start a business may contribute to the role it plays in a new venture's success. Pones and Manning (1986) argued that immigrant entrepreneurs tend to operate in localities where members of their co-ethnic group dominates, where they can receive help from individuals within their cultural and ethnic group, and

where they are part of an intricate social network. For example, nascent Chinese entrepreneurs tend to choose areas where there is a large Chinese population, Jamaicans choose areas where there are other Jamaicans, and so forth. Wong & Primecz's study (2011) of Chinese immigrant entrepreneurs found that Chinese immigrant business owners and immigrant entrepreneurs in general set up ventures in neighborhoods where the majority of residents are Chinese because individuals from their own cultural group were more familiar with their products or service, language familiarity and would likely purchase from individuals within their own cultural group. Similarly, Kalnins & Chung, W. (2006) found that immigrant groups ventures were more successfully when they relocated geographically to an area with group members from the same culture or ethnic group. This notion of co-ethnic awareness suggests the importance not only of language but of a variety of less easily articulated factors that combine to inform the choices of the various immigrant entrepreneurs.

Location is considered critical in determining the success of an immigrant entrepreneurial venture. Moreover, when considering location, cities appear to provide the greatest opportunity for success for immigrant entrepreneurs. Reports from the U.S. Census Bureau, (2010) and the U.S. Small Business Administration (2011) also indicate that immigrants overall (including both Europeans and non-Europeans) prefer major cities, which seems to contribute partly to their overall business success. An explanation for city choice is the 'group affinity hypothesis', which states that pre-existing ethnic communities within large cities have a strong ability to both attract and retain new immigrants, which helps in the immigrants' success in the sustainability of a new venture and employment opportunities (Lieberson and Waters 1987; Haan, 2008). In a paper by McDonald (2003), for example, it was noted that 'immigrants' location decisions directly affected their subsequent social and economic assimilation because of local employment opportunities, business ventures and access to settlement in language programs and support from the local ethnic community in the form of economic support. Larger cities—especially larger, cosmopolitan cities—frequently comprise a sizeable and diverse population that can be expected to patronize their business. One specific city Latin American, Chinese, and Jamaican immigrant populations tend to gravitate toward is New York City. These three groups combined generate nearly 25% of all business income in New York City (New York City Department of Planning, 2011).

New York City's ethnic complexity has been suggested as a key aspect of immigrant venture success (American Community Survey, 2010 U.S. Small Business Administration, 2011; Yang Liu, 2009). The city's population has always been exceptionally diverse, and throughout its history it has been a major point of entry for immigrants and immigrant business startups (Jones, 2008). In 2000, New York City was among the top five largest ethnically diverse cities in the United States. It is home to large numbers of immigrants, immigrant businesses, and diverse economic structures (Yang Liu, 2009). Many immigrants tend to seek these large ethnically populated areas as a way to find employment through individuals within their ethnic groups, because state John, Zhang & Richard (2002) immigrants seek these ethnic neighbors as a way to gain access to individuals from their cultural or ethnic group to help them not only find employment, but depend on connections with co-ethnics as consumers or as sources of supplies or labor.

New York City represents nearly 30% of all new immigrant-owned businesses in the nation (United States Small Business Administration, 2011). Due to their diverse populations, cities such as New York continue to attract migrants, become increasingly multicultural and have distinct characteristics (Eraydin, Tasan-Kok & Vranken, 2010). Studies by the U.S. Small Business Administration (2011) and Eraydin *et al.* (2010) indicate that cosmopolitan cities such as New York City tend to exert a strong pull on immigrants, not only as places of settlement but also as places to launch the start-ups of a business ventures.

In 2009, New York City's foreign-born population of 2.87 million was at an all-time high and represented 36% of the city's population of 8 million, with individuals from Latin America, China, and Jamaica representing the largest segment of those immigrants (New York City Department of City Planning, 2011). Nearly 43% of the City's foreign born were recent entrants, comprised of 49% Asians, 44% Latin Americans, and 32% non-Hispanic Caribbean immigrants (New York City Department of City Planning, 2011). This study suggested that New York City is becoming the preferred residence of many immigrants.

Zhou and Logan (1989) describe New York City as an ethnic enclave for Chinese immigrants. for three reasons: a large proportion of New York State's Chinese live in New York City; a large proportion of Chinese immigrants work in New York City; and most of the Chinese businesses in New York State are located in New York City. While there are six Chinatowns in the United States, New York City has the largest. In fact, New York City's Chinatown and Chinese immigrant population are the largest outside of Asia (American Community Survey, 2011; Semple, 2011). According to the 2010 Census, New York City has now become home to more than one million Asian Americans, the majority, approximately 60% from China, greater than their combined totals in San Francisco and Los Angeles. This makes New York City an ideal place to study because of its large and thriving Chinese immigrant population, many of whom move into the realm of immigrant business ownership.

IV. UTILIZING FAMILY AS A NETWORK FOR VENTURE SUCCESS

Culture may be defined as a set of shared values, beliefs, and norms of a group or community (Basu & Altinay, 2002). Hofstede (1991, p. 5) defines culture as “a collective programming of the mind which distinguishes the members of one group or category of people from another. Values and beliefs are crucial features of cultural distinctiveness. According to the cultural hypothesis, the inclination of some immigrant and ethnic groups toward entrepreneurship can be explained by their ethnic national attributes (Yoon, 1997).

Using Jamaican immigrant entrepreneurs as an example, Gordon (1979) illustrated that in Jamaica, even though the scars of slavery remain embedded in the memories of many individuals, the facts of early emancipation, ownership of land and business, upward social mobility, and majority status provided many with a strong sense of ethnic cultural identity. Other immigrant groups, also because of economic instability within their home country, were able to channel their energies towards aiding each other.

Using shared knowledge and networking, Jamaicans taught skills and offered training to each other as a means to build their country's economic structure. Additionally, Bowen (2008) has asserted that this type of training is very prevalent in Jamaica and other countries and is often referred to as *trading*. Within this context, a great deal of learning takes place within the family and the neighborhood as social capital plays an important role in venture creation and entrepreneurship (Bowen, 2008).

Not many workers within the informal sector undertake formal training or attend vocational schools, thus a number of them master their skills through practice on their own without assistance from external sources or references to theory (Bowen, 2008). Bowen concludes that a fundamental proposition of social capital theory is that network ties provide access to resources and information.

Literature indicates that social capital and social support contribute to venture success, and ties with family, friends, and others of the same ethnic background in the community may hold particular importance for the ventures performance (Sequeira, Carr, & Rasheed, 2009) As cited by Bowen (2008), the entrepreneurial network literature supports the notion that strong social interaction and ties are beneficial and productive resources for entrepreneurs, by way of exchanging information, recognizing business opportunities, and sharing and exchanging business resources.

Using their network resources, immigrants are able to gain financial start-up through individuals from the same cultural and ethnic group. Because immigrants can not obtain capital through financial institutions many rely on friends and family for start-up capital they don't have a credit history in their host countries that would be convincing to financial institutions Chrysolome & Arcand (2009). 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 (Chrysolome & Arcand, 2009).

The Chinese for example, state Kao (1993) involve few outsiders for their entrepreneurial connections prior to starting a venture. Kao (1993) adds that prior to venture start-up the Chinese incorporate the following:

- The only people you can trust are family -- and a business enterprise is created as a familial life raft.
- The judgment of an incompetent relative in the family business is more reliable than that of a competent stranger.
- Obedience to patriarchal authority is essential to maintaining coherence and direction for the enterprise;
- Investment must be based on kinship or clan affiliations, not abstract principles.