

2016

# Ethiopian and Eritrean Businesses Growth Barriers in the Washington, DC Area

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# Walden University

College of Management and Technology

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Sereke-Berhan Meres

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Walden University  
2016

Abstract

Ethiopian and Eritrean Businesses Growth Barriers in the Washington, DC Area

by

Sereke-Berhan Meres

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Management

Walden University

August 2016

## Abstract

Prior studies have revealed that recent Asian and Hispanic immigrant entrepreneurs have made significant contributions to social change in the United States. Although African immigrant entrepreneurs have made such contributions, few studies exist about them, and there is limited knowledge about this business community. The purpose of this qualitative case study was to identify the barriers of growth in Ethiopian and Eritrean immigrant-owned firms in the Washington, DC area who were in business for a minimum of 3 years, and represented various trade lines and geographical locations. The enhanced integrated model of ethnic business development, which proposes growth strategies by analyzing the interaction of opportunity structures, ethnic resources, and entrepreneurial and management skills, was used as the conceptual framework to guide this study. Semistructured interview data were gathered from the business owners and then analyzed by employing a pattern matching technique. The data analysis revealed the themes of management deficiencies and the lack of organizational support system as the main growth barriers of the firms studied. These findings suggested the improvement of management skills and the creation of an organizational support system. This effort demands a collaboration of public, private, and community organizations. The results of this study may have positive social change implications to local economies by facilitating the growth of immigrant-owned businesses and enhancing their job and income-creating potential.

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## Dedication

I dedicate this work to honor all immigrant entrepreneurs who see and seize the opportunities the United States provides, and build enterprises that bring positive social change by creating jobs and generating income.

## Acknowledgement

This journey would have been impossible without the encouragement and support of many people. Foremost, I would like to thank my committee chair, Dr. Howard B. Schechter, and the other committee members, Dr. Joseph E. Barbeau and Dr. James Bowman for their guidance and constructive suggestions that enriched the research. Thanks to all Walden University faculty and staff for their professional support.

My special thanks go to my family, relatives and friends that gave me their love and encouragement to work hard during this journey. I also would like to thank the staff of Burke Center Public Library, in Fairfax, Virginia for their warm reception and support. My greatest gratitude goes to Almighty God for giving me the courage and resilience to overcome difficult moments and reach the finish line.

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## Chapter 1: Introduction to the Study

### **Introduction**

During the last four decades, the number of immigrants to the United States and other developed countries has grown significantly. In 2010, the migrant population in industrialized western countries was around 10%; in the United States, it stood at 12.9 % (Lewis & Peri, 2014). Parallel to this development, the number of self-employed immigrants in these countries and their positive contribution showed a significant increase (Johnson & Kimmelman, 2014; Zelekha, 2013). Consequently, immigrant entrepreneurship gained an increased recognition among researchers as a potential vehicle of economic growth and employment (Fairlie, 2012b; Hermes & Leicht, 2010; Waldinger, Aldrich, & Rand, 2006; Zelekha, 2013). Policy makers in western countries also have become aware of these positive contributions and responded by initiating various programs that support immigrant entrepreneurs (Desiderio, 2014; Fairlie, 2008; Kumar & Krueger, 2012). In the following paragraphs, I offer examples of contributions made by immigrant entrepreneurs to the economies of their host countries.

Immigrants have started high-tech companies as well as numerous small firms that have created employment opportunities for millions of people. For instance, in the United Kingdom, migrant-founded small and medium-sized enterprises (SMEs) were employing 1.16 million people. Immigrant entrepreneurs were also responsible for 14% of overall company formation in the United Kingdom (Johnson & Kimmelman, 2014). Moreover, immigrant entrepreneurs made contributions to the process of integration and social cohesion in urban areas by increasing interactions among various groups of people (Rodriguez-Pose & Hardy, 2015).

In the United States, immigrants have a long history of starting successful businesses that have spurred economic growth of the country. According to American Immigration Council (AIC, 2014), Kauffman Foundation (2015), and Kulkarni (2014), immigrants have established many American brand companies (e.g., AT&T, DuPont, Honeywell, Goldman Sachs, Kraft, Kohl's, Nordstrom, and U.S. Steel). In recent years, immigrant innovators have started high-tech firms (e.g., Google, eBay, Yahoo, and Intel) that generated economic growth and employment in the United States and the world (AIC, 2014; Kauffman Foundation, 2015). The growth of college-educated immigrants has led to increased entrepreneurial activity, innovation, and business development (Duleep, Jaeger, & Regets, 2012). Further, Hohn (2012) noted that businesses created by immigrants have made significant contributions to individuals, communities, states, and the national economy.

Immigrants with lower skills have also started millions of small firms in culinary, hospitality, transportation, and retail service industries. In the United States, immigrants formed 28% of all small businesses started in 2011 (Kulkarni, 2014). In 2007, small immigrant firms provided employment for 4.7 million people, or 14% of all people employed by small business owners (Jennings, 2013; Wainer, 2015). In the same year, small immigrant-owned businesses generated \$776 billion in revenue (Kallick, 2015). Fairlie (2012a) stated that the 2010 business ownership rate for immigrants was 10.7%, and 9.3% for nonimmigrants. Researchers have indicated that immigrants, irrespective of their ethnicity, are less likely than natives to perceive entrepreneurship as a risky situation (Fairlie, 2012a; Horniga & Bolivar-Cruz, 2014). In addition, Vigdor (2013) reported that immigrant entrepreneurs have made significant contributions to regional economies by creating jobs, increasing U.S. housing wealth, and revitalizing declining

neighborhoods. McDaniel (2014) reported that local and regional leaders in Detroit singled out immigrant entrepreneurship as one of their potential growth strategies.

Although the business startup-rate for immigrant entrepreneurs was high, the failure rate of their firms was just as high as that of nonimmigrant ones (Fairlie, 2012a). According to Waldinger et al. (2006), the reason for the failure of these firms could be subscribed to the limitation of growth potential in their small ethnic markets. Sahin, Todiras, Nijkamp, and Suzuki (2012) added that insufficient market experience, lack of entrepreneurial experience, and lack of awareness of government resources could also be causes of low efficiency.

Fairlie (2008) further indicated that Mexican immigrants generated a considerable amount of income and business formations in the United States. Additionally, he indicated that other immigrants from around the world were also sources of U.S. business formation, ownership, and income. Wang (2013) noted that many immigrants from Asia, Africa, and Latin America have created an increased need for ethnic products; many new ethnic entrepreneurs have appeared to satisfy this increase in demand. Some of these new entrepreneurs are African business owners operating small firms in major U.S. metropolitan areas. For example, Ethiopians and Eritreans in Washington, DC (Belay, 2013; Holm, 2015; Showalter, 2010), Senegalese in New York City (Lining, 2012), and Somalis in Minneapolis (Corrie & Radosevicch, 2015) have established growing business communities. However, despite their increased entrepreneurial activities and significant contributions to local economies, these immigrant entrepreneurs have not yet received due attention in the literature, and the U.S. Census statistics. In light of these oversights, I conducted this study to make a contribution to the literature and thereby draw the attention of researchers to these entrepreneurs.

It would be difficult to undertake a representative study of all African entrepreneurs, because African immigrants come from diverse socioeconomic and cultural backgrounds. Hence, in this study, I focused only on Ethiopian and Eritrean immigrant entrepreneurs (EEIEs) in the Washington, DC metropolitan area (WMA). The two communities have similarities in languages and cultures, and share common historical experiences. Most started migrating to Europe and North America in the mid-1970s to escape from despotic rules in Ethiopia (Holm, 2015) and the brutal war waged against the independence movement in Eritrea. Migration subsided after the downfall of the military regime in Ethiopia and the independence of Eritrea in 1991. However, as a result of the 1997-2000 Ethio-Eritrea border war and the oppressive system in Eritrea, many Eritreans began migrating to different parts of the world. In the following sections of this chapter, I discuss the background, problem statement, purpose, assumptions, and research questions of this research. Furthermore, I will present the definitions, scope and limitations, nature, and significance of the study. Chapter 1 concludes with a summary of key points and an overview of the remaining chapters of the study.

### **Background to the Study**

Researchers have indicated that, historically, immigrant entrepreneurs have made significant contributions to the socioeconomic development of many Western countries (Hermes & Leicht, 2010; Volery, 2007; Waldinger et al., 2006). In the United States, individuals born abroad have been engaged in small businesses since 1880, and have played an important role in its economic progress (Volery, 2007). In Western Europe, immigrant entrepreneurship developed only after World War II by immigrants who were brought to Europe as a workforce for the rehabilitation of the war-damaged economies. As time went by, these immigrants formed ethnic



communities that became the breeding ground of entrepreneurs seeking to satisfy the demand for their ethnic goods and services (Volery, 2007).

Since the 1970s, industrialized countries in Western Europe and North America have been experiencing a continuous influx of migrants from different regions of the world. In the last two decades, scholars have observed an increasing trend of immigrant self-employment along with the growth of migration. Intrigued by this dynamic development, numerous West European and Canadian authors have conducted studies on immigrant entrepreneurship (e.g., Hermes & Leicht, 2010; Lo & Taxeira, 2015).

Similarly, in the United States, several scholars (e.g., Bonacich, 1973; Chacko & Price, 2015; Fairlie, 2008; Portes & Shafer, 2006; Waldinger et al., 2006) have carried out studies on this development. The focus of most of these studies seeks explanations for the motives of self-employment. Some authors proposed push factors (e.g., labor market constraints) as the causes of immigrant self-employment, whereas others suggested pull factors (e.g., business opportunities). Examples of these theories are the enclave theory by Wilson and Portes (1980) [as cited in Portes & Shafer, 2006], the disadvantaged theory, the cultural theory by Masurel et al. (as cited in Volery, 2007), the resource-based theory (Shinnar, Aguilera, & Lyons, 2011), and the national culture and social capital theory (Chand & Ghorbani, 2011).

The theories mentioned above have provided some insight into the causes and motives of immigrant entrepreneurship, but failed to explain this social phenomenon adequately because they focused only on a single factor. Authors who were critical of this unidimensional approach have sought other explanations and developed alternative theories with broader perspectives. For instance, Waldinger et al. (2006) conceptualized the interactive model of ethnic business

development (IMEBD). The IMEBD analyzes the interaction of multiple factors that influence the development of immigrant entrepreneurship. The authors argued that the success of an ethnic enterprise depends on the interaction between opportunity structures and group resources. In this model, opportunity structures consist of market conditions, access to ownership, job market conditions, and legal frameworks. Group resources address ethnic cultural traditions and ethnic social networks (Waldinger et al., 2006). Volery (2007) developed the enhanced interactive model in the context of entrepreneurship (EIMCE) by adding an entrepreneurship dimension to IMEBD. Both of these interactive models appear to capture the factors that affect immigrant entrepreneurship. For this reason, I used these models as the conceptual framework to guide and inform this study.

### **Problem Statement**

In the last three decades, Ethiopian and Eritrean immigrant entrepreneurs in the Washington, DC metropolitan area have demonstrated an increasing trend of business formations and activities. Despite these achievements, the majority of them have not been able to grow and diversify their businesses beyond their coethnic markets. These East African immigrants began settling in the Washington, DC area in the 1970s. Kebede (2012) described the migration causes and the life experiences of Ethiopian immigrants in their host country. According to various sources, the number of Ethiopian and Eritrean- immigrants in the WMA ranges between 60,000 and 250,000 (Holm, 2015; Showalter, 2010). Chacko and Price (2015) noted that, in 2011, Ethiopian and Eritrean immigrants were the 10th largest foreign-born group in the Washington area. As a whole, these immigrants are not ethnic groups known for their entrepreneurial tendencies in their home countries. However, they have used entrepreneurship as an adaptive

strategy to cope with structural and linguistic barriers in the urban labor market of their host country (Chacko & Price, 2015).

Ethiopian and Eritrean immigrants began engaging in entrepreneurial activities in the 1980s by opening ethnic restaurants and retail stores in the neighborhood of Adams Morgan, Northwest Washington, DC (Holm, 2015; Showalter, 2010). This corridor soon developed into an ethnic market and a socialization center for Ethiopians, Eritreans, and other Africans living in the surrounding area. However, as an increasing number of other ethnic and nonethnic small businesses entered the market, landlords began raising leases to unbearable levels. Consequently, many Ethiopian and Eritrean business owners shifted their entrepreneurial activities to a near-by abandoned area in the historical Shaw District, located in the northwest U Street corridor of the city (Holm, 2015). The opening of ethnic restaurants and stores by these pioneer entrepreneurs helped the revival of part of Shaw District and enticed the flow of many other ethnic and nonethnic businesses into the area. At present, the U Street Corridor is one of the liveliest dining and entertainment zones in the District of Columbia (Holm, 2015; Showalter, 2010).

In spite of these achievements, currently, many Ethiopian and Eritrean owned businesses in this location are facing the threat of business failure caused by intense competition, exorbitant lease increases, and lack of market diversification on their part. In recent years, many EEIEs have shifted their business formation activities more to the outskirts of Washington, DC probably as a result of the above cited market conditions. The majority of these new enterprises are concentrated in certain locations of Silver Spring in Maryland, and Falls Church in Northern Virginia, close to where numerous Ethiopians and Eritreans reside. Like their predecessors, most

of the new entrepreneurs are engaged in similar low profit-margin trade lines, targeting the same narrow coethnic clientele base.

Out of the total estimated number of 1,200 EEI-owned small businesses in the metropolitan area, only a few entrepreneurs have ventured out of their comfort zones into the broader noncoethnic markets. Exceptionally, a small number of EEIEs have become successful by owning parking places, gas stations, convenience stores, and professional service businesses. The majority of the firms, however, are suffering from stagnant growth and declining profit margins as a result of intense competition in the coethnic market. This situation poses the threat of business failures and closures for many of these ethnic firms. Such an adverse outcome could negatively affect the livelihood of business-owners, the jobs of their employees, and the revenue to suppliers and local governments. Moreover, the aggregated effect of these events could have an adverse economic and social impact in the WMA. Hence, there is a clear need to conduct a study to uncover the barriers to growth and market diversification of these businesses, and to recommend solutions.

The research was also necessary in order to narrow the research gap in immigrant entrepreneurship literature concerning African immigrant-owned businesses. The literature is replete with studies of the successes and failures of Asian and Hispanic immigrant entrepreneurs in the United States. However, excepting a few studies, research on the business experience of Ethiopian and Eritrean immigrants in the United States were not found in the literature review. From this finding, I conclude that there is a knowledge and research gap on the entrepreneurial activities of Ethiopian and Eritrean immigrants in the United States. Tesfom (2006) came to a similar conclusion based on the findings of his study on East African immigrant entrepreneurs in

Seattle, Washington. Therefore, the other objective of this study was to make a contribution to the body of literature on immigrant entrepreneurship.

### **Purpose**

The purpose of this study was to conduct a qualitative case study of the EEI-owned businesses in the WMA and to achieve the following two objectives: First, to identify the growth and market diversification barriers of these firms; second, to propose organizational and public policy remedies that may alleviate the identified impediments and promote the growth and expansion of these businesses.

### **Research Questions**

The central question examined in this study was: Why do EEI-owned businesses in the WMA exhibit growth problem and diversification shortcoming into noncoethnic markets? To seek answers to this phenomenon, I investigated the following four subquestions:

1. What factors inspired or caused EEIEs to start-up their businesses?
2. Why do most firms owned by these entrepreneurs operate only in their coethnic markets? What are the barriers to their growth and the diversification of their businesses into noncoethnic markets?
3. What management and organizational tools can be applied to remedy these barriers and enhance growth and market diversification of these businesses?
4. What public assistance programs can be utilized to promote the economic development of these business communities?

## **Conceptual Framework**

I formulated the conceptual framework of this study by synthesizing various theoretical perspectives concerning the business development problems of immigrant-owned firms discussed in the literature review of this study. The cornerstones of the conceptual framework of this research, however, are two related multidimensional models: the (IMEBD) and the (EIMCE). These models were instrumental in describing and analyzing the complex interactions of factors believed to influence the business development of ethnic entrepreneurship. The key dimensions identified by IMEBD are opportunity structures and group resources dimensions. In this model, opportunity structures consist of market conditions, access to ownership, job market conditions, and legal frameworks, whereas group resources dimensions address cultural traditions and ethnic social networks. Volery (2007) enhanced IMEBD by adding an entrepreneurship dimension, that is, the ability of entrepreneurs to recognize, evaluate, and exploit opportunities.

I used these models as the conceptual framework of this investigation because they provide a holistic approach. I also enlisted this conceptual framework to formulate the theoretical propositions of this research (presented in Chapter 3).

### **Nature of Study**

According to Merriam (1998), using the qualitative method of inquiry is appropriate when the objective of an investigation is an in-depth exploration of an issue or problem about a population. In this research, I used a qualitative case study approach to obtain an in-depth understanding of the business development problems of EEI-owned firms in the WMA. For the collection of data, I selected participants from the EEIE population in the area by applying a

purposeful sampling method. I gathered data by employing a semistructured interview approach and consulting complementary sources such as documents and online resources. I analyzed the collected data with the help of NviVo 10 qualitative data management software, and the application of pattern matching technique. I will discuss this part of the research in detail in Chapter 3.

## **Operational Definitions**

### **Entrepreneurs**

In the literature of management, the term *entrepreneur* has been defined in different ways. Some authors make distinctions between the terms *business owner* and *entrepreneur* because the later has unique and innovative functions (Waldinger et al., 2006). The authors further noted that prominent economists and sociologists were unable to work with this distinction. Waldinger et al. operationally defined entrepreneurs "as owners/operators of business enterprises" (p.17). In this study too, the terms entrepreneur and business owner were used interchangeably following this definition.

### **Ethnic and Immigrant Entrepreneurship**

Waldinger et al. (2006) defined *ethnic business* as "a set of connections and regular patterns of interaction among people sharing common national background or migration experience" (p. 33). This definition implies that ethnic entrepreneurs could either be immigrants or native minority groups. However, according to Volery (2007), the term *immigrant-entrepreneurs* refers only to individuals who immigrated to the developed countries over the past few decades and started a business there. Although many authors in the literature use the terms

ethnic entrepreneurs and immigrant entrepreneurs interchangeably, for the purpose of clarity, I used only the term immigrant entrepreneurs in this study.

### **Ethiopian and Eritrean Immigrant Entrepreneurs (EEIEs)**

The term *Ethiopian and Eritrean immigrant entrepreneurs* refers to first-generation migrant business owners coming from Ethiopia and Eritrea. The two countries are located in northeast Africa. Ethiopians and Eritreans share common geographical boundaries and historical experiences. They also have some cultural similarities and language commonalities.

### **Washington Metropolitan Area (WMA)**

The *Washington Metropolitan Area* comprises certain areas of the District of Columbia, Virginia, and Maryland. The U.S. Office of Personnel Management defined it as an area consisting of the District of Columbia, Montgomery and Prince Georges Counties in Maryland, Arlington County, Fairfax County, and the Cities of Alexandria and Falls Church in Northern Virginia (USLegal, 2015). In some sections of this study, I have also used the term *Washington, DC area* as a synonym for *Washington metropolitan area*.

### **Assumptions**

I conducted this study under the following assumptions. First, I assumed that the interview participants would accurately and candidly provide information regarding their businesses, business experiences, and future perspectives. This assumption is important because incorrect information could lead to mistaken interpretation of results. Second, based on my personal observation and experience, I assumed that the majority of firms owned by EEIEs in the WMA are not growing and diversifying their businesses into noncoethnic markets.



### **Limitations**

Qualitative case studies are powerful in delivering rich in-depth pictures of the phenomenon under investigation. However, their ability to generalize outcomes to larger groups or populations is limited because they use small-sized samples (Merriam, 1998). Likewise in this research, I used a small purposefully selected sample of interview participants, thus limiting its potential to provide general statements from its findings. Nonetheless, the findings could be useful as reference points for conducting studies on immigrant-entrepreneurs in other U.S. metropolitan areas. Additional limitation of this study is the lack of dependability of the outcomes. Qualitative studies are conducted in the natural setting of the participants and are difficult to replicate in other environments.

Another limitation of this study is the sample selection bias that might have occurred from the purposeful sampling method used (Merriam, 1998). To minimize the occurrence of such biases, in this investigation, I applied a triangulation technique in the data collection process. In addition to conducting an interview, I used multiple sources of information (e.g., printed documents, electronic sources, and observations).

### **Scope and Delimitation**

I limited the scope of the research to first-generation EEIEs living in the WMA. I focused on the experience of small firms owned by these entrepreneurs engaged in certain trade lines and services. I excluded from the study EEI-owned medium- and large-sized firms, and transnational business activities conducted by them.

### **Significance of the Study**

The focus of research on recent immigrant entrepreneurship in the United States has been mainly on the business start-ups and the progress of Asian and Hispanic immigrants.

Furthermore, researchers in this field have paid more attention to the motives of immigrant engagement in self-employment than to business development issues of immigrant-owned small businesses.

Against this backdrop, this research will have significance in the following areas. First, the findings of the investigation will assist EEIEs in recognizing the barriers that hinder the growth of their businesses and the measures of overcoming them. Successful implementation of the proposed managerial and organizational measures may lead to improving the growth potential and job and income creation abilities of these firms. As a result, the community in the area could benefit from increased employment and income-generation opportunities. Second, this research endeavors to make a contribution to the literature on immigrant entrepreneurship. It provides an insight into the entrepreneurial activities of Ethiopian and Eritrean immigrants in the WMA, and into their positive social change contribution to the communities in the region. Third, this study can serve as a reference for future studies seeking further understanding of the management and business development problems of small immigrant-owned firms. So far, this subject has received little or no attention in the literature. Moreover, the findings and recommendations of this study might provide new insights for policy makers and agencies in the economic development of immigrant- and minority-owned businesses in the Washington metropolitan area.

## **Chapter Summary and Transition**

In this chapter, I discussed the main elements of this qualitative case study. I presented an overview of the growing recognition the research community is granting to the positive contributions immigrant entrepreneurs are making to their host countries. Furthermore, I addressed the purpose of conducting the study and the significance of the study. In addition, I explained the conceptual framework guiding the investigation, and the assumptions that underlie the research.

Chapter 2, the literature review, analyzes and synthesizes the various literatures surrounding immigrant entrepreneurship. The aim was to gain better understanding of the subject matter and to identify a conceptual framework that will guide the research design and methodology of this study (Yin, 2009). Chapter 3 discusses the research method used for the investigation in this study, focusing on the research design strategy, the sampling technique, and the methodology of data collection and analysis. Chapter 4 presents the outcome of the data analysis and the findings of the examination. Chapter 5 interprets the findings and enumerates action proposals, social change implications, recommendations for further studies, researcher's reflections, and a concluding statement.

## Chapter 2: Literature Review

The purpose of this study was to identify the growth and market diversification barriers of EEI-owned businesses in the WMA, and to recommend managerial and organizational remedies. The objective of the literature review in this chapter is to explicate the nature of immigrant entrepreneurship, the factors that affect immigrant business development, and the experience of other immigrant entrepreneurs. The literature review was also instrumental in formulating the conceptual framework that informed this study, and in identifying the methodology for examining the research questions.

The literature review begins with a brief presentation of recent growth in immigrant entrepreneurship in developed countries and its social change implications for their economies. Following this, I present a critical assessment of the various immigrant entrepreneurship theories. Based on this critical analysis and synthesis of some of these theories, I discuss the conceptual framework of this research and its application to the study of the business development problems of the subject firms. Similarly, I present the literature review conducted on various research methods and approaches, for the purpose of identifying the appropriate research method for this study. In the last section of this chapter, I discuss the experiences of Chinese, Korean, Indian, and Cuban immigrant-entrepreneurs in the United States, and their relevance to the business development of EEI-owned firms. In addition, I will present the growth of immigrant entrepreneurship in selected European countries and Canada, and the relevant lessons drawn. I conclude the chapter with a summary of the main points discussed in the review.

## **Literature Search Strategy**

The literature search was conducted by employing the following strategy. To overcome the research scarcity on EEIEs, I reviewed the literature on the experiences of other recent immigrant entrepreneurs in the United States and drew lessons relevant to the subjects of this study. I gathered information for the literature review from books, peer-reviewed articles, dissertations, journals, and electronic resources. I used the electronic resources of Walden University's Library, resources of the Library of Congress, Google Scholar, and other scholastic websites. To conduct the search, I used the keywords and phrases *entrepreneurship, ethnic entrepreneurship, immigrant entrepreneurship, minority business development, African immigrant entrepreneurs, Ethiopian and Eritrean entrepreneurs, social capital, social network, organizational support system, and management of business development.*

### **Immigrant Entrepreneurship and the Impact on Social Change**

#### **Research on Immigrant Entrepreneurship**

Until recently, ethnicity has not been given adequate attention in the research on entrepreneurship and management. Consequently, the role played by immigrant entrepreneurship in shaping modern economies has not been well understood (Stiles & Galbraith, 2004). According to Dhingra and Parker (2015), the major obstacle to this knowledge gap has been the prevalence of neoclassical economic theory and its assumption of assimilation hypothesis. This hypothesis assumes that every producer and consumer participates in the general economy irrespective of ethnicity, disregarding the existence of unique markets. Pioneer researchers such as Bonacich (1973) and Waldinger et al. (2006) among others, were critical of the neoclassical assimilation theory. These and other researchers developed alternative theories (e.g., middleman

theory, enclave theory, social embeddedness), which led to the formation of the field of ethnic economics and the study of immigrant entrepreneurship.

The research in immigrant entrepreneurship started with the middleman minority theory developed by Bonacich (1973) and other authors. Over time, the research interest in immigrant entrepreneurship has gone beyond middleman minorities to address the business development and economic independence of immigrants and ethnic minorities, in general (Ma, Zhao, Wang & Lee, 2013). However, because most of these scholars were sociologists and anthropologists, the subject of immigrant business management did not receive adequate attention. Chrysostome and Lin (2010) indicated that studies concerning management perspectives of immigrant entrepreneurship are very limited, and many aspects of this topic are still unknown and require further study. Brzozowski (2015) remarked that despite its rapid growth, this field of study still exhibits some limitations. The focus of most research was on few countries and ethnic groups; the number of theoretical concepts developed to understand the phenomenon was modest; and the number of quantitative approaches used is small (Brzozowski, 2015). He further mentioned the lack of research in less populated geographical locations, disadvantaged and marginalized ethnic groups, successful intentional immigrant entrepreneurs, and the role of gender, as additional shortcomings.

Over subsequent years, several authors have undertaken studies in various aspects of immigrant entrepreneurship and have changed the focus to contemporary issues affecting ethnic firms. For instance, Wang and Altinay (2012) examined the relationship between the access to various networks and the growth of ethnic businesses. Masurel, Nijkamp, Tastan, and Vindigni (2012) studied the performance trends and motivations of immigrant firms. Chen, Tan, and Tu

(2015) examined the effect of gender differences in social networks, voluntary associations, Internet use, and transnationalism on business performance. Schiller and Caglar (2013) applied an urban-based approach that examined migrant businesses within the framework of the socioeconomic activities and relationships in cities. Azmat and Zutshi (2012) conducted an exploratory study on factors affecting the corporate social responsibility behavior of immigrant entrepreneurs. Irastorza and Pena (2014) examined the viability of immigrant entrepreneurship as a path to social mobility by comparing the earnings of self-employed versus salaried immigrants. Ojo, Nwanko, and Gbadamosi (2015) conducted studies on ethnic marketing along the lines of the assimilation theory focusing on ethnic entrepreneurs in the United Kingdom. Tomas (2012) performed market research on webnovelas or telenovelas for the web and its popularity among Hispanic immigrants in the United States.

Moreover, Robertson and Grant (2016) examined the influence of social psychological factors on business decisions of immigrant entrepreneurs in Canada. Cruickshank and Dupuis (2015) conducted a research on adaptation strategy of immigrant entrepreneurs. Legros, Karuranga, Lebouc, and Mohiuddin (2013) studied the influence of ethnic entrepreneurship on social integration of immigrants and the host society's economic performance. Toussaint-Comeau (2012) conducted a research on the influence of ethnic social network on self-employment. Carbonell, Hernandez, and Garcia (2014) investigated the relationship between the education level of entrepreneurs and business performance. Munkejord (2013) addressed rural and gender gaps in immigrant entrepreneurship literature. Wahlbeck (2013) examined the ability of migrant entrepreneurs in establishing businesses in countries (e.g., Finland) with small and geographically dispersed immigrant population by applying the mixed embeddedness model.

Evans (2012) studied the ethnic enterprise governance by using a public choice analysis. In spite of the wide research conducted on various topics, the management aspect of immigrant entrepreneurship still remains an underexplored field. It is for this reason that I focused in this research on issues related to the management of immigrant-owned small businesses.

### **Growth of Immigrant Entrepreneurship and Impact on Social Change**

In recent decades, the number of immigrants to Western countries has increased tremendously. According to Sequeira and Rasheed (2004), "Political or religious persecution at home and economic opportunities abroad provide push and pull factors that trigger large-scale immigration across vast distances" (p. 78). Research has indicated that with the increased flow of immigrants to Europe and North America, the number of self-employed immigrants has showed an increasing trend. Moreover, the studies revealed that self-employed immigrants are making significant contribution to the economies of these countries (Fairlie, 2008; Liu, 2012; Volery, 2007). To support this assertion, I cite some statistical information that illustrates the growth of immigrant entrepreneurship and its positive contribution to the U.S. economy.

Immigrants in the United States constituted 12.5 % of all business owners and tended to settle in few states. Immigrants comprised 30 % of all business owners in California, 25 % in New York, and more than 20 % in New Jersey, Florida, and Hawaii (Fairlie, 2008). Furthermore, 16.7 % of all new business owners in the United States were immigrants, and immigrants were 30 % more likely to start a new business than the natives were (Fairlie, 2008). Besides these business formation contributions, immigrant entrepreneurs have also participated in the creation of jobs and generation of income.



According to the U.S. Survey of Business Owners (SBO) (U.S. Census, 2007), out of the total number of 27.1 million firms in the United States, 3.9 million or 14.4 % were businesses owned by Asian, Hispanic, and other races. These firms hired 4.8 million paid employees, and generated total business receipts of \$859.1 billion. When compared to 2002, the firm ownership for Asians increased by 40.7%, and 43.6% for Hispanics. The Asian-owned firms generated business receipts of \$513.9 billion, whereas the Hispanic-owned firms produced \$345.2 billion in receipts. When compared to the 2002 level, this is an increase of 57.3% and 55.5%, respectively. I generated the above comparisons by using figures from SBO (U.S. Census, 2007).

In addition to these economic contributions, the growth of immigrant entrepreneurship in the United States has impacted positive social change in other vital areas. Immigrant entrepreneurs have pioneered revitalizing rundown neighborhoods, enriching cultural diversity, building productive ethnic communities, and producing role models for second-generation youth (Chrysostome & Lin, 2010). These social change impacts are more noticeable in the geographical locations where immigrant entrepreneurs dwell in high concentration. Examples are the metropolitan areas of Los Angeles, San Francisco, New York, New Jersey, Chicago, Miami, Atlanta, Seattle, Minneapolis, and Washington, DC (Piperopoulos, 2012; Tesfom, 2006). In the following section, I discuss the theoretical perspectives advocated by various authors regarding the factors that have triggered the increasing trend of immigrant self-employment.

### **Factors that Trigger the Growth of Immigrant Self-Employment**

Individuals may undertake entrepreneurial endeavors and be self-employed out of the desire to be independent, improve their social status, create new products, follow a family tradition, or as a reaction to labor market constraints (Skandalis & Liangaros, 2012). Some

people are more likely to become business owners than others because of they possess entrepreneurial characteristics such as risk taking and the determination to create a new enterprise (Lofstrom, Bates, & Parker, 2014; Subramanian, Gopalakrishnan, & Thayammal, 2012). Bates and Robb (2014) stated, "The choice between working as an employee and owning a business is influenced by prevailing constraints and opportunities" (p. 2844). In the case of minority- and immigrant-owned small businesses, however, dynamic social or economic push and pull factors have shaped these choices (Bates & Robb, 2014; Knight, 2015; Liargovas & Skandalis, 2012). Push factors tend to drive immigrants from employment into self-employment, whereas pull factors entice immigrants into entrepreneurship or self-employment.

Rubach, Bradley and Kluck (2015) used the terms *necessity-entrepreneurs* and *opportunity-entrepreneurs* in lieu of push and pull factors to describe immigrants' motives for entering into self-employment. Quan (2012) applied the constructs *impulsive entrepreneurial intention* and *deliberate entrepreneurial intention*. William and Williams (2014) criticized this dichotomy of motivations as a misleading way of categorizing entrepreneurs. They argued that motivations change over time and entrepreneurs are frequently driven by both necessity and opportunity factors. Dawson and Henley (2012) pointed out that there are "conceptual ambiguities inherent in categorizing motivations as either pull or push" (p. 697). This brief review of the literature around this subject indicates that there are different perspectives on the motivations of immigrant entrepreneurs' to self-employment. The contending theories are the cultural traits (cultural hypothesis), the theory of labor market discrimination or blocked mobility, resource-based theory, and theories of structural opportunities. I will present a brief discussion of these theories in the next section.

## **The Cultural Theory**

According to cultural theory, traits like religious belief, family ties, social network, frugality, work ethics, aspiration to succeed, and special skills explain the orientation of some ethnic groups towards entrepreneurship (Hofstede, 1980; Piperopoulos, 2012; Wang, 2014). For instance, Hofstede (1980) asserted that greater opportunities for entrepreneurship exist in long-term oriented cultures such as Korea, Taiwan, China, and Japan. Several authors have stressed the influence of culture on entrepreneurship from different perspectives (Rueda-Amengot & Peris-Ortiz, 2012; Wang, 2014). Some focused on the impact of national culture on aggregate measures of entrepreneurship and economic development (e.g., Foreman-Peck & Zhou, 2013; Linan & Fernandez-Serrano, 2014; Ma & Todorovic, 2012). Others concentrated on the correlation between national culture and individual traits, and the impact of national culture on corporate entrepreneurship (e.g., Li & Zahra, 2012; Linan, Fernandez, & Romero, 2013).

Critics of the cultural thesis criticized the assumptions that bestowed culture a dominant and influential role in entrepreneurship. For instance, Portes and Yiu (2013) argued out that the cultural theory ignored the diversity in national and religious backgrounds of entrepreneurial-oriented groups. The authors argued that minorities that are successful in business like Jews, Arabs, Iranians, Asians, and Europeans come from different nations and worship various religions. Their religions range from Judaism, Islam, Catholicism, Protestantism, and Greek-Orthodoxism to Buddhism and Shintoism.

Scholars, such as Ibrahim and Galt (2012) criticized the idea of evaluating the success of ethnic businesses solely on static cultural grounds and ignoring socioeconomic conditions in the host country. Additionally, the authors criticized the cultural theorists' view that national culture

plays an important role in influencing entrepreneurship across countries. Ibrahim and Galt (2012) contended that such a view ignored the existence of different cultural groups within a country, each of which exhibited different entrepreneurial behaviors. To elucidate the above argument, I will cite one of my observations in the society in which I grew up.

In Ethiopia, where numerous ethnicities exist, some ethnic groups (e.g., the Gurages and Aderes) played a relatively dominant role in the 1960s and 1970s in the commercial business activities of the capital city, Addis Ababa. Similarly, during the same period, the Jeberti and Tigre ethnic groups in neighboring Eritrea exhibited more engagement in commercial activities than other ethnic groups. I mention these examples to show the existence of subcultures that have different perspectives on entrepreneurship within countries. Since 1991, the political and socioeconomic environments in Ethiopia and Eritrea have changed tremendously. These changes have impacted the attitude of the people towards entrepreneurship. Now it is common to see people coming from different ethnicities engaging in various entrepreneurial activities. These entrepreneurial engagements are more visible in Ethiopia, where policies that encourage and promote entrepreneurship and investment have been implemented. In Eritrea, however, the economy is totally dominated by state-owned firms, and the government economic policies are not friendly to entrepreneurs and investors. Further studies are needed to fully understand the impact of these changes on the cultural and entrepreneurial behavior of the people.

### **Blocked Mobility and Recession-Push Theories**

The blocked mobility or disadvantaged theories postulate that immigrants engage in self-employment because of constraints that restrict their access to the labor market. Advocates of these theories (e.g., Chacko Price, 2015; Liu, 2012; Zelekha, 2013) argued that four factors

hinder immigrants from accessing the labor market: (a) unwillingness of employers to hire immigrants or minorities (discrimination), (b) difficulty for applicants to meet required educational and other qualifications, (c) depreciation of prior human capital, and (d) language barriers. Because of these barriers, immigrants choose self-employment to avoid racial discrimination in the host country's labor market, which forces them to accept low-paying jobs and blocks upward mobility. Proponents argue that immigrant self-employment is partly a reaction to discrimination and an alternative vehicle to achieve social mobility.

Advocates of the recession-push theory (e.g., Catron, 2014; Liu, 2012) asserted that numerous immigrants find themselves economically marginalized and disproportionately affected by structural changes in their host countries. The authors contended that under these unfavorable circumstances, self-employment becomes an alternative route out of unemployment and poverty. To achieve these goals immigrants mobilize family resources and knowledge acquired in their home country. In an empirical study of Mexican immigrants in the United States, Catron (2014) reported that Mexican immigrants were more likely to become self-employed in bad economic times and less so in good times.

Other authors, for instance Inal, Al-Ariss and Forson (2013), have criticized the above assertions and argued that self-employment should be viewed as a career strategy employed by immigrants to constructively resist discrimination. Martinez, Saiz-Alvarez, and Martinez (2013) pointed out that the disadvantaged theory is not fully applicable when examining entrepreneurship in a south-to-south migration situation. The authors argued that immigrant entrepreneurship in developing countries is more of a necessity-based strategy to adapt to the internal economic situation of the host country than a reaction to discrimination.

## Theories of Structural Opportunities

As discussed above, advocates of blocked mobility and disadvantaged theories have explained the increasing trend of immigrant self-employment by using the push factors argument. Proponents of structural opportunity theories, however, instead used the pull factors argument to explain the increasing trend of the self-employment of immigrants. Some authors (e.g., Crocket, 2013; Subramanian & Sundarajab, 2015) argued that business opportunities in the host countries and prospects of higher earnings played part in compelling immigrant entrepreneurs toward self-employment. Subramanian and Sundarajan (2015) contended that most immigrant entrepreneurs are not turning into entrepreneurship out of necessity; they are moving into self-employment because they have the interest and the propensity to recognize business opportunities. Waldinger et al. (2006) pointed out that globalization and international competition had indirectly contributed to the increase of immigrants' self-employment. In the following section, I present the three structural opportunity theories discussed in the literature: the middleman minority theory, the ethnic enclave theory, and the model of structural change.

**Theory of middleman minority.** Bonacich (1973) developed the theory of *middleman minority* based on the work of other authors who wrote the initial thoughts on the subject. The model describes the role that minority entrepreneurs play as intermediaries between a dominant high status social group and minority marginalized racial or ethnic groups. Bonacich (1973) noted that middleman entrepreneurs also often worked as brokers between producers and consumers, employers and employees, and tenants and landlords. Historically, many ethnic groups have played the middleman role in different parts of the world, examples are Jews in Europe, Chinese in Southeast Asia, Asians in Africa, Armenians in Turkey, Parsis in India, and

Japanese and Greeks in the United States (Bonacich, 1973). Even today, immigrant groups are still playing the middleman-minority role in many major U.S. metropolitan cities (Liu, 2012, Waldinger et al., 2006). Examples are Africans, Chinese, Indians, and Koreans. In recent years, however, middleman minority entrepreneurs have expanded their businesses into affluent urban neighborhoods and middle-class suburbs. They have also shown their presence in the secondary as well as primary sectors of the host country's mainstream economy (Basu, 2011).

The middleman theory provided some insights into the factors that trigger the growth in self-employment of immigrants. Critics of the middleman theory such as Portes and Shafer (2006), however, indicated that the model could not provide adequate explanations for the unique circumstances of the various groups of immigrant entrepreneurs in the United States. To explain the unique circumstances of Cuban immigrant entrepreneurs in the United States Portes and Shafer elaborated the concept of the ethnic enclave.

**The ethnic enclave theory.** The concept of the ethnic enclave described a distinct form of economic adaptation by immigrants who organize various businesses to serve their ethnic market and the general population in a concentrated area (Portes & Shafer, 2006). Although enclave economies traditionally developed in metropolitan urban landscapes, recent studies have shown that they are emerging in some U.S. suburban areas as well. Hoalst-Pullen, Slinger-Friedman, Trendell, and Patterson (2013) reported that such a development has been taking place in the “Nuevo South defined as the states in the Southern US experiencing a dramatic growth of Latinos” (p. 311). Unlike middleman minority entrepreneurs, ethnic enclave business owners have a common ethnicity and residential area with their clientele. Proponents of the enclave model assert that it is in the best interest of immigrant entrepreneurs to open businesses within

their community. First, the immigrant entrepreneurs know the needs and culture of their coethnic consumers. Second, business start-ups in enclave communities demand low financial and human capital. Third, the availability of cheap labor in enclaves creates an opportunity for a higher profit. Fourth, immigrants gain benefits from residing in locations that provide interaction with familiar culture, language, and social activities. Fifth, the enclave economy provides immigrants job opportunities that are more desirable than those available to them in the mainstream market. Sixth, successful entrepreneurs in the enclaves may act as role models for aspiring candidates (Guerra & Patuelli, 2014; Portes & Shafer, 2006). Pedace and Kumar (2014) criticized the last assertion and argued that enclave effects were heterogeneous and depended on the ethnic group and type of enclave.

The arguments presented by proponents of ethnic enclave theory might be plausible under some circumstances. Ethnic firms operating in a large immigrant community can build an economic and social base that enables them to compete in a nonethnic market (Portes & Shafer, 2006). To support this argument, the authors mentioned the experience of Cuban immigrants in southern Florida. Critics (e.g. Braymen & Nymotin, 2013; Waldinger et al., 2006) disputing these claims stated that locating a business in an area with a high concentration of immigrants may incur intense competition and difficulties in firm growth and expansion.

**Model of structural changes.** The model of structural changes postulates that the growth of immigrant self-employment is an outcome of internal and external structural changes in the economy of the developed host countries. Proponents of the model (e.g., Liu, 2012, Waldinger et al., 2006) argued that structural changes in the national economy created opportunities for new business owners. For instance, Korean immigrants entered into the nonethnic retail markets in



New York City, Chicago, and Philadelphia in the 1980s by exploiting such opportunities. Koreans replaced the old Jewish and Italian merchants who were not able to transfer their businesses to the younger generation (Waldinger et al., 2006). Furthermore, when the national economy transformed from a manufacturing to a service-based one, more service business opportunities became available. These opportunities offered immigrant entrepreneurs easy entry into the business areas of groceries, restaurants, personal services, and retail sales.

In recent years, franchising has opened for immigrants a new path of business growth beyond either enclave or middleman minority businesses. The success of Indian immigrant-owned businesses is an example of this new development (Dhingra & Parker, 2015; Parker, 2013). Moreover, immigrants from less-developed countries have begun entering into high-skill business start-up areas too (e.g., software services and business consultancy). This achievement was possible because of the increased levels of immigrants' education (Duleep et al., 2012).

To summarize, the literature review in this section revealed the motives and causes of immigrant self-employment in Western Europe and North America. Through this review, I identified various theories that seek to explain the factors that determine the success of immigrant-owned businesses. Some of these theories use a culturalist approach, and others employ a structuralist one. Both theoretical approaches can be useful in explaining the entrepreneurial behavior of some immigrants in Europe and North America. However, the application of these theories alone is not adequate to explain the behavior of all immigrants coming from different cultural, political, and socioeconomic backgrounds (Volery, 2007).

The cultural trait hypothesis may explain the entrepreneurial behavior and success of some Asian immigrants. The Chinese and Koreans who came to the United States to engage in

business might have been successful because of their cultural heritage of thrift, deferred gratification, and tight social network. However, the cultural hypothesis may not be applicable to the situation of other immigrants. Hispanic and African nationals who have migrated to the United States were either forced by civil wars and persecution or by acute economic crises in their home countries.

For example, Ethiopian and Eritrean immigrants began migrating en masse to Europe and North America in the mid-1970s. They migrated to escape the despotic regimes that ruled Ethiopia at that time, and the brutal war these governments waged against the independence movement in Eritrea. In the early 1980s, some Ethiopian and Eritrean immigrants opened small businesses in the United States with the aim of saving money and returning home when conditions improved. Today, the number of EEI-owned businesses in major U.S. metropolitan cities (e.g., Washington DC, Los Angeles, Seattle, and Atlanta) has significantly increased. As the above examples illustrate, researchers should be cautious when using these theories to understand immigrant entrepreneurship. In the following section of the literature review, I discuss various theories that have attempted to identify factors that promote or hinder the growth and development of immigrant businesses.

### **Theories of Factors Impacting Growth of Immigrant Businesses**

Researchers have presented various propositions on factors that either enhance or hinder the growth and expansion of immigrant-owned businesses. These theories can be categorized into two groups, unidimensional and multidimensional models. I discuss some of these theories in the following section.

## **Unidimensional Theories**

Unidimensional theories attempt to explain business performance of immigrant entrepreneurs by focusing on one factor alone. Some of the models concentrate on the influence of culture on entrepreneurship, and others on the role of networking and ethnic resources. The theories range from the culture disposition theory to the social network, social capital, and resource based view. As I have elaborated the culture disposition theory in earlier section, I discuss only the other two models.

**Social network and social capital theories.** Proponents of these theories have argued that networks play a central role in advancing organizational and individual goals. The network theory and the concept of social capital are of great value in informing and understanding business start-up and subsequent growth of immigrant entrepreneurship (Sequeira & Rasheed, 2004; Tata & Prasad, 2014). The two theories are related to one another. A social network is a composition of formal or informal sources. Formal social networks are business relationships of banks, lawyers, local government, organizations, and associations. Informal networks are relationships between family members, personal friends, and acquaintances.

In sociology these network types are classified as “weak ties” and “strong ties,” respectively. Social capital is the outcome of a social network, the degree of interconnection, and frequency of communication between the participants in the network (Sequeira & Rasheed, 2004). Tubadji, Kourtiti, and Nijkamp (2014) defined social capital as the level of trust among individuals that fosters their productivity or individual success. Chand and Ghorbani (2011) placed more emphasis on national culture as a determinant of social capital. They also recognized the role of economic factors in the formation of social capital. Sequeira and Rasheed

(2006) stated that immigrant entrepreneurs' strong network ties to their ethnic community may hinder the expansion of business to larger nonethnic markets. Gomez, Perera, Weisinger, Tobey, and Zinsmeister (2015) argued that the motivations of the entrepreneurs in the use of the social capital of their coethnic community, has an influence on the success of the immigrant businesses. The above discussion suggests the existence of a common understanding among scholars of the important role social network and social capital play in fostering immigrant business development, despite some differences.

***Social network theory and the stages of ethnic business development.*** Proponents of this theory such as Sequeira and Rasheed (2004) asserted that a successful immigrant-owned business passes through three stages of development. At the prestartup phase, an immigrant starts as an employee in the ethnic enclave. After acquiring the necessary skills and resources, the immigrant starts a business to pursue self-employment. Eventually, the entrepreneur may reach the growth stage by expanding horizontally to nonethnic markets. In some cases, the business development may even reach an international level through investments, possibly in the immigrant's country of origin.

Sequeira and Rasheed (2004) contended that the form of communication in the ethnic social network and the strength of the network tie determine the transition from startup stage to growth stage. The communication form could be either person to person or person to organization, and the degree of reliance on the network can be either weak or strong tie. Based on these criteria, Sequeira and Rasheed, and Tata and Prasad (2014) asserted that strong ethnic network ties and person to person communications were crucial at the startup stage. Because, the ethnic networks would help the immigrant entrepreneurs to obtain financial backing, family

support, and free or cheap coethnic labor. The authors warned that further reliance on strong ethnic network ties and person to person communication may hinder the expansion of immigrant firms beyond the enclave market. Hence, to enable the growth and expansion of their businesses into noncoethnic market, the immigrants should strive to be affiliated with organizations inside and outside their coethnic network (Sequeira & Rasheed, 2004).

Ortiz-Walters, Gavino, and William (2015) conducted a study on the social networking experience of Hispanic immigrant entrepreneurs. The authors reported that the majority of these business owners showed dismal venture performance due to their reliance on strong-ties in the coethnic network. The authors recommended building networking skills would be a valuable and critical asset for the growth of Latino businesses. In the following section, I discuss the resource-based view to show the importance of human capital to the development of immigrant firms.

**Resource-based theory.** As the above discussion indicated, past researchers have considered social network and social capital to be vital resources necessary for the startup and growth of immigrant firms. Other researchers (e.g., Jurevicius, 2013; Shinnar et al., 2011) highlighted the important role human capital plays in the development of these firms. The authors examined this relationship by applying the resource-based theory (RBT). The resource-based theory is a strategic management approach that aims at achieving competitive advantage by utilizing tangible and intangible resources inside an organization. Hence, to have a sustained competitive advantage and performance, the management of a firm must identify its strategically important resources. The resources must be valuable, rare, inimitable, and not substitutable (Greene & Chaganti, 2004; Jurevicius, 2013; Shinnar et al., 2011).

*Application of RBT to immigrant businesses.* Greene and Chaganti (2004) attempted to adapt the RBT to explain the development mechanisms of immigrant firms. Greene and Chaganti (2004) recognized the indispensable role social capital plays in starting and ensuring the survival of an immigrant business possessing a low level of human capital. However, the authors had doubts whether social capital alone could elevate an immigrant firm to a higher level of business outcome and growth.

To fill this gap, Greene and Chaganti (2004) proposed a modified resource-based model known as typology of ethnic entrepreneurial human and social resources. The model illustrates the interaction between social capital and human capital resources (level of education and managerial experience) and the resulting combinations of business outcomes. Based on the results of the interaction of the two resources, the authors asserted that a management strategy that uses a combination of human capital and social capital resources can have a significant effect on immigrant business development.

Hence, immigrant entrepreneurs with a high level of human capital and an ability to mobilize resources through their social capital in the community are most likely to be financially successful in their businesses. Such an outcome can be achieved by gradually building capacity in human capital in the firm and social capital in the firm's business environment. This capital-building process requires access to education, training, and network building in ethnic and nonethnic professional associations and organizations (Greene & Chaganti, 2004). Aligala-Isla and Rialp (2012) made similar arguments by analyzing the role information and experience play in the discovery of entrepreneurial opportunities.

Shinnar et al. (2011) also applied the resource-based theory to examine the effect of unique resources minorities have on the financial performance of minority businesses. In their model, Shinnar et al. considered the capability of minority entrepreneurs "to offer products from their home country only they are familiar with, or offer services in a native language or a culturally sensitive way" (p. 648), as a unique characteristic. The authors applied RBT and asserted that this unique characteristic provided minority entrepreneurs a tacit knowledge or human capital resource that is valuable, rare, inimitable, and nonsubstitutable by others. Based on this assumption, Shinnar et al. examined whether this unique knowledge of coethnic clientele presents a long-term competitive advantage for minority-owned firms or just a short-term one. Their findings showed that the possession of this tacit knowledge alone might give minority entrepreneurs a short-term competitive advantage but not a sustainable one, as suggested by previous RBT theorists (Shinnar et al., 2011).

The authors argued that minority entrepreneurs must consistently adapt their resources and venture out to pursue other market segments to achieve a sustainable competitive advantage. Shinnar et al. (2011) further recommended that minority entrepreneurs be sensitized to the importance of diversification of clientele and business location. Yang, Ho, and Chang (2012) also used the resource-based view in conjunction with transaction cost economics to explain how immigrant entrepreneurs leverage ethnic and personal resources to minimize costs and enhance business performance.

In the preceding section, I attempted to show various unidimensional theories that have sought to identify the factors that promote or hinder the growth and development of immigrant businesses. These models provided insights into some of the factors that may affect the growth of

these firms. However, due to the unidimensional characteristics of these theories, their ability to explain the multifaceted nature of immigrant entrepreneurship is limited. In the following section, I present multidimensional theories that utilize a holistic approach to analyze the dynamic interaction of factors that impact the success of immigrant businesses.

### **Multidimensional Theories**

**The triple plus model (TPM).** The TPM was developed to analyze the impact of social networks on entrepreneurship in a given economic, geographical, political, and cultural environment. Tesfom (2006) applied the triple plus model to examine the impact of social networks on the entrepreneurial drive of first-generation East African entrepreneurs in Seattle, Washington. Tesfom found the TPM to be a useful tool in the identification of factors that influence entrepreneurship. He confirmed the existence of a strong social network among East African entrepreneurs in the Seattle area. However, he did not find any evidence that this social network helped these entrepreneurs to mobilize resources and develop their businesses. In conclusion, Tesfom stated, "Our findings lend support to Granovetter's (1985) argument, that individuals may have an effective attachment to each other for its own sake" (p. 20). Tesfom suggested that further studies in other metropolitan areas are necessary before any generalization could be made based on this outcome alone. My study hopes to move us closer towards this goal by examining the experience of Ethiopian and Eritrean immigrant entrepreneurs in the Washington, DC, area.

**Multilevel spatial approach.** Wang (2013) proposed the multilevel spatial approach to study and understand the role geographic location plays in ethnic entrepreneurial processes. Wang argued that various geographic contexts provided different social, economic, political,



cultural, and regulatory environments to ethnic entrepreneurs. The interactions between the ethnic entrepreneurs, the social actors, and the social-spatial context have an impact on the entrepreneurial values, the perception of opportunities, and business performance of the actors. Lo and Texeira (2015) shared this view and stated that geographical location matters in theories of entrepreneurship. The authors contended that the social and or mixed embeddedness approach used for metropolitan cities may not be applicable to small- and medium-sized cities (SMCs), because such social relations or social capital may not be available in SMCs.

**The interactive model of ethnic business development (IMEBD).** Waldinger et al. (2006) conceptualized the IMEBD on the premise that a single factor alone cannot explain the success of immigrant entrepreneurship. As such, Waldinger et al. developed a three-dimensional model that analyzed economic, social, and cultural resources within one holistic and interactive framework. The three dimensions are opportunity structures, ethnic group characteristics, and ethnic strategies. The authors argued that the interactions between the opportunity structures in the host country and the group characteristics of the entrepreneur's ethnic community determined the outcome of ethnic business strategies. The opportunity structures consisted of market conditions defined as coethnic and nonethnic, access to business ownership, job market conditions, and government policies. The second dimension focused on ethnic resources, which were group characteristics representing cultural predispositions and ethnic social networks. Waldinger et al. argued that the interaction of these two dimensions generated the third dimension: strategies immigrant entrepreneurs ought to adopt to establish a viable business in an unfamiliar environment.

In the literature, the question of how and where to establish a viable and sustainable immigrant-owned business was a contentious subject. Waldinger et al. (2006) argued that immigrant entrepreneurs should start their business in their coethnic market to satisfy the special sets of needs and preferences they intimately know and share. The authors, however, cautioned of the adverse effects of a prolonged stay in the coethnic market. Waldinger et al. remarked "If the immigrant business stays limited to the ethnic market, its potential for growth is sharply circumscribed" (p. 23). The authors cited low barriers to market entry, small market size, and low-income base of ethnic communities as obstacles to business growth in ethnic markets. They contended that the low startup capital, cheap labor, low technical, and language skills requirements encourage the entry of many new firms into the market. Such a market access causes excessive competition, which leads to scanty returns and high business failure rates.

The authors further contended that due to the small size of most ethnic communities and the low income base, the capacity of the coethnic market becomes constrained to support all firms. Based on these arguments, Waldinger et al. (2006) concluded that the obstacle to the growth of ethnic firms operating in coethnic market is the ethnic market itself. Hence, the growth potential of immigrant businesses rests on their ability to reach out to customers beyond the ethnic community and expand into the mainstream markets. The observation of Waldinger et al. and Altinay (2012), among others, appears to describe well the current situation of most EEI-owned businesses in the WMA. As a remedy to the unsustainable business situation of many ethnic firms, Waldinger et al., and other authors have proposed strategies that assist immigrant firms enter nonethnic markets and grow their businesses. I will discuss these strategies in another section under a separate heading titled, Growth and Expansion Strategies of Immigrant Business.

In concluding the discussion over the interactive model of Waldinger et al. (2006), a brief presentation of its shortcomings and limitations is in order. Proponents of the enclave theory (e.g., Portes & Schafer, 2006) criticized Waldinger et al. for considering the ethnic market an obstacle of immigrant business growth. These critics argued that a community large in size can establish a viable ethnic enclave economy as exemplified by the Cuban immigrant community in South Florida. Vries (2014) suggested that more studies should be included to understand the impact of immigrants' engagement in their host country and their beliefs about the host country's impact on their entrepreneurship.

Other authors pointed out limitations of the IMEBD and made some modifications to the model. Kloosterman (2010) proposed a modified "mixed embeddedness" model by adding a social, political, legal and economic context to the interactive model. Basu (2011) stated that the IMEBD ignored the role socioeconomic resources (e.g., the level of the immigrant's education) play in stimulating entrepreneurial expansion. Volery (2007) noted that the interactive model failed to take into account entrepreneurial and managerial skills that enable entrepreneurs to recognize, evaluate, and exploit opportunities. To capture the role of these resources in the analysis of immigrant entrepreneurship, Volery modified the interactive theory of Waldinger et al. (2006). He introduced an entrepreneurship dimension into the model and developed the enhanced interactive model in the context of entrepreneurship (EIMCE). I discuss the EIMCE below because it will be the core of the conceptual framework of this study.

### **The enhanced interactive model in the context of entrepreneurship (EIMCE).**

Volery (2007) developed EIMCE by incorporating an entrepreneurial dimension into the interactive model of ethnic business development (IMEBD). The EIMCE attempted to capture

factors that have an influence on an immigrant entrepreneur's behavior and choices. It analyzed these factors within the framework of the business owner's ethnic and entrepreneurial dimensions. The ethnic dimension consists of factors only relevant to ethnic entrepreneurs, whereas the entrepreneurial dimension includes elements common to all entrepreneurs. In the model, Volery assumed that entrepreneurship dimension existed independent of the entrepreneur's ethnic, cultural, and religious background. The author also recognized that ethnic factors can have an influence on the entrepreneurial dimension. Volery further argued that the degree of influence exerted by ethnic dimension on entrepreneurial dimension depended on various factors. Examples are cultural differences between the host and home country, the degree of social integration of the ethnic group, and the entrepreneur's experience in the new environment.

In addition, Volery (2007) contended that besides ethnic dimension other factors can also have an influence on entrepreneurship (e.g., age, gender, level of education, psychological characteristics, possession of information and knowledge, and creative traits of the entrepreneur). All of these factors can impact an entrepreneur's ability to recognize, evaluate, and pursue opportunities by devising strategies (Volery, 2007). The author remarked, "Even people with the same nationality or from the same ethnic group can have differences which affect the way they recognize and pursue opportunities" (Volery, 2007, p. 36). Other authors (e.g., Bolivar-Cruz, Batista-Canino, & Hormiga, 2014) supporting this view noted that their study in Spain showed that immigrants perceived more opportunities to start a business than natives.

Volery (2007) further expanded the enhanced interactive model by adding metropolitan characteristics to assess the impact of spatial variations in immigrant entrepreneurship. The two

above-discussed model enhancements by Volery have strengthened EIMCE's potential to explain business development strategies of immigrant-firms. In his concluding remarks Volery noted, "The aim of the model was to provide a mental aid which can help position to understand the ethnic factor within the broader context of entrepreneurship" (p. 39).

In summary, in this literature review, I tried to illustrate theories that identify the causes of recent increases in immigrant self-employment and the factors that affected the growth of immigrant-owned businesses. The focus of earlier theories was mainly on the role of individual entrepreneurs, their resources, and structural issues of the host country that affected immigrants. Because these models offered only partial explanations of immigrant entrepreneurship, Waldinger et al. (2006) took a holistic approach and developed the interactive model of ethnic business development (IMEBD). The IMEBD attempted to give a full picture of the immigrant business development process by analyzing the interaction of opportunity structures and ethnic resources. Volery (2007) further developed IMEBD into the (EIMCE) to illustrate the crucial role entrepreneurial and management skills play in the development of immigrant business strategies.

According to Aliaga-Isla and Riald (2013) immigrant entrepreneurship has not been fully understood because of a shortage in theory-building efforts in the literature. The authors argued that most studies were descriptive, limited to certain space and time, and focused on specific events. Aliaga-Isla and Riald (2013) came to this conclusion based on an overview study they conducted on the literature of immigrant entrepreneurship.

## **Basis of the Conceptual Framework of the Study**

### **The enhanced interactive model in the context of entrepreneurship**

As discussed, the EIMCE attempted to illustrate the relationships of various factors that determine the development of ethnic business strategies. It analyzed the interaction of ethnic, entrepreneurial, and metropolitan characteristics as well as opportunity structures and ethnic group resources. The model also explained the vital role that the managerial ability of immigrant entrepreneurs plays in the formulation and implementation of ethnic business strategies. Because of these features I chose the enhanced interactive model in the context of entrepreneurship as the conceptual framework to guide and inform this study. The model has identified and elucidated the factors that promote or hinder the business development problems of immigrant firms. In the following section, I discuss prior literature on immigrant business problems and strategies, and draw lessons that might be relevant to this study.

### **Immigrant Business Problems and Business Development Strategies**

Waldinger et al. (2006) argued that immigrant business strategies emerge from the interaction of opportunity structures and ethnic resources or group characteristics. Volery (2007) pointed out the importance of an entrepreneur's competence in recognizing, analyzing, and exploiting opportunities to develop an ethnic business strategy. In light of these findings, I begin this section by analyzing the various perspectives discussed in the literature concerning the typical business problems of immigrant entrepreneurs. Next, I present contending strategies proposed to solve these problems and promote growth and expansion for immigrant firms.

## **Immigrant Business Problems**

All small firm owners confront common business problems. These range from attaining information to obtaining capital, acquiring skills, managing workers, maintaining relationships, and surviving in competitive markets (Basu, 2011; Waldinger et al., 2006). Adendorff and Halkias (2014) added to the list the influence of ethnic culture on good governance or management of the business. These business problems are common challenges to all small enterprises, but they are exacerbated in the case of immigrant entrepreneurs (Waldinger et al., 2006). Immigrants are less familiar with market conditions, business culture, and government regulations of their host country. In addition, they face market barriers due to lack of language fluency, low educational qualifications, and the absence of credit history (Basu, 2011). To solve these problems, immigrant entrepreneurs have had to devise strategies that are distinct from mainstream entrepreneurs.

According to Waldinger et al. (2006), empirical studies of various ethnic entrepreneurs in six European countries and the United States indicated unique strategies employed by immigrant business owners to overcome these difficulties. The studies revealed that the ethnic entrepreneurs approached the challenges with similar individual and collective strategies. The business owners also utilized sociocultural resources in the resolution of these business problems. In the following section, I present examples of business challenges that the subjects of the study encountered and the strategies they employed. Further, I discuss strategies proposed by various authors.

## **Immigrant Business Development Strategies**

**Strategies in the establishment phase.** Waldinger et al. (2006) reported the following business problems faced by the entrepreneurs of their study and the strategies they applied.

During the business startup stage, the immigrant entrepreneurs needed information on enterprise type, business location, available premises, laws, supplies, prices, products, and so forth. To gather the information, the ethnic entrepreneurs in the study utilized individual and collective channels. They used individual kinship and friendship links with fellow members of community associations in churches, weddings, funerals, and other ceremonial occasions. The immigrant entrepreneurs also used collective channels to gather information. They utilized specialized trade associations that sponsor seminars and trade fairs, issue business handbooks, and collaborate with government agencies.

At the startup phase, the immigrant entrepreneurs also encountered problems with initial capital to establish their businesses. To solve this problem, immigrant entrepreneurs employed individual- and collective-based strategies. Most of the immigrant entrepreneurs started businesses with their hard-earned savings; however, some acquired the initial fund from family loans or rotating credit associations. Rotating credit associations (ROCAs) are informal savings clubs embedded in the culture of ethnic communities. The members of ROCA agree to rotate their periodic contribution around until all have received the whole sum of money (Waldinger et al., 2006). For instance, the Korean community in Los Angeles has successfully used a collective strategy of raising capital through rotating credit associations or *kyes* in Korean (Park, 2010). Similarly, the Pakistani community in Manchester, United Kingdom, used *kommitti* to raise capital collectively (Waldinger et al., 2006). In Ethiopia and Eritrea rotating credit associations, known as *ekubs*, are widely used in some communities to save money for weddings, and to finance small business or farms.



During the prestartup period, the immigrant entrepreneurs used individual-based strategies to acquire operational skills by working in a coethnic store. Additionally, to solve the need for cheap labor during the business establishment phase, many of the immigrant entrepreneurs relied on family, kin, and coethnic members because these were cheap, loyal, and reliable workers.

After the startup and establishment of a business, the immigrant entrepreneurs faced intense internal competition in the coethnic market. According to Waldinger et al. (2006), the immigrant entrepreneurs employed various strategies to cope with the intensive competition they encountered. These ranged from working long hours and cutting wages to expanding business activities, and forming or joining formal trade associations. The most widely used strategy was cutting overhead costs by working hard, and instituting longer hours. However, this strategy of self-exploitation and cutting employee wages was unsustainable and self-destructive in the long run (Waldinger et al., 2006). As a way out of this situation, researchers proposed various growth and expansion strategies to enhance the sustainability of immigrant-owned firms. I discuss these strategies in the following section.

**Strategies at the growth stage.** As shown above, the literature conveys a general understanding of strategies immigrant businesses ought to take at their initial startup phase. However, there is no unanimity among researchers concerning the strategies required at the growth and expansion stage. Some authors (e.g., Portes & Shafer, 2006), have argued that immigrant entrepreneurs are better off pursuing an inward-oriented strategy by serving only their ethnic niche. Others believed that an outward-oriented strategy would, in the long run, benefit immigrant firms by covering a wider market of customers (Basu, 2011). The dispute between

these two contending perspectives is about the sustainability of market opportunities in the ethnic enclave niches.

*Inward-oriented strategy.* Proponents of the inward-oriented strategy have argued that immigrant entrepreneurs are better off pursuing this strategy because they possess social network and social capital that provide them access to resources (Portes & Shafer, 2006). The authors further stated that resources (e.g., cheap labor, information, financial support, and protected market) that create an opportunity for social mobility may not be available outside the enclave. Critics, such as Basu (2011), and Waldinger et al. (2006) have pointed out the shortcomings of the inward-oriented strategy. They contended that this strategy is not viable because the enclave economy consists of inherent factors that hinder expansion of immigrant businesses in the coethnic market itself. First, the size of ethnic communities in the enclave economy is small, and the customers have low purchasing power. Second, the high concentration of firms in similar trade lines creates an over-competition in the coethnic market that may lead to firm closures. Third, there is an unwillingness or lack of ability of immigrant entrepreneurs to attract customers from noncoethnic markets.

The three factors listed above restrict business growth and expansion in coethnic markets, and consequently endanger the sustainability of immigrant firms within an enclave. The evidence supporting the argument of a sustainable ethnic enclave economy is limited. It is exemplified only by the unique situations of the Cuban businesses in Miami and the Chinese in San Francisco and New York (Basu, 2011; Waldinger et al., 2006). These immigrant enterprises have displayed ethnic enclave characteristics by relying heavily on the employment of the coethnic labor that was abundantly available to them. However, other immigrant entrepreneurs in the United States

who do not rely on coethnic workers and customers have shown characteristics of successful middleman minorities. Examples of such entrepreneurs are Koreans, Asian Indians, Greeks, Israelis, and Russians (Basu, 2011). Basu (2011) further reported similar outcomes in his research on immigrant entrepreneurs in the United Kingdom. According to his findings, immigrant firms that relied less on coethnic workers and customers and extended their services to a broader market, showed a greater chance of building successful businesses.

***External-oriented strategies.*** Critics of inward-oriented strategy (e.g., Basu, 2011; Waldinger et al., 2006) argued that to attain sustainable growth, immigrant entrepreneurs should adopt policies that promote expansion into noncoethnic markets. They proposed various strategies that would help these business owners achieve the growth objective. The suggestions range from break-out to breakthrough, social networking, franchising, and vertical and horizontal expansion strategies. I discuss some of the proposed external-oriented business strategies below.

***Vertical and horizontal external expansion approach.*** Proponents of this strategy argue that ethnic firms should expand vertically or horizontally to cope with the adverse effects of over-competition in the ethnic market. A firm can expand vertically in the coethnic market, for instance, by establishing a complementary wholesale or manufacturing business. It can also expand horizontally by opening multiple firms at different locations. Such expansion approach is suitable for immigrant entrepreneurs who operate in enclaves with large ethnic communities that can support entrepreneurial growth (e.g., Cubans in the Miami area). However, for owners operating in small ethnic enclaves, growth can occur only through horizontal expansion into nonethnic markets (Sequeira & Rasheed, 2004; Waldinger et. al., 2006). Expansion into the mainstream market demands outside financing, developing professional ties outside the ethnic

enclave, and learning new markets. The implementation of these factors also requires the possession of an adequate level of human capital and weak-tie networking, which are low in the case of many recent immigrants (Sequeira & Rasheed, 2004).

***Break-out strategy.*** The objective of this strategy was to enable immigrant firms expand into a mainstream market. Researchers such as Basu (2011), Ojo, Nwanko, and Gbadamosi (2015), and Waldinger et al. (2006) argued that the major growth challenge facing immigrant entrepreneurs was the need to move away from coethnic markets into mainstream markets. Ojo, Nwanko, and Gbadamosi (2015) suggested an analytic break-out strategy. They categorized customers into local and non-local; and into ethnic and nonethnic customers. The aim of this strategy was to enable immigrant entrepreneurs implement targeted expansion approaches. The authors further asserted that the adoption of a nonlocal and nonethnic market strategy is more likely to provide immigrant entrepreneurs a successful break-out from the coethnic market. According to Ojo, Nwanko, and Gbadamosi (2015), in recent years, ethnic entrepreneurs in Britain have diffused into the mainstream marketplace because of the significant attraction of consumers towards ethnic products. The authors reported that for instance ethnic food has become a growing market in the United Kingdom achieving estimated sales of \$2.7 billion. During the period 2007 to 2011, the overall ethnic food market showed a growth of 24% (Ojo, Nwanko, and Gbadamosi, 2015).

***Breakthrough or branch-out strategy.*** Another expansion strategy discussed in the literature is the concept of breakthrough. Ojo, Nwanko, and Gbadamosi (2015) have asserted that immigrant entrepreneurs can expand their businesses into national or global ethnic markets right from the inception of the firm. They have argued that ethnic firms do not need to start business in

local markets and gradually expand into nonlocal markets. The authors contended that the recent technological developments on Internet and wireless connectivity have made communications easier. Technology has enabled ethnic minority entrepreneurs to enter larger and more distant consumer markets at much lower operating costs.

Waldinger et al. (2006)-also using the concept "branch out"- expressed a similar view. The authors suggested that an ethnic market could be used as a platform to export ethnic products and expand a business beyond the ethnic enclave. The market diversification strategies discussed above sound plausible. However, do immigrant firms have the capability to design and implement such strategies?

Basu (2011) has argued that the characteristics of the industry and the entrepreneurs' levels of human and social capital determine their break-out or breakthrough potential to larger consumer markets. In other words, the entrepreneurs' level of education, language skills, and business and management experience have an influence on the ability of launching such expansion strategies. Additionally, undertaking a break-out or breakthrough strategy demands broader connections and social networks. Basu (2011) noted that networking will enable immigrant entrepreneurs overcome entry barriers to larger markets. This can be done through better communication with noncoethnic customers, businesses and organizations. The third strategy proposed by advocates of the external-oriented approach was the extension of social networking to mainstream markets.

***Expansion through social network extension.*** There is a broad agreement among researchers on the importance of strong ethnic community ties during the startup phase of a business. However, opinions are split into two divergent views on the type of networking

necessary during the growth and expansion phase. Proponents of the enclave theory (e.g., Portes & Shafer, 2006) advocated building and maintaining a tightly tied network in an ethnic community to form a protected enclave economy. The authors argued that such an enclave economy can serve as a springboard for future generations' expansion into the mainstream economy. Portes and Shafer (2006) contended that their study of Cuban immigrants' 20 years business experience in the Miami area has confirmed the above assertion. Portes and Shafer (2006) further stated that it was the building of a business enclave that enabled the Chinese, the Koreans, the Russians, the Jews, and the Japanese to have an economically viable place in the United States. The authors remarked that in the absence of this tool, the fate of these immigrant entrepreneurs in a highly competitive and racially stratified economy would have been quite different.

In contrast, researchers such as Sequeira and Rasheed (2004), and Waldinger et al. (2006) considered the arguments of enclave theorists irrelevant to many immigrant business communities. The authors contended that maintaining strong ties and networks within the ethnic community beyond the startup phase may constrain the potential for growth and horizontal expansion of immigrant businesses into the noncoethnic market. Other authors (e.g., Basu, 2011; Greene & Chaganti, 2004) have made similar arguments, contending that to achieve growth, immigrant entrepreneurs should not rely on strong internal social network ties and coethnic market in the enclave. Instead, immigrant business owners must gradually expand their businesses into noncoethnic markets by forming external networks and linkages to access additional resources. The expansion of social network can be achieved by joining established ethnic or nonethnic trade and other associations. Through these networks, immigrant firms can

obtain access to market information, financing, and business training (Waldinger et al., 2006).

Hence, once established, immigrant entrepreneurs must look beyond their coethnic markets and explore other local, regional, national, and international markets to expand and grasp opportunities (Basu, 2011).

***Expansion through franchising.*** Dhingra and Parker (2015) argued that the development of the franchising business model has opened immigrant entrepreneurs a new path for expansion and growth into the noncoethnic market. The authors noted that some immigrant communities in the United States (e.g., Indian immigrants) were moving into corporate model of business ownership and performance by engaging in franchising.

The above literature review revealed two contending approaches on how to promote the growth of immigrant-owned business. The outward-oriented approach is considered to be suitable for the promotion of growth and expansion of immigrant firms in smaller communities. For communities of a larger size (e.g., the Cuban immigrant community in Miami); however, an inward-oriented strategy could be a more relevant approach. In the following section, I will present the literature review conducted on the experiences of recent immigrant entrepreneurs in the United States, Canada, and selected European countries. I attempted to analyze these experiences based on the theories, business development problems, and strategies of immigrant entrepreneurship discussed above.

### **Experience of Recent Immigrant Entrepreneurs in the United States**

For decades, immigrants have come to the United States from many parts of the globe and have played a vital role in building the largest and strongest economy in the modern world. To this day, new immigrants continue to flow into this country and reinvigorate its economy

through hard work and risk-taking entrepreneurial engagements. The objective of this section of the literature review is to draw lessons relevant to EEIEs from the experience of other immigrant business owners. The focus of the review was on the experience of Asian and Hispanic immigrant entrepreneurs who have come to the United States since the 1970s, for whom sufficient literature is available.

### **Experience of Asian Immigrant Entrepreneurs**

Although the earliest Asian immigration to the United States dates back to the 1850s, large-scale immigration did not take place until the enactment of the Hart-Cellar Act in 1965 (Waldinger et al., 2006). Following the enactment of this law, the gradual legal immigration of Asians into the United States increased significantly, particularly since the 1980s. This migration led to a rapid growth of the Asian immigrant population and the reinvigoration of ethnic businesses owned by Chinese, Koreans, Indians, Filipinos, and Vietnamese. Over time, Chinese, Korean, and Indian immigrants have demonstrated significant achievement in business development. I believe that the experiences of these immigrant communities can provide valuable lessons to EEI entrepreneurs. For this reason, the literature review focused on the entrepreneurial experiences of Chinese, Korean, and Indian Asian immigrants only. In the review, I highlighted the successes achieved and the challenges faced by these immigrant groups and the unique group characteristics that have impacted the development of their businesses.

**Experience of Chinese immigrant entrepreneurs.** According to the U.S. Census Bureau (2011), the number of Chinese-descended Asians in 2009 was 3.8 million, making them the largest Asian American ethnic group. Chinese immigrants were brought to the United States in the mid-19th century to work on mines and railroads (Waldinger et al., 1990). Their



immigration accelerated substantially in 1885 during the California Gold Rush, which led to the settlement of many of these immigrants on the West Coast (Chand & Ghorbani, 2011).

Over the years, these immigrants formed communities that paved the way for the creation of coethnic markets and Chinatowns. These establishments became centers where Chinese people sold goods and services, and conducted communication and socialization activities. Because they faced overt discrimination in the labor market, they focused on building small businesses in trade lines that required hard work and long hours. The entrepreneurs opened restaurants, laundries, retail stores, and garment sweatshops concentrated in the Chinatowns of San Francisco and New York (Chand & Ghorbani, 2011; Waldinger et al., 1990).

***Group characteristics.*** The social organization of the Chinese community formed in these centers played a role in facilitating growth in business activities by expediting the mobilization of resources. For instance, Chinese immigrants financed their business startups or expanded existing ones through rotating credit associations (ROCA) known as *hui*. In addition, the regulation of competition and labor relations by associations or trade guilds formed in these communities made a valuable contribution to business development in Chinatowns (Waldinger et al., 2006). According to a study of Selvarajah, Chelliah and Lee (2012), traditional Confucian values have played significant role in forming these communal behaviors among Chinese immigrant entrepreneurs. By mid-1920s, the Chinatowns in San Francisco and New York had lost their vigor due to the migration of many educated second-generation Chinese youth into the mainstream economy. However, after the enactment of the 1965 Hart-Cellar Act, Chinatowns began thriving with business activities again, spurred by the influx of new immigrants demanding housing and ethnic food. In addition, the inflow of capital from overseas Chinese

investors into these areas expanded the real estate industry and further invigorated the ethnic economy (Chand & Ghorbani, 2011; Waldinger et al., 1990).

According to the Survey of Business Owners, in 2007, there were 423,609 Chinese-owned firms. Their engagement areas were 16.4% in professional, scientific, and technical services; 12.7% in accommodation and food services; 10.9% in repair, maintenance, and personal and laundry services. Furthermore, 9.7% of these firms conducted business in real estate, rental and leasing; 9.6% in retail trade, 9.2% in health care and social assistance, and 31.6% in all other industries (SBO, 2007).

The above review of the Chinese immigrant entrepreneurs' business development experience indicated the following peculiarities. The concentration of Chinese ethnic firms in the Chinatowns of major U.S. cities and their success can be explained by the labor market constraints and enclave theories. First, the discriminatory acts experienced by early Chinese immigrants and the low-level of their language and professional skills have forced them to live concentrated in certain areas. Second, the continued flow of new Chinese immigrants to the United States provided the ethnic businesses in Chinatowns more coethnic clients and a larger pool of cheap coethnic laborers. This development led to the formation of Chinese enclave economies in San Francisco and New York. In addition, the group characteristics of Chinese immigrants-especially their strong community organizations- played a major role in mobilizing ethnic resources and creating these enclave economies (Chand & Ghorbani, 2011; Waldinger et al., 2006).

In expanding their businesses, Chinese immigrant entrepreneurs applied an inward-oriented growth strategy forced by their unique circumstances. To grow their enterprises, they

used vertical- and horizontal-expansion strategies in restaurant and garment manufacturing areas. This approach generated growth in ancillary fields such as food wholesalers, restaurant item suppliers, sewing machine dealers, fabric shops, and purveyors of silk and embroidered material. Though Chinese immigrant entrepreneurs primarily focused on their ethnic clientele market, they have also succeeded in partially branching out into noncoethnic market in large and small cities. They have done so by serving Chinese ethnic food to nonethnic consumers (Waldinger et al., 2006).

**Experience of Korean immigrant entrepreneurs.** According to the U.S. Census Bureau (2011), the number of Korean immigrants who came to the United States reached 1.6 million in 2009. The migration of Koreans to the United States started with the arrival of approximately 7,200 laborers brought to work on the sugar plantations of Hawaii between 1903 and 1905. Early on, a small number of these immigrants moved to California to work in agriculture and a few of them started businesses or farms of their own there (Waldinger et al., 2006). The movement of Koreans to the United States increased significantly following the enactment of the 1965 immigration reforms. The number of Korean immigrants increased from 11, 200 in the 1960s to 864,000 in 2000. The majority of these immigrants settled in the Los Angeles area and created a large business community with strong social network institutions (Zong & Batalova, 2015).

**Group characteristics.** Korean immigrants in the United States possess unique group characteristics that play significant roles in the startup and development of their businesses. Many of the early immigrants were skilled professionals and workers, such as doctors, nurses, and mechanics. More than 90 % of Korean adults living in the United States in 1980 had completed a high school education (Waldinger et al., 2006). In 2007, more than half of Korean

immigrants had a bachelor's or higher degree (Zong & Batalova, 2015). Further, around 45 % of Korean immigrants had prior professional work experience in management, business, finance, and sales. Another distinguishing characteristic of recent Korean immigrants was their rapid dispersion into many states and different cities (e.g., Los Angeles, New York, Washington, DC, Chicago and Atlanta). Consequently, the chances for Korean businesses to serve a geographically segregated coethnic market were limited, which probably induced them to engage in noncoethnic markets (Waldinger et al., 2006).

Moreover, Koreans embed in communities with strong ethnic networks organized in alumni clubs, churches, and business associations, which serve as sources of business information and financial support. For instance, Korean ethnic congregations have made significant contributions to the development of Korean businesses in the Los Angeles area. They act as small business incubators by facilitating social networking and capital accumulation. In the 1970s and 1980s, Korean immigrant entrepreneurs acquired capital for business startups through savings, rotating credit associations (RCAs) known as *kye*, capital from Korea, and some from bank loans (Shin, 2014; Waldinger et al., 2006).

In the 1990s, however, Koreans began using more transpacific banks loans. Because, mainstream banks were not providing sufficient loans to minorities, the increased demand led to the formation of American Korean ethnic banks. These ethnic banks have played a crucial role in spurring the economic growth of the Korean-American community. In 2009, there were 19 Korean American banks in the United States and they were working in close collaboration with the Small Business Administration (Shin, 2014). Waldinger et al. (2006) noted that all of these

unique group characteristics have enabled Koreans to move "more quickly and vividly into the small business niche with success than all recent immigrants "(p. 70).

Many well-educated Korean immigrants entered into self-employment due to labor market constraints and blocked mobility in their original careers (Shin, 2010; Waldinger et al., 2006). Others started businesses and became successful lured by opportunities in the mainstream market. The success of Koreans in serving noncoethnic markets in New York, Chicago, and Philadelphia can be explained as follows. Korean immigrants were able to establish businesses by taking advantage of opportunity structures that opened access to business ownership in two types of markets. First, they attained access to mainstream retail markets when old Jewish and Italian merchants were unable to transfer their business to their children (Waldinger et. al., 2006). Second, Korean entrepreneurs gained access to business ownership in minority neighborhoods when large retail chains owned by White merchants withdrew from these areas. The business owners considered these neighborhoods to be high in business costs and security risks, and the income levels were too low to provide a profitable market (Waldinger et al., 2006). These circumstances gave Korean immigrant entrepreneurs the opportunity to enter into noncoethnic retail markets and discover a niche in low-income minority communities.

Propelled by these opportunities, many Korean-owned businesses experienced considerable expansion beyond these market niches. The entrepreneurs achieved these successes by implementing various strategies. They engaged in selling ethnic consumer goods, providing services related to the problems of immigrant adaptation, and importing cheaper Korean goods for sale to non-Korean clients (Shin, 2014; Waldinger et. al., 2006). Shin noted that the "Korean business community has revealed important characteristics in the intersection of ethnic locality

and global trends" (p. 295). Korean merchants buy and sell products that come through a global niche of networks to diversified customers (Shin, 2014). As a result of these strategies, the number of Korean-owned firms in the United States increased significantly, and in 2007 reached 192,465 (SBO, U.S. Census Bureau, 2007). About 40.4% of these firms engaged in the repair business, maintenance and laundry services, and in retail trade activities. The rest of the firms ran businesses in professional engagements, accommodation and food services, real estate, health care markets, and other areas. Most of these small businesses operated in isolated declining inner-city minority neighborhoods of southern California (Oh & Chung, 2014). Currently "new globally-connected firms are redeveloping and gentrifying downtown areas, expanding to outlying suburbs, and assuming key roles in today's global economy" (Oh & Chung, 2014, p.1).

**Experience of Indian immigrant entrepreneurs.** Similar to early Chinese and Japanese migrants, unskilled and less educated Indian immigrants came to the United States to work as farmers in California. Well educated and skilled Indians began migrating to the United States after the enactment of the 1965 Immigration and Nationality law. The number of skilled and educated Indian immigrants to the United States showed a rapid increase following the passage the of the 1990 Immigration Act (Zong & Batalova, 2015). According to the U.S. Census Bureau (2011), the number of Indian immigrants in the United States reached 2.8 million in 2009. More than a third of these immigrants arrived at the beginning of 2000 and settled in different parts of the country, but more concentrated in California, New Jersey, New York, and Texas.

**Group characteristics.** Indian immigrants have unique group characteristics that have possibly influenced their entrepreneurial behavior in business startup, management, and development. One of the unique characteristics of Indian immigrants is their distribution in 10

major U.S. metropolitan areas. Their top destinations from 2009 to 2016 were California, New Jersey, Texas, and Illinois (Zong & Batalova, 2015). Other unique factors of Indian immigrants are their level of education and English proficiency. In 2013, 76% of adult immigrant Indians had a bachelor's or a higher degree, and 75% were proficient in English. According to Zong and Batalova (2015), about 70% of Indian immigrants worked in management, business, science, arts, and other professional areas. Because of these unique group characteristics, the engagement of Indian immigrant entrepreneurs in the U.S. economy shows some particularities.

Indian immigrant-owned businesses are found geographically distributed across many states and diversified in various business areas. According to SBO, out of the total 308,514 Indian-owned registered firms, 58,995 were in California, 47,760 in New York, 27,748 in Texas, 24,804 in New Jersey, 18,020 in Florida, 10,797 in Virginia, 8,674 in Illinois, and 6,360 in Ohio. Furthermore, 5,349 firms were located in Massachusetts, 2,526 in Arizona, 1,322 in Oregon, 954 in Iowa, 584 in Hawaii, 208 in Alaska, 163 in Idaho, and 75 in South Dakota (SBO, U.S. Census Bureau, 2007).

The report also indicated that 19.0% of all Indian-owned firms engaged in professional, scientific, and technical services; 16.5% in retail trade; 13.4% in health care and social assistance; and 10.4% in accommodation and food services. The SBO further reported that 8.5% Indian-operated business were in transportation and warehousing; 7.0% in real estate; 6.5% in repair, maintenance and laundry services; and 18.9% in other industries. The major business areas of Indian immigrants were computer design services 21,569; physician offices 20,068; traveler accommodation 16,711; taxi and limousine service 14,023; consulting services 13,032; gasoline stations 11,796; grocery stores 10,678; and other professional, scientific, technical

services 10,142. The entrepreneurial area in which Indian immigrants participated least was the restaurant business.

In 2007, there were only 4,417 full-service Indian restaurants throughout the United States (SBO, U.S. Census, 2007). The above data suggest that the majority of Indian immigrant entrepreneurs started and operated businesses in noncoethnic mainstream markets. They also indicate that Indian immigrants gave restaurant business lower priority in their entrepreneurial decisions than other ethnic groups (e.g., Chinese, Cubans). Perhaps this entrepreneurial behavior has been a result of the nationwide distribution of Indian immigrants. In contrast, Chinese and Cuban immigrants settled in few areas and formed ethnic communities that gave rise to the formation of coethnic markets to fulfill the need of coethnics (Waldinger et. al., 2006).

To explain these differences in entrepreneurial behavior, Chand and Ghorbani (2011) conducted a comparative study of Indian and Chinese immigrant communities in the United States. Based on their findings, the authors came to the following conclusions. Indians tended to focus more on individual achievements in society. They managed their firms more as business organizations and less as a means of maximizing the social welfare in their communities. Chinese, on the other hand, pursued collective action and were likely to share available resources with their community. They also ran their firms as organizations geared more toward fulfilling the needs of the immigrant Chinese community as a whole (Chand & Ghorbani, 2011).

Dhingra and Parker (2015) stated that Indian immigrants became successful in business ownership and performance because they used their ethnic social capital to obtain information, financing and coethnic labor. The authors argued that Indian Americans were able to penetrate noncoethnic markets by engaging in franchising, which is a corporate model of business



ownership. Indian immigrants own many motels, gasoline stations, convenience stores and other franchise businesses (Parker, 2013).

### **Experience of Hispanic Immigrant Entrepreneurs**

The term *Hispanic* is used by census-takers and the media to describe people of Hispanic ancestry in the United States; however, the preciseness of the term for social analysis purposes is questionable (Waldinger et al., 2006). In this study, *Hispanic* will be used to describe the immigrant population comprised of Mexicans, Central Americans, and Cubans. According to the American Community Survey (AMS) of the U.S. Census Bureau (2014), the Hispanic population in the United States reached 54 million in 2013. Sixty-four percent were Mexicans, 9.4% Puerto Ricans, 3.8% El Salvadorians, 3.1% Cubans and the rest were from other Latin American countries. The Survey of Business Owners (SBO) reported that in 2007 the number of Hispanic-owned nonfarm businesses operating in the 50 states and the District of Columbia was 2.3 million (SBO, U.S. Census Bureau, 2007). This figure on Hispanics accounted for 8.3% of all nonfarm businesses and 1.6% of total employment in the United States. Hispanics are more likely to start new businesses but also more likely to fail than non-Hispanic Whites (Canedo, Stone, Black, & Lukaszowski, 2014). These figures do not provide information regarding the achievement of the various nationalities aggregated in the category of Hispanics. Bishop and Surfield (2013) reported that there are differences across Hispanic origin groups, but the research on these distinctions is not adequate. For the purpose of this study, in the literature review I focused more on the unique business experience of Cuban immigrants in the United States.

**Experience of Cuban immigrant entrepreneurs.** According to the American Community Survey, in 2013, there were around 2.6 million Cubans residing in the United States

(U.S. Census Bureau, 2014). Cubans began migrating en masse to the United States in 1962 following the overthrow of the Batista regime, which sparked the exodus of its supporters, wealthy individuals, and families. Later, however, more migrants were coming from lower-class backgrounds. By 1980, about 800,000 Cubans had left the country, and 85 % of them settled in the United States and Puerto Rico. Although, the U.S. government attempted to spread the Cuban refugees into different states, many managed to return to southern Florida and created a large Cuban community in Miami and its surroundings (Waldinger et al., 2006). As a result, numerous small businesses sprouted to service the needs of coethnics in several areas by employing cheap coethnic labor.

In 1980, there were close to 700 Cuban groceries and over 400 Cuban restaurants (Waldinger et al., 2006). According to Portes and Shafer (2006), Cuban-owned firms grew from 919 in 1967 to about 36,000 in 1982 and 61,500 in 1987. By 2001, the number of Cuban-owned firms in the United States had reached 125,273, and the majority of these businesses were in the Miami and Fort Lauderdale metropolitan area. The concentration of Cuban business activities in this location led to the rise of an ethnic enclave economy (Portes & Shafer, 2006). In the 1980s, however, some Cuban-owned factories producing shoes, garments, and cigars succeeded in expanding beyond the ethnic market and brought additional business growth and employment to the community (Waldinger et al., 2006).

Over time, the number of Cuban-owned businesses in the United States showed a significant increase, and in 2007 it reached 251,070 (SBO, U.S. Census Bureau, 2007). The sectorial distribution of these businesses was as follows: 14.6% in construction; 13.7% in repair, maintenance, and laundry services; 11.5% in administrative support, waste management, and

remediation services; 11.0% in health care; 10.8% in transportation; 10.6% in professional, scientific, and technical services; and 27.7% in all other industries (SBO, U.S. Census Bureau, 2007). Some authors, notably Portes and Shafer (2006), have considered all these statistical data as clear indicators of the validity of the enclave hypothesis, and the existence of a Cuban enclave economy in the Miami and Fort Lauderdale metropolitan area.

The concept of the enclave and enclave hypothesis was introduced based on the experience of Cuban immigrant entrepreneurs in southern Florida. According to Portes and Shafer (2006), at that time, it drew the attention of critiques because it ran contrary to conventional economic and sociological wisdom. Later, the hypothesis won acceptance by other scholars who applied the concept to other immigrant entrepreneurial concentrations (e.g., Chinatown in New York, Koreatown in Los Angeles, and Little Saigon in Orange County). To test the validity of this hypothesis, Portes and Shafer conducted a study in 2006 on the entrepreneurial experience of the Cuban immigrant community in Miami and its surroundings. The authors claimed that their findings affirmed the validity of the enclave theory. Portes and Shafer (2006) further ascribed the success of the Cuban entrepreneurs in southern Florida to the rapid process of firm creation and the dense business networks that supported it.

***Group characteristics.*** Waldinger et al. (2006) suggested that the success of Cuban immigrant entrepreneurs was attributable to the opportunity structures that created favorable market conditions and the strategies employed by the entrepreneurs to exploit these opportunities. Cuban immigrants used their group characteristics of ambitious entrepreneurship, close ties to coethnics, and strong ethnic social organizations to take advantage of these opportunities and go beyond the ethnic market. Moreover, for aspiring Cuban entrepreneurs,

raising capital was not a problem. They had access to finances from rich Cuban immigrants that had fled Cuba after the 1959 revolution, and also from other Latin American investors who sought safe investment in Miami (Waldinger et al., 2006). According to the latest studies of Portes and Yiu (2013), due to change in demographics, the nature of Cuban businesses in the Miami area has changed from vehicles of growth to a means of survival. The older generation of immigrants that established large and mid-sized firms, is dying off and being replaced by refugee entrepreneurs with low level of education.

### **Lessons from the Experiences of the Four Immigrant Communities**

The four immigrant communities discussed above-namely, Chinese, Koreans, Indians, and Cubans-migrated to the United States at different historical moments with different objectives. The following conclusions can be drawn from the entrepreneurial experiences of these immigrant communities. The business owners in these communities are different in their cultural predisposition, rate of self-employment, level of diversification of their ethnic economies, and the degree of integration into the mainstream economy. Nevertheless, they all have succeeded in building an alternative path to social mobility for their community and personal fulfillment for themselves (Waldinger et al., 2006). According to Portes and Yiu (2013), based on total numbers of firms, Cubans appear to be the most business-oriented group, followed by Koreans, Chinese, and Asian Indians. However, when compared by their gross receipts per capita (size), Indian immigrant firms are the largest, followed by Koreans. Cuban-owned businesses, and the firms owned by African Americans and Mexicans are at the bottom of the scale. The authors concluded that the purpose of establishing businesses by Cubans, African

Americans and Mexicans appeared to be just for the survival of the entrepreneurs. The lessons learned from the experiences of these immigrant entrepreneurs can be summarized as follows.

First, the experiences of Chinese, Korean, and Cuban immigrant entrepreneurs have shown that a key factor for their success in business startup and growth was the ability to mobilize their ethnic resources. The entrepreneurs raised capital, acquired cheap labor, promoted products and services, and exchanged information by networking through social and professional organizations (Waldinger et. al., 2006). Second, the nationwide dispersion of Korean and Indian immigrant entrepreneurs and engagement in noncoethnic markets facilitated the growth and expansion of their firms. Third, Korean and Indian immigrant entrepreneurs were able to penetrate noncoethnic markets, partly because they migrated to the United States with prior business management experience and high levels of education. Many studies indicated that human capital (level of education and accrued business experience) has played a significant role in fostering business growth and developing immigrant entrepreneurship (Fairlie & Lofstrom, 2013; Greene & Chaganti, 2004; Waldinger et al., 2006).

Furthermore, the business development experience of these immigrant entrepreneurs supports the argument made in the enhanced interactive model of Volery (2007). The author argued that immigrant entrepreneurs should possess adequate managerial abilities to recognize, evaluate, and exploit opportunities; and use their ethnic group characteristics to mobilize resources. I believe that these lessons are relevant to seeking solutions to the growth problem of EEIE-owned businesses in the WMA, which I discuss in Chapter 5 under "Recommendations."

## **Experiences of Recent Immigrant Entrepreneurs in Europe and Canada**

As alluded to in the introduction section, immigrant entrepreneurship has recently gained increased attention by researchers and policy makers in North America and Europe. In the past, immigration to Europe has been shaped by people looking for dependent employment within established companies rather than self-employment (Hermes & Leicht, 2010). In recent years, however, as global market conditions have changed and created economic insecurity, high unemployment, and opportunities, migrants have shown increased engagement in self-employed activities. The Organization for Economic Cooperation and Development (OECD) reported that immigrants in many of its member countries exhibit higher rates of self-employment than the natives (OECD, 2014). It is because of this new development that immigrant entrepreneurship has become a topic of research and politics in Europe (Hermes & Leicht, 2010; Naveed, 2014).

In 2003, the European Commission, recognizing the new positive development, stated that ethnic minority businesses displayed strong entrepreneurial potential (Hermes & Leicht, 2010). Several researchers have conducted single studies on immigrant entrepreneurship on migrant-owned businesses in the Netherlands, the United Kingdom, Germany and other European countries. In the following section, I will present findings from some studies and draw lessons that might be relevant to the growth development of EEIEs and other immigrant businesses in the United States.

Hermes and Leicht (2010) conducted a cross national study on immigrant entrepreneurship in 10 selected European countries. Their research revealed distinct geographical patterns in the entrepreneurial activities of immigrants reflecting influences of economic and societal structures. The study further indicated that the number of European Union (EU) migrants

engaged in self-employment in the majority of European countries was higher than the immigrants coming outside of the EU. Most likely, this is due to the structural barriers (institutional, legal, and acknowledgement of qualifications), that hinder the self-employment of immigrants outside the EU, reflecting the power of institutions (Hermes & Leicht, 2010; Sahin, 2012). The degree of structural barriers to self-employment of immigrants varies from country to country depending on their experience with immigrant communities.

### **Immigrant Entrepreneurship in the Netherlands.**

Immigrants arrived in the Netherlands in large numbers in the 1960s and 1970s, lured by the demand for workers in the manufacturing and construction sectors of the Dutch economy. The first migrants came from Spain, Italy, Greece, Morocco, and Turkey as guest workers. Later, migrants from the ex-colonies of the Netherlands, namely, Suriname, Antilles, Aruba, and Indonesia arrived (Jacobs, 2012; Sahin, 2012). Due to the socioeconomic structural changes of the 1980s and 1990s, many immigrants found themselves in a marginalized position (Kourtit & Nijkamp, 2012). Although the Dutch economy was booming in the 1990s, the average rate of unemployment of immigrants was 18%, whereas that of the natives stood at 6.3%. The Moroccans and Turks were particularly hit by a high unemployment rate of 31% and 24%, respectively (Kourtit & Nijkamp, 2012). The exclusion of immigrants from the labor market pushed many migrants to set up their shops and be self-employed. Consequently, the number of immigrant-owned firms increased from 11,500 in 1986 to 23,000 in 1992, and in 1997, it reached 32,561 (Kourtit & Nijkamp, 2012a). Between 2000 and 2007, the number of immigrant entrepreneurs went up from 114,000 to 152,000 (Jacobs, 2012). The majority of these entrepreneurs started businesses in the wholesale, retail, and restaurant areas, where entry

barriers (e.g., finance, human capital requirements) were low. Furthermore, most immigrant entrepreneurs operated in major Dutch cities that had large immigrant communities. These served the entrepreneurs as the base of their coethnic market and source of ethnic resources. Non Western immigrant entrepreneurs tend to rely on family and the ethnic community for support and less on business networks. In sociology such networks are known as “strong ties” (El Bouk, Vedder, & Poel, 2013).

According to Sahin (2012), immigrant entrepreneurship has made positive contributions to employment creation, the resurgence of small businesses and diversity in Dutch cities. Some studies have shown that the business start-up rate and failure rate of immigrant entrepreneurs in the Netherlands were higher than the native ones (El Bouk et al., 2013; Jacobs, 2012). A research by Sahin, Nijkamp, & Suzuki (2014) indicated that “migrant entrepreneurs comprise heterogeneous firms with significant differences in performance and performance conditions” (p. 18). Some of the factors that led to business failures of ethnic firm owners were the lack of business experience, low human capital, lack of legal information, and knowledge of the local culture (Jacobs, 2012). Second-generation immigrants used “break-out” strategies to expand into mainstream market by utilizing formal and informal networks (Jacobs, 2012; Kourtit & Nijkamp, 2012b).

### **Immigrant Entrepreneurship in the United Kingdom**

Immigrants make around 12% of the United Kingdom population. This places the United Kingdom in a middle position between the mainly immigrant nations such as the United States and Canada and more ethnically homogeneous Scandinavia (Rodriguez-Pose & Hardy, 2015). Studies have indicated that immigrant entrepreneurs in the UK have made significant



contributions to the economy of the United Kingdom. The Department of Commerce and Local Government (DCLG) (2013) reported that ethnic minority businesses contributed about 25 billion pound sterling to the economy. Jones, Ram, Edwards, Kischlinchev, and Muchenje (2014) stated that minority ethnic entrepreneurs in the United Kingdom were more likely to start businesses than the native ones. Consequently, the arrival of new migrants to the United Kingdom has spurred a new wave of business activity (Jones et al, 2014).

The Center for Entrepreneurs (2014) noted that in the last two decades, migrants have started 464,527 (14%) of all UK companies, and created 14% of all jobs in the United Kingdom. In this process, the entrepreneurs faced many challenges and barriers (e.g. cultural norms, language skills, level of education, financing) that hindered the growth of their businesses. These impediments affected the Black entrepreneurs of African and Caribbean origin more than the others. Gbadamosi (2015) stated that in London alone there were 25,000 Black-owned businesses. Ojo, Nwanko, and Gbadamosi (2015) reported that many African immigrants had businesses in the informal sector. Over the last few years, however, a new West African business quarter has emerged in north Manchester, though its sustainability is questionable (Giles & McEvoy, 2013). Nwankwo (2013) found that business ownership by Africans in the United Kingdom is now an established trend and deserves the support of public policy makers.

The Department of Communities and Local Government conducted (DCLG) (2013) conducted an assessment of the barriers in collaboration with private and civic organizations. The consultative group identified access to financing as the main obstacle to business startup. It found that the reasons were collateral shortages, poor credit worthiness, lack of formal savings, language problems, and poor financial records and management skills. To minimize this barrier,

the government introduced access to cheaper finance through the Bank of England and loan guarantees through the Enterprise Finance Guarantee. It also launched online support services accessible for people who want to startup businesses (DCLG, 2013).

The nongovernmental support initiatives came from the British Bankers' Association. The major banks increased their staff recruitment from ethnic minority groups to build a more representative workforce, and developed internal training programs to promote cultural and diversity awareness. In addition, banks initiated various support tools to reach out to all businesses including ethnic minority firms. They developed the "Better Business Finance" and the "Business Finance for You" websites, which gave guidance and tips on how to obtain business finance, and access to 500 alternative finance providers nationally. Banks have also initiated an outreach program of workshops on "access to finance" with various community organizations. Furthermore, with the cooperation of the government, the banks set up a mentoring portal known as "Mentostorme." The portal connects would-be business owners and existing ones with over 115 mentoring organizations that have 27,000 mentors nationwide (DCLG, 2013).

### **Immigrant Entrepreneurship in Germany**

Germany began accepting large number of migrants from Italy, Spain, Turkey and Greece as guest workers in the 1960s and 1970s to cover the labor shortage during the country's post-war reconstruction period (OECD, 2014). Because of its strong economy, Germany was able to offer employment opportunities to immigrants for decades. However, in the 1990s, as the economic conditions changed and unemployment increased, many immigrants moved into self-employment by starting ethnic-oriented small firms in culinary and commerce areas (Leicht &

Langhauser, 2014). Consequently, between 2001 and 2013, the number of self-employed migrants increased by 77% (Leicht, Berwing, Phillipp & Werner, 2013).

In 2012, there were 760,000 immigrant entrepreneurs, meaning that one in six employees in Germany worked for an owner of an immigrant origin (Leicht & Langhauser, 2014). In 2007, one in 20 employees worked for immigrant-owned firm (Hillman & Broering, 2014). Immigrant-owned small and mid-sized businesses have created around 2.2 million jobs and made a significant contribution to the German economy (Leicht & Langhauser, 2014). The authors further reported that migrants did not limit their self-employment to traditional culinary and trade-related services. An increasing number of immigrant entrepreneurs have been active in knowledge-based businesses as well. These firms tend to be smaller than the native-owned ones and have higher failure rates (Mueller, 2014). Immigrants play a significant role in rejuvenating and creating efficiency in the German economy by increasing the number of business startups (Metzger, 2014).

Although immigrants make 18% of the total population in Germany, their business startups share has stood at an average level of 20% during the 2010 to 2013 period. These figures indicate that the business startup trend of immigrants is slightly higher than the rest of the population (Metzger, 2014). The findings also indicated that the business failure rate for immigrant-owned startups was higher than the native-owned ones. One of the reasons for these failures could be lack of access to bank financing.

### **Immigrant Entrepreneurship in Sweden**

Large number migration to Sweden started in the 1980s and continued in 2015 at a migration of around 50,000 people per year. In 2011, the number of immigrants reached 1.4

million and made a significant contribution to the growth of Swedish population. Most of these migrants were political asylum seekers (Bindala & Stroemberg, 2013). The number of immigrants in Sweden today is about 1.8 million (Aoun, 2014). Immigrants began engaging in self-employment in Sweden in the beginning of 1980s by opening small pizzerias, kebab kiosks, tobacco shops, and grocery stores. More immigrants became self-employed following the recession of the 1990s which caused high unemployment.

In the decades leading up to the conduct of this study, the number of migrants starting new businesses had grown by 75%. Today, there are about 70,000 immigrant-owned small firms employing around 250,000 people in Sweden (Aoun, 2014). Every fifth firm established in Sweden has an immigrant owner (Bindala & Stroemberg, 2013). Immigrant-owned firms are highly visible in Swedish cities and towns. Despite these successes, immigrant entrepreneurs face many hurdles that range from access to finance, language difficulties, cultural differences, and lack of knowledge of Swedish regulations (Aoun, 2014). The Swedish Association of Ethnic Entrepreneurs (SAEE) has made efforts to assist immigrant entrepreneurs in collaboration with its parent company-ALMI-owned by the Swedish government. The two organizations have provided free advisory service to entrepreneurs and educated the urban youth on entrepreneurship (Aoun, 2014). Hogberg, Schoelin, Ram, and Jones (2014) endorsed the business support given to immigrant entrepreneurs by the government. At the same time, the authors cautioned that categorizing and labelling entrepreneurs based on ethnicity and gender may replicate societal hierarchies that business support initiatives were designed to counteract.

In the past, Swedish researchers did not pay adequate attention to immigrant entrepreneurship. In recent years, however, because of the increase in immigrant-owned business

startups and their positive impact on society, there is more interest among scholars and policy makers (Slavnic, 2013). Researchers have begun conducting studies on immigrant entrepreneurship with the objective of seeking ways of supporting these business owners. For instance, Yazdanfar (2014) performed a study on the type of advice immigrant-owned firms seek and found that they focused on export-oriented questions. Such studies are helpful in designing targeted support programs for these entrepreneurs.

### **Immigrant Entrepreneurship in Italy**

Immigrant entrepreneurship became visible in Italy in the 1990s. The pace of immigrant business startups accelerated following the expansion of the European Union in 2004 and 2008 (Al Shawwa, 2012; OECD, 2014). Moreover, the structural changes, economic uncertainties, and labor market rigidities in the Italian economy have played a crucial role in pushing immigrants into self-employment (Al Shawwa, 2012; OECD, 2014). The number of immigrant entrepreneurs in Italy increased from 195,000 in 2000 to 411,000 in 2008, an 111% increase (Al Shawwa, 2012). In 2010, the total number of foreign business owners reached 415, 319 units (Del Giudice, 2014). Almost all of these firms operated in five regions located in the north and central part of Italy.

The majority of immigrant entrepreneurs (60%) own businesses in the service sector; about 20% of them own firms in the construction sector. The rest have firms in the manufacturing and agricultural sectors (Al Shawwa, 2012). About 36.6% of all foreign entrepreneurs in Italy come from Muslim-majority countries such as Morocco, Bangladesh, and Egypt (Lunghini, 2015). Businesses owned by non-EU immigrants accounted for 5.6% of Italy's GDP (Worldcrunch, 2012). In the last nine months of 2012, the number of immigrant-owned

businesses increased by 13,000 units, whereas that of the native Italians decreased by 24,500 units (Worldcrunch, 2012). Migrants from Africa have dominated the immigrant entrepreneurship landscape in Italy.

Immigrant entrepreneurs have made significant contributions to Italy's economy (De Giudice, 2014; Al Shawwa, 2014; Worldcrunch, 2012). They contributed 11.1% of production to GDP, paid about 11 billion Euros in social security and fiscal contributions annually, and employed about 10% of the workforce. Migrants have also rejuvenated the Italian economy by establishing new firms. In 2010, immigrant business startups increased by 29,000 units, whereas those of the native ones decreased by 31,000 (Del Giudice, 2014). Despite these successes, many immigrant entrepreneurs in Italy faced similar hurdles as those in other European countries in starting and growing their businesses. The obstacles ranged from obtaining a license, to accessing finance, accessing information and understanding regulations. To alleviate these barriers, the National Confederation of Crafts and Small and Medium-Sized Enterprises assisted immigrant entrepreneurs by providing counseling, training, and legal assistance services in different languages. The Chamber of Commerce also supported the entrepreneurs by providing training, micro-financing opportunities, and setting business plans in collaboration with 85 associations and banking institutions (OECD, 2014).

### **Immigrant Entrepreneurship in Canada**

Like the United States, Canada is an immigrant country to which migrants coming from different parts of the world settle and pursue their dreams. In Canada, immigrants constitute 20% of the population, which is the highest figure in the G8 countries (Lo & Texeira, 2015). The majority of immigrants entrepreneurs live in Toronto, Vancouver, and Montreal, the three major

cities of Canada (Lo & Texeira, 2015). The authors noted that metropolitan conditions impact ethnic entrepreneurship choices. Most non-European immigrants find it difficult to settle in small- and medium-sized cities because many ethno-cultural supports are only available in large cities (Lo & Texeira, 2015). These settlement differences have an indirect influence on the path of entrepreneurship pursued by the various ethnic business owners. Some chose to start a business in the mainstream economy while others stayed in an enclave economy.

There is a broad acknowledgment of the significant contributions immigrant entrepreneurs have made to the Canadian economy (Lo & Texeira, 2015; Schlossner, 2012). Immigrant entrepreneurs have created job opportunities for individuals and generated revenues for local entities. Immigrant entrepreneurship also have developed entrepreneurial role models and provided a way to upward social mobility (Schlossner, 2012). In their study on the relationship between immigration, education and entrepreneurship, Neupet and Christopher (2013), reported that Canada enjoys better educated immigrants and potential entrepreneurs. The authors stated that this is due to the specific public policy and programs that aim at attracting educated investor and entrepreneur immigrants.

In the literature, ethnic-owned businesses in Canada and the United States have been generalized as small businesses. Fong, Chen, and Luk (2012) argued that this conventional view must change. The authors claimed that their finding indicated the existence of many large Chinese businesses in Toronto; some of these firms operated outside the coethnic neighborhoods. The main cause for the diversification in size and locations is the growth of globalization and the intensification of transnational connections between immigrants and their home countries (Fong et al., 2012; Nkongolo-Bakenda & Chrysostome, 2012, Vissak & Zhang, 2014). These studies

focused mainly on the experience of Chinese entrepreneurs and may not reflect the conditions of other immigrant entrepreneurs in Canada.

### **Summary of Immigrant Entrepreneurship in Europe and Canada**

The above discussion illustrated the rise and development of immigrant entrepreneurship in five Western European countries and Canada. Immigrants have played a significant role in the economies of these countries. In all six countries, immigrant entrepreneurs have exhibited an increasing trend of business startups in trade and service sectors, as well as in knowledge-based enterprises. Immigrants have created millions of jobs, paid billions of dollars of revenues, rejuvenated local economies, and paved the path to upward mobility for themselves (Desiderio, 2014). Studies have indicated that foreign-born entrepreneurs tend to set up businesses at a higher rate than native ones in all six countries. Immigrant entrepreneurs in the six countries have faced similar obstacles in starting, maintaining, and expanding their businesses. The common hurdles were lack of access to finance, lack of information, lack of familiarity with markets, language difficulties, lack of adequate management skills, and administrative burdens (Desiderio, 2014). The six countries have addressed these problems domestically and tried to assist immigrant entrepreneurs in various ways.

### **Policies Supporting Immigrant Entrepreneurship in Europe and Canada**

In recent years, policy makers in Europe and North America have paid more attention to immigrant entrepreneurship because of the significant contributions immigrants have made to their local economies. Despite these successes, many ethnic entrepreneurs encounter various obstacles at starting up, maintaining, and expanding their businesses (Desiderio, 2014; Litner,



2013). To tackle these barriers, governments and local policy makers in Europe and Canada have resorted to a mix of targeted and mainstream support programs.

The specific programs designed to support immigrant entrepreneurs have included programs like tailored training, mentoring, networking initiatives to improve business skills, language proficiency, and professional contacts. The programs also contained initiatives to improve the creditworthiness of entrepreneurs and facilitate access to finance (Desiderio, 2014). Examples of these programs are the One-Stop-Shops like the Barcelona Aktiva Entrepreneurship Center; Supporting Entrepreneurship in Disadvantaged Area, as in Dortmund, Germany; Targeted Business Support Programs for Migrants, as in Austria, and the Global Business Centre at the Newcomer Centre in Toronto, Canada. Additional examples are the Entrepreneurs without Borders program in Hamburg, Germany, and The Advice Center in Sweden. Both programs offer counseling on legal and fiscal matters, and training on accounting, marketing, and business planning (Desiderio, 2014). All of these programs are provided through the collaboration of public and private actors. In the following section, I present a brief description of the literature review conducted to search for the appropriate research methodology of this study. This will be followed by a summary of the literature review that transition to Chapter 3.

### **Basis of Research Methodology of the Study**

I chose the qualitative research methodology for this study after conducting a thorough review of literature on this approach. To understand the philosophical underpinnings of a qualitative approach and to select the appropriate research method, I reviewed past studies in two areas. First, I reviewed theoretical and technical studies of prominent authors (e.g., Marshall & Rossman, 2011; Merriam, 1998; Miles & Huberman, 1994; Yin, 2009) in the field of qualitative

research. Merriam (1998) discussed the constructionist and interpretive nature of qualitative research, and the five investigation approaches used by scholars. Marshall and Rossman (2011) wrote about the research design methods applied in qualitative studies. Yin (2009) focused on the design and methodology of qualitative case studies. Miles and Huberman (1994) dedicated their work to the methods of qualitative data collection and analysis.

Next, I examined studies that applied a qualitative approach to studying the experience of immigrant entrepreneurs in different countries. For instance, Glinka and Brzozowska (2015) conducted a qualitative study on Vietnamese entrepreneurs in the United States and Poland. Barrett and McEvoy (2013) studied African immigrant entrepreneurs in Manchester, United Kingdom. Soydas (2015) applied qualitative method to examine experience of Turkish immigrant entrepreneurs in Melbourne, Australia. Zhang (2013) used this approach to study the adaptation strategy of Chinese immigrant entrepreneurs in New Zealand. Tuzin, Sahin and Nijkamp (2012) examined the growth potential of second-generation migrant entrepreneurs in Amsterdam, Netherlands. Turkina and Mai (2013) investigated the role of social capital, networks, and trust in immigrant entrepreneurship. Croitoru, A. (2013) studied the relationship between migration and entrepreneurship in Austria. In Chapter 3, I will discuss the details of the research method used in this study and the justifications for its selection.

### Summary

The purpose of this review was to study the literature surrounding two aspects of immigrant entrepreneurship and draw lessons relevant to the growth of EEI-owned businesses in WMA. With this in mind, I examined the experience of immigrant entrepreneurs and the public policies concerning immigrant entrepreneurs in the United States and other developed countries. The findings of the review indicated that studies on EEIEs in the United States are rare and that more research is needed to understand the entrepreneurial activities of these business communities. Further, the findings pointed out various perspectives concerning the motives of immigrant self-employment and the factors that affect the business growth of immigrant firms. From the findings of the review, I conclude that the path to the growth of immigrant businesses is through expansion into noncoethnic markets by utilizing unique ethnic resources, broader social networks, and adequate managerial skills. This view, which I also advocated in this study, has wider support among scholars in the field of immigrant entrepreneurship. Some of the supporters of this opinion are Basu (2011), Fairlie and Robb (2008), Kloosterman (2010), Volery (2007), Shinnar et al. (2011), and Waldinger et al. (2006).

The literature review was instrumental in formulating the conceptual framework of this research and in selecting the qualitative single-case-study approach applied in the investigation. I discuss this process in detail in Chapter 3. In Table 1, below I present the summary of the sources used in the literature review.

Table 1

*Summary of Sources Used in the Literature Review*

Reference Type	Total	Less than five years	Greater than five years
Peer-Reviewed Journals	157	147	10
Non Peer-Reviewed Journals	15	15	0
Dissertations	3	3	0
Books	13	2	11
Websites	20	17	3
Total	208	184	24

### Chapter 3: Research Design and Methodology

In this chapter, I discuss the research design and methodology selected to conduct the investigation in this study. As Yin (2009) has stated, "A research design is the logic that links data to be collected (and the conclusion to be drawn) to the initial questions of study" (p. 24). Accordingly, I designed the research by linking the data collection and analysis methods to the research questions of this case study. Based on this design, I collected data from purposefully selected EEIEs in the WMA and compared the thematic patterns identified to the theoretical propositions of this research. Based on the outcome of this analysis, I drew conclusions from the findings of the study.

I formulated the propositions by using the two theoretical models discussed in Chapter 2, which are the cornerstones of the conceptual framework of this research. The first theory is Waldinger et al.'s (2006) interactive model of ethnic business development (IMEBD). The other is the enhanced interactive model in the context of entrepreneurship (EIMCE) developed by Volery (2007). Both theories attempt to identify the factors that determined the business development strategies of immigrant businesses and the interactions that take place between them.

The theoretical propositions of this study concerning the growth and market diversification problems of EEI-owned businesses in the WMA are summarized below.

Proposition 1: The low level of educational background, inadequate management skills of the entrepreneurs, and the lack of access to capital are the barriers to growth and expansion of their businesses into noncoethnic markets.

Proposition 2: The absence of networking organizations and organizational support systems in the business communities of EEIEs are factors that impede growth and expansion of their businesses into non-coethnic markets.

Proposition 3: Some culture-based customs and norms that are part of the group characteristics of these entrepreneurs are potential barriers to internal and external social networking.

In the following sections, I present the research design, justifications for the research method, and the data collection methodology applied in this study. Furthermore, I discuss the data management and analysis procedures used. At the end of the chapter, I explain the validity, reliability, and ethical issues considered in this study.

### **Rationale for Research Design**

I selected a qualitative single-case study for the research design to acquire an in-depth understanding of the business development experience of EEIEs in the WMA. Qualitative research is a holistic view of a social phenomenon conducted in the natural setting of the sources of data and enables the researcher to interact with participants to attain an in-depth understanding of their experiences (Merriam, 1998). Moreover, qualitative research has important characteristics that stem from its philosophical underpinning: phenomenology. This world outlook emphasizes experience and interpretation of a phenomenon as crucial elements of a data analysis. Qualitative researchers study things in their natural settings, attempting to make sense or interpret phenomena in terms of the meanings people bring to them (Merriam, 1998). The major shortcomings of qualitative research are its limitations on generalizability of findings and danger of subjectivism (Merriam, 1998; Yin, 2009). The key instrument of data collection in this

method is the researcher, who uses multiple sources of data to gather information for the study.

For these reasons, I chose and employed the qualitative approach as a method of investigation in this study while being mindful of its limitations.

### **Rationale for the Choice of Case Study Approach**

Following the selection of the qualitative method, I compared various qualitative inquiry methods to determine the research design suitable for this study. First, I reviewed the methods analyzed in Merriam (1998) and narrowed down the list to five qualitative approaches: narrative analysis, phenomenology, ethnography, grounded theory, and case study. Merriam (1998) stated that the five approaches have different research objectives. The objective of a narrative study is to examine the experience of a life of an individual by interacting with a willing individual and reporting it in a narrative way. Phenomenology is a method of inquiry used to provide the meaning and understanding of a concept or phenomenon experienced by several individuals. The grounded theory approach is appropriate when the intent of a study is to develop or generate a theory inductively from data collected in the field. The objective of an ethnographic inquiry is to describe and interpret the shared values, behaviors, beliefs, and language of a culture-sharing group. According to Merriam (1998), a case-study is suitable "to examine a clearly identified case, bounded in time or space, and to look for contextual material about the setting of the case" (p. 96). Based on the comparison of these objectives, I found the case-study approach to be the appropriate method of investigation in this study.

The unit of analysis in a case-study approach can be an individual, several individuals, a group, community, a program, an event or activity (Merriam, 1998; Yin, 2009). Furthermore, Yin (2009) indicated that the accurate specification of the research questions determines the

identification of the appropriate unit of analysis. Following these guidelines, I identified the EEIEs operating in the WMA as the unit of analysis of this research. I decided to study these entrepreneurs because they are bounded in time, space and common migration experience.

### **Justification for the Use of Single Case Study Design.**

The selection of a single case design is justifiable if the case represents a critical test of an existing theory, or a unique circumstance, a typical case; or if the case serves a revelatory purpose (Yin, 2009). Because the objective of this research was to explore the business development problems of EEI-owned businesses in the WMA, the revelatory reason justifies the use of a single case design instead of a multiple one. Next, I present the justification for selecting the methodology, which includes the sampling, data collection and data analysis methods I used in the field investigation.

## **Rationale for Methodology**

### **Data Collection Method**

The underlying objective of this case study was to answer the research questions listed below and to understand the business development experience of EEIEs in WMA. To achieve this goal, I used a qualitative data collection process because this enables the gathering of in-depth information. Many authors, for example, Merriam (1998), Miles and Huberman (1994), and Yin (2009) wrote extensively about the benefits of a qualitative data collection methods and process. The authors described qualitative data as direct quotations from people about their experiences, opinions, feelings, and knowledge obtained through interviews. Merriam (1998) described the process of qualitative data collection as "a recursive and interactive process in which engaging in one strategy incorporates or may lead to subsequent sources of data" (p. 134).



Other researchers, for instance, Miles and Huberman (1994) and Yin (2009), have discussed ways of gathering reliable information. They stated that data collection entails a series of activities that need to be addressed in the design of the methodology. The activities consist of locating site and participants, gaining access and developing rapport, sampling, gathering data, recording information, resolving field issues, and storing data. Yin (2009) noted that organizing the data collection process serves the researcher as a quality control instrument. Moreover, it can be used as an audit trail by other researchers who wish to verify the integrity of the study. With these characteristics in mind, I applied a qualitative data collection method and process to seek answers to the following research questions.

### **Research Questions of the Study**

The central question examined in this study was: Why do EEI-owned businesses in the WMA exhibit lack of growth and diversification into noncoethnic markets? To address this central question in detail, I undertook a field investigation on the following four subquestions:

1. What factors inspired or caused the entrepreneurs to start-up businesses?
2. Why do most of their firms operate only in their coethnic markets? What are the barriers that hinder the growth and diversification of their businesses into non-coethnic markets?
3. What management and organizational tools can be applied to remedy these barriers and promote growth and market diversification?
4. What public assistance programs can be utilized to promote the economic development of the Ethiopian and Eritrean immigrant business communities in the WMA?

To seek answers to the above questions, I gathered data by implementing the following data collection procedure.

### **Target Population, Unit of Analysis, Sampling, and Sites**

The target populations of this research's investigation were the Ethiopian and Eritrean immigrant business communities in the WMA. The unit of analysis of the study was individual Ethiopian and Eritrean immigrant entrepreneurs engaged in business operations. The geographical parameter consisted of Washington, DC, Arlington County, the City of Alexandria in Northern Virginia, and the City of Silver Spring in Maryland. I chose these sites because they exhibited a high concentration of EEI-owned ethnic businesses. As mentioned earlier, there are around 1, 200 small businesses owned by EEIEs in the Washington metropolitan area. These enterprises range from restaurants, to groceries, retail stores, travel agencies, beauty salons, boutiques, catering, photo shops, auto repair shops, printing, bakery, entertainment, real estate, and financial services. Moreover, there are around 1,500 independent EEIE cab and limousine service owners in this area (Belay, 2013; District of Columbia Taxicab Commission, 2013). I cite these figures only to give a perspective of the size of the business communities of Ethiopians and Eritreans in the WMA. These figures will have no bearing on the sampling method applied in this qualitative study, as the objective of qualitative research is to obtain in-depth information from a few selected participants and not to make statistical generalizations (Miles & Huberman, 1994; Yin, 2009).

### **Selection of Purposeful Sampling Method**

The objective of a qualitative approach is to elicit in-depth information from a few selected participants. Qualitative researchers frequently apply the purposeful sampling method to select sites and individuals that can provide in-depth information and understanding about the

central phenomenon of the investigation. In the investigation of this study, I used the purposeful sampling method to choose information-rich participants.

**Maximum variation and snowball strategies.** Following the selection of the sampling method, the next step was choosing the appropriate strategy for selecting the settings (sites, context) and specifying the type and number of participants. To select the appropriate sampling approach, I compared purposeful sampling strategies discussed in the literature and decided to use the maximum variation and the snowball strategies. The maximum variation strategy enables the researcher to document diversity of variations and identifies important common patterns (Miles & Huberman, 1994). Accordingly, I applied the maximum variation strategy and selected 15 firms operating in different trade lines and various sites in the Washington, DC, metropolitan area. Besides, I applied the snowball strategy to identify information-rich participants. This approach works by contacting "people who know people who know what cases are information-rich" (Miles & Huberman, 1994, p. 28).

### **Selection of Participants and Sites**

To obtain a broader picture and better understanding of the business development problems, I examined the different types of entrepreneurs operating in different places, as suggested in Miles and Huberman (1994). I selected information-rich participants from EEIEs operating in the WMA by using three criteria. The criteria were minimum three years of business longevity, trade line representation, and geographical representation. I determined the number of participants in each category based on their relative number in the market. By applying this selection strategy, I chose 11 Ethiopian and 4 Eritrean , i.e., a total of 15 participants from the

following business types: restaurants (6), groceries (3), travel agencies (2), gas station (1), and cab service (3).

### **Sources of Data Collection**

In a qualitative study, a researcher can use multiple sources of data to collect rich information and conduct an in-depth examination of a phenomenon (Merriam, 1994; Yin, 2009). Qualitative data can be gathered by using various sources (e.g., observation, interview, documents, audio-visual materials, archival records, and physical artifacts) (Merriam, 1994; Yin, 2009). The use of multiple sources of data helps the researcher to triangulate or minimize systemic bias that may lead to mistaken conclusions and adversely affect the credibility of the study (Yin, 2009). The use of multiple sources of data collection is an effective instrument in addressing the construct validity threat because the evidence gathered provides multiple measures of the same phenomenon (Yin, 2009). The strategy of triangulation guards the researcher from the risk of drawing biased conclusions that may stem from the use of a single source of information. Hence, to ensure internal validity and reliability of the investigation of this case study, I gathered data from multiple sources of information. I used the semistructured interview method to collect information from EEIE participants and referred to relevant electronic, hard copy documents, and archival records to triangulate the outcomes.

**Interview.** The purpose of this research was to acquire an in-depth understanding of the business development problems of EEI-owned businesses in the WMA. Hence, the gathering of rich information from the participants was crucial to answering the research questions of this study. For this purpose, I selected the semistructured method of interview. According to Miles and Huberman (1994) and Marshall and Rossman (2011) the semistructured method allows the

researcher more flexibility in formulating interview questions than the structured one. It also offers respondents a broader opportunity to express their experiences in more detail and to deliver rich data.

**Instrumentation.** The literature discussed three types of qualitative research instrumentation, namely, informal conversational, interview guide, and standardized open-ended interviews. In this study, I used an interview guide because this instrumentation is suitable for conducting a semistructured interview. An interview guide lists questions or issues to be explored in an outline form. This form allows the interviewer more flexibility to guide the interview in a conversational manner and ask follow-up questions (Merriam, 1998). I developed an interview protocol and an interview guide by using Merriam (1998), Miles and Huberman (1994), and Marshall and Rossman (2011) as resources.

The interview guide in this research took the form of a list of 10 questions that I presented to each participant to ensure uniformity in the lines of inquiry. I conducted a single event of a one-on-one interview with the participating entrepreneurs. I also made an effort to identify articulate and outspoken entrepreneurs during the selection process. This procedure was helpful in minimizing the danger of collecting insufficient and inadequate data by selecting less articulate and shy interviewees (Merriam, 1998).

I conducted the interviews by applying the following procedures and instrumentation. I used a consent form prior to the interview to ensure the voluntary participation of the respondents in the interview. At the end of the interview, I debriefed participants about their rights and provided them contact information of Walden University IRB staff member. Also, I employed an interview guide (see Appendix A) containing the questions and an interview

protocol (see Appendix B) indicating the interview date, time, and the names of participants, as recommended by (Yin, 2009). These tools enabled me to conduct the interview in an organized and standardized manner. To respect the participants' concern for privacy, I refrained from using a tape recorder during the interview. I recorded the information provided by the respondents on paper and transcribed it into a Word document in my computer immediately after each interview session. I allocated one hour interview session for each participant. The actual interview session with each participant, however, took close to two hours. I conducted follow-up or clarification questions over the phone. The data collection process took about three months.

**Pilot study.** After obtaining an approval from the Institutional Review Board (IRB) of Walden University numbered 05-07-14-0147784, I conducted a pilot study and tested the interview questions prior to the implementation of the real-data gathering plan. The pilot test focused on three EEI-owned businesses selected on the basis of their accessibility, geographical proximity, and convenience, as suggested by Yin (2009). The study confirmed that the questions were clear and appropriate for the data collection, and did not warrant changes in instrumentation. The three participant businesses of the pilot study were not included in the main data collection process.

**Other sources of data.** To ensure the reliability of the data collection, I also referred to other sources of information. I reviewed documents (e.g., Gebre, 2004; Kebede, 2012; Tesfom, 2006), and examined online articles and reports (e.g., Holm, 2015; The Ethiopian American, 2015; Showalter, 2010) related to EEI businesses. Moreover, I looked into public sources of information (e.g., DC Taxi Commission, Enterprise Development Group, and Ethiopian

Community Development Council), and archival records of U.S. census data for the years 2007, 2011, and 2014.

### **Data Storage and Management**

In spite of the extensive nature of qualitative data, the issue of data storage and data management of meticulously gathered information did not receive sufficient attention in the literature (Marshall & Rossman, 2011; Merriam, 1998; Yin, 2009). Storing collected information in an organized way not only makes data analysis more efficient but also increases the reliability of a research project. Yin (2009) recommended that researchers develop a formal database in all case studies to enable other investigators to review the evidence directly-beyond what the researcher presented in the final report. To establish credibility (internal validity) and dependability (reliability) of a case study, Yin (2009) proposed three principles: creating a database, using multiple sources of evidence, and maintaining a chain of evidence or an audit trail. I will discuss these three principles in the credibility and dependability section of this study.

Marshall and Rossman (2011), Miles and Huberman (1994), and Yin (2009) further stated that the research method selected and the form of information gathered are the two determinants of the approach to data storage. In this case study method, I made the utmost effort to store all data collected for the study in an organized manner by creating a database and filing system. I kept regular backups of computer files and developed a master record of all information collected and a data collection matrix for tracking information for the study (Miles & Huberman, 1994). To protect the anonymity of participants, I masked their names in the data. The next phase of the research was the analysis of the collected data, which I will present in the following section.

## **Data Analysis Process**

Merriam (1998) has defined qualitative data analysis as a "dynamic and complex process that aims at making sense of data collected through the process of data consolidation, reduction, interpretation of what participants said, and what the researcher has read and observed" (p.178). In other words, in qualitative data analysis, the first step is consolidating the collected data for ease of scanning and skimming. The following step is taking notes (memoing) of relevant information and concepts from the scanned data and classifying them into categories. Researchers then use the categories to identify themes and patterns that emerge from the categories, and interpret the results to report the findings. Conceptually, data collection and data analysis appear to be two distinct steps. However, in the practice of qualitative research, they are interrelated steps of a process and often happen simultaneously in a recursive and dynamic way (Merriam, 1998). Numerous authors (e.g., Merriam, 1998; Miles & Huberman, 1994) have recommended conducting data analysis in tandem with data collection, as this approach delivers the following benefits. First, issues emerging during the data collection can be instantly captured and handled. Second, the instant analysis of collected data will help avoid the problem of managing voluminous information at the end of the collection process. In this study, I used this iterative process to analyze the data collected in the field.

As many authors have indicated (e.g., Merriam, 1998; Miles & Huberman, 1994), data generated by qualitative methods tend to be voluminous. To manage and analyze such data efficiently, the authors recommended the use of a computer program. Following this recommendation, I utilized NVivo 10 software to facilitate the management and analysis of the qualitative data gathered. I chose this program because it has the capability of storing data,



coding memos, organizing codes, identifying themes, and locating text associated with a code or theme. It also prepares the raw data for analysis and interpretation by the researcher.

### **Data Interpretation**

Data interpretation is an attempt to find meaning and making sense of the analyzed data. Data interpretation is an effort that involves identifying what is important in the data, answering why it is important, and finding what lessons one can learn from it (Merriam, 1998; Miles & Huberman, 1994). To undertake meaningful data interpretation and avoid failures, a researcher needs to have a data analysis strategy. Yin (2009) stated that often investigators start case studies without having a strategy for the analysis of the data. Such investigations fail at the analytic stage. The issue of an analytic strategy addresses the question of how the data or the evidence collected should be interpreted to answer the research questions of the study (Yin, 2009). Although, there is no fixed formula for data analysis in qualitative research, certain strategies and techniques have gained acceptance and usage in the research community (Merriam, 1998; Yin, 2009). Indeed, Yin (2009) has argued for an analytic strategy that connects data collection and data analysis to purpose or research questions of the case-study. Such a research design will assist in producing compelling conclusions that ensure the internal validity of the study.

Following this premise, Yin (2009) has suggested various analytic strategies and techniques for the analysis and interpretation of the data collected. As recommended in Yin (2009), I used the theoretical propositions that reflect the research questions of this study as the strategy for guiding the data collection and analysis processes. For the interpretation of the data analysis outcomes, I applied the pattern matching technique to test whether the patterns generated from the data coincided with the theoretical propositions listed in the introduction of

this chapter. Based on the outcomes of this pattern matching exercise, I conducted my interpretation of the meanings of the findings and drew conclusions.

### **Credibility, Dependability, and Ethical Issues**

#### **Conceptual Clarification**

The main concern of all social science research is to produce valid and reliable knowledge in an ethical manner, so as to win the trust of its readers, future researchers, and practitioners (Merriam, 1998). The quality of a research design is measured by tests (e.g., construct validity, internal validity, external validity, and reliability) that are common to all social science research (Merriam, 1998; Yin, 2009). However, there are philosophical differences between quantitative and qualitative researchers in the use of these concepts. Merriam (1998) argued that the terms *internal validity and reliability* do not fit well in qualitative studies. In quantitative research, reliability means replicability of the findings by an outsider. In qualitative studies, replication is not possible because of the changing nature of the phenomenon under study.

As an alternative, qualitative researchers suggested thinking in terms of dependability or consistency of results obtained from the collected data. Merriam (1998) stated, "The question is not whether findings will be found again, but whether the results are consistent with the data collected" (p. 206). Qualitative researchers prefer to use the terms credibility, dependability, transferability, and confirmability as alternative criteria to judge qualitative research instead the quantitative criteria internal validity, external validity and reliability (Merriam, 1998). Researchers use credibility to judge the confidence in the truth of the findings, transferability to show that the findings have applicability in other contexts, and confirmability to ensure that the

findings are not shaped by the bias or interest of researchers but by the respondents (Merriam, 1998). Hence, to ensure consistency and dependability of the results obtained in qualitative research, several techniques have been developed to assist researchers. In the following discussion, I will use the concepts of credibility and dependability in light of the above explanations.

### **Credibility and Dependability Threats**

According to Yin (2009) and Merriam (1998), people criticize qualitative case studies for posing validity and reliability threats. Critics argue that case studies lack an operational set of measures and open the door for subjective judgments in data collection. Consequently, such a process may lead to a construct validity threat in the study. Moreover, critics raised concern over the correctness of the inferences made by a researcher based on interviews, observations, and documents. They questioned the internal validity of the study. Also, single case studies are often criticized as offering a poor basis for generalization of results or poor external validity. Yin (2009) rebutted the last criticism by differentiating between statistical generalization and analytical generalization. Yin (2009) argued that single case studies can, indeed, offer an analytic generalization of "a particular set of results to some broader theory but testing a theory by replicating the findings in a second or even third case is necessary" (p. 43). Merriam (1998) has noted that the purpose of selecting a single case or small nonrandom sample is to understand the particular phenomenon in-depth and not to find out what is generally true of the many. It is possible to generalize the findings by studying the same phenomenon in many cases and applying a cross-case analysis (Merriam, 1998). Critics have also pointed out the shortcomings of qualitative case studies on the issue of reliability or consistency. This threat raises the question

of whether a new investigator, who repeats the case study by following the same procedures as the original investigator, can arrive at the same findings and conclusions (Yin, 2009).

Other researchers discussed the issue of credibility in qualitative studies by emphasizing different aspects of the issue. Miles and Huberman (1994) noted that the credibility of qualitative studies rests on the rigor of the data collection and analysis methods, the credibility of the researcher, and the philosophical belief in the value of qualitative inquiry. The authors highlighted two validity threats, known as researcher's bias and researcher's reflexivity; both addressing threats related to the role of the researcher in qualitative studies. In the following section, I present various strategies proposed in the literature to minimize these threats on the credibility of a qualitative study.

### **Credibility and Dependability Enhancing Strategies**

The most frequently used validation strategies by qualitative researchers range from prolonged field engagement to building trust, triangulation, peer review, negative case analysis, clarifying researcher's bias, participants' feedback, and external audits (Merriam, 1998; Miles & Huberman, 1994; Yin, 2009). To minimize credibility and dependability threats in this study, I applied three strategies-namely, triangulation, clarification of researcher's bias, and participants' feedback.

**Triangulation.** Triangulation is the strategy of using multiple sources and methods in data collection and analysis to ensure the internal validity and credibility of qualitative research. This step, in turn, will strengthen confidence in the conclusions of the study. Supporting this view, Merriam (1998), has stated that triangulation strengthens internal validity as well as reliability of a qualitative study. To ensure the construct and internal validity of this study, I

applied a triangulation strategy by using multiple sources of data collection such as interview, documents, online articles, and archival materials as suggested by Yin (2009).

Another strategy often used by researchers to strengthen credibility is pattern-matching technique whereby the researcher compares empirically observed patterns to predicted propositions. If the patterns coincide with the results, the outcome will strengthen the credibility of the study (Yin, 2009). Also, in this research, I used pattern-matching technique to ensure the credibility of the study. Even though the strategy of triangulation addresses the issue of credibility and dependability, additional techniques are necessary to strengthen the dependability of the study. Yin (2009) recommended the use of a case study protocol to document the data collection process and to develop a case study database for storing the data collected. He noted that such a documentation procedure can serve as an audit trail for later investigations. Following the recommendations of Yin (2009) and Merriam (1998), I used a case study protocol during interviews with participants and properly stored the data in a database.

**Participants' feedback.** Soliciting participants' views on the research findings and interpretations is a crucial instrument in establishing the credibility of a qualitative study (Merriam, 1998; Miles & Huberman, 1994; Yin, 2009). In this study, I sought feedback from key participants in the interview to solicit their judgments of the accuracy and credibility of the account.

**Researcher's role.** Because the primary instrument in a qualitative study is the researcher, concerns can arise that the researcher could be biased during the data collection and analysis processes, as well as in the interpretation of the results. The occurrence of such bias can have an adverse effect on the dependability of the findings and the credibility of the study.

Another issue related to the role of the researcher in qualitative studies is the problem of reflectivity, which describes the influence of the researcher on the setting and participants of the study.

Every researcher brings preconceptions and interpretations to the study, and this may have an influence on the setting or individuals studied (Merriam 1998; Yin, 2009). To minimize potential researcher influence on the study, I applied precautionary measures. I informed interview participants about my past engagement in small business in WMA, avoided using leading questions during the interview, and sought feedback from the respondents on the draft report.

### **Ethical Procedures**

Yin (2009) stated that unlike research in physical sciences, research in social sciences—with the exception of history—is engaged in the study of a contemporary phenomenon in its real-life context. The research with human-being related issues obligates every social science researcher to uphold and practice high ethical standards similar to that in medicine (Yin, 2009). Moreover, the U.S. Federal Government has established rules and regulations that protect human subjects from harm, deceit, and privacy infringement. It also has legislations that protect the right of human subjects to informed consent in all biomedical, behavioral, and social research (Merriam, 1998).

Likewise, in qualitative studies, the researcher faces various ethical issues during data collection, data analysis, and the dissemination of findings (Merriam, 1998). Hence, the researcher must ensure that ethical procedures are articulated in the research design to protect participating human subjects. The researcher must obtain approval from the Institutional Review

Board (IRB) before attempting any data collection in the field (Yin, 2009). In light of this, I submitted my application to the IRB of Walden University, and after a thorough process, I obtained approval to conduct data collection. Based on the approval and stipulations of IRB, I gathered data from the field by implementing the following procedures: (a) informed participants about the study and its potential benefits to secure an informed consent from all participants, (b) avoided using harmful and deceptive methods in the collection of data, and (c) ensured the protection of the privacy and confidentiality of the participants.

### **Summary**

In this chapter, I discussed the research design and the method used in the exploration of the business development problem of EEI-owned businesses in the WMA. I presented the justifications for the selection of a qualitative study research design and data collection methodology. In addition, I discussed potential credibility, dependability threats, and ethical considerations of the study and the strategies applied to mitigate or minimize these threats.

I conducted the research by applying the following steps. First, I collected field data by conducting a semistructured interview with purposefully selected EEIEs and by gathering information from other sources. Second, I analyzed the collected raw data and formed codes by scanning, skimming and taking memos with the help of NVivo 10 software application. Third, I combined the nodes into broader themes and categories. Finally, I compared the themes that emerged from the data analysis to the theoretical propositions of the study by using pattern matching technique. Based on the outcomes of these comparisons, I interpreted the findings and drew the conclusions that I discuss in Chapter 4, below.

## Chapter 4: Findings

### **Introduction**

The objective of this research was to explore the growth barriers that hinder the development of EEIE-owned businesses in the Washington metropolitan area and to seek managerial and organizational remedies. For this purpose, I performed a qualitative case study to investigate the research questions listed below. I present the findings in the forthcoming sections.

1. What factors inspired or caused the entrepreneurs to startup their businesses?
2. Why do most of their firms operate only in their coethnic markets? What are the barriers that hinder the growth and diversification of their businesses into noncoethnic markets?
3. What management and organizational tools can be applied to remedy these barriers and promote growth and business development?
4. What public assistance programs can be utilized to promote the economic development of the EEI business communities in the WMA?

Based on this research design, I gathered data from 15 purposefully selected EEIEs by using a semistructured interview method and taking field notes during the interview. Subsequent to each interview, I transcribed the field notes in a Word document and uploaded to NVivo 10 data management software. Using NVivo 10, I analyzed the collected data by extracting and coding relevant information and writing memos of emergent thoughts that I had logged into separate folders in NVivo 10. Further analysis of the coded information and emergent thoughts led to the identification of the patterns and themes that addressed the core question of this research. To test the credibility of this outcome, I applied a pattern-matching technique



suggested by Yin (2009) and compared the patterns and themes derived from the data to the theoretical postulations proposed in this study. In the forthcoming sections, I present the interview results and findings concerning Research Questions 1 and 2, and the patterns and themes that emerged from these outcomes. Furthermore, I discuss discrepant cases and nonconforming data revealed in this research and the evidence of quality that ensures the trustworthiness of this study. Research Questions 3 and 4 will be addressed in Chapter 5 under the section for interpretations of findings and recommendations.

### **Interview Results and Findings**

In the search for answers concerning the business startup motives and experience of EEIEs, and the growth difficulties their firms faced, I asked the participants 10 questions (see Appendix A). The questions addressed Research Question 1 and 2. Below, I discuss the findings that emerged out of the interview sessions.

#### **Findings Concerning Research Question 1**

**Background and demographics.** The objective of this research question was to explore the background and demographics of the participants and the reasons why and how they started their businesses, and extract information relevant for the study. I asked the participants about their educational background, their business experience, their reason for migrating to the United States, their reason for starting a business, and how they started it. The respondents provided detailed information, which I present in a summarized form in the following section. Following the suggestions in Miles and Huberman (1994), I displayed the responses of the participants in a results matrix to ease the analysis of the voluminous data. I included age and gender factors in Table 2, below, to illustrate the demographic composition of the participants. The other three

factors in Table 2, however, are relevant to the central question of this study (i.e., the growth and development problems of EEI-owned businesses).

Table 2

*Participants Demographic and Background Information*

Attributes	Attribute Values	Summarized Responses
Age range	Above 35 years	12
	Under 35 years	3
Gender	Male	9
	Female	6
Level of education	College graduates	7
	High school graduates	5
Prior business experience	No experience	9
	Some experience	5
Years in current business	More than 10 years	8
	Four to seven years	5
Type of clients/market	Coethnic	14
	Noncoethnic	1
Immigration reason	Political refugee	9
	Family reunion	3
	Further study	3
Job creation	Total number of persons employed by the 15 participants	73

**Business startup motives.** One of questions I asked the participants was regarding the motives for starting a business. The respondents gave various reasons for setting up a business, ranging from adverse labor market experiences to ambitious goals and lifestyle preferences. The results showed that 10 of the respondents decided to start a business to be independent and determine their own destiny; eight of them wanted to be successful and achieve more in life. Four of the participants went into self-employment to have more flexibility in managing their time to accommodate family responsibilities. Three participants reported that they went into self-

employment because of adverse labor market conditions (e.g., discrimination, frustration at work, lack of upward mobility, lay-offs). To bring to light the feelings of the respondents concerning their motives and reasons for starting a business, I will cite few examples from the interview.

For instance, Participant 4 said, "I quit my professional job with a good salary and benefits and started my business because I wanted to be independent to manage my time and achieve more in life." Two other respondents made similar statements. Participant 6, a cab service owner, expressed his motive as follows:

I started a taxi business because I wanted independence and flexibility to manage my time.

This business gave me the opportunity to raise and guide my children responsibly and to engage myself in the political movement of my country. I am so happy to see my two children as college graduates, and I am spending a lot of time now with the young ones to get them to that level too.

Participant 15 reported that she started a small business when she was laid off from her job and had no other alternative. According to her report, she started baking *injera* (a soft ethnic flat bread) from her home to sell it to friends and acquaintances to supplement her husband's meager income. Soon her *injera* became popular in the community through word of mouth. With the encouragement of her friends, she opened a store and began selling her *injera* brand to the growing number of Ethiopians and Eritreans residing in the WMA. These findings regarding the motives and causes of self-employment of the interview participants conform to some of the theoretical propositions discussed in the literature review of this study (e.g., Bates & Robb, 2014). The responses of the participants indicated that some started their businesses forced by

labor market constraints, while others gave up their jobs to take advantage of the opportunities that were available to them.

**Source of capital, information, and the use of a business plan.** The other question I asked the participants was regarding the financing of their business startup. Fourteen of the 15 respondents said that they used their personal savings to setup their businesses. Only participant 8, a restaurant owner, replied that her husband raised part of the initial capital from a rotating credit association (ROCA), known as *equb* in Ethiopia and Eritrea. Equbs are traditional informal saving associations used by close friends, neighbors, coworkers, farmers, and so forth to collect a lump sum money that will be distributed to members in turn.

I also asked the participants about the sources of information they used for their business startup. The results showed that 14 of the 15 respondents reported they had obtained information from friends and relatives. Only Participant 13 reported that he also had obtained information and advice from coethnic restaurant owners. Furthermore, I asked the participants whether they had used a written business plan when they started their businesses. All 15 participants replied that they had not used a written business plan and had no information of its importance. However, Participant 1 and Participant 5 reported that they had conducted thorough feasibility studies about the business location and potential client base before they started.

In summary, the interview results concerning Research Question 1 revealed three findings. First, all participants started their businesses by using their personal savings. Second, almost all of the entrepreneurs gathered information and advice from friends and relatives. Third, none of the respondents used a written business plan during the startup phase of their businesses and after the establishment of the firms.

## Research Question 2 Findings

The aim of this question was to investigate the barriers that hinder growth and development of EEI-owned businesses in the WMA. For this purpose, I posed three questions. The first was on how the participants managed their businesses and what sources they utilized to gather information on market conditions and business opportunities. The second question was concerning their assessment of the current stand of their businesses, and future growth aspirations or plans. Third, I asked the participants to identify the barriers that hindered the growth and expansion of their businesses. (I have listed the specific interview questions in Appendix A). The following discussion will focus on three areas, namely, management of the businesses, networking and source of information, and growth and source of finance.

**Management of the business.** Regarding the question on how EEIEs managed their businesses, nine respondents replied that they (the owners) run all business activities by themselves. The reason given for such management style was to have full control of the cash flow of the enterprise. Participant 10, a grocery owner, explaining the importance of cash flow control, said, "Besides good customer service, the source of growth of this business is to have full control of the cash register by the owner." Two respondents, however, had different opinions. Participant 1 (a grocery owner) and Participant 2 (a travel agency owner) replied that they managed their businesses by delegating responsibilities to their employees. The grocery owner added that his delegation included the checkout of customers at the cash register. Both participants maintained that the delegation of some operational responsibilities would give them (the owners) more time to focus on ways of growing and expanding their businesses.

Emphasizing this point Participant 1 stated:

I realized that the burden of running the daily business activities was taking a lot of my time and effort, and cannot grow my business this way. So I decided to develop trust in my employees and delegate some of the tasks to them so I can get more time to focus on developing my business.

**Use of professional business consultants and business plan.** I asked the participants if they had used professional business consultants. Fourteen participants replied they used accountants for bookkeeping and tax reporting purposes only. Participant 5, alone, reported that he used business consultants on as-needed basis to obtain business-related advice. Similarly, all 15 participants responded that they had not used a written business plan. They said they were not aware of its importance. Participant 1, realizing now the importance of using professional business services and a written business plan, said:

Our problem is that we don't utilize professional services, we only think of saving money by doing everything ourselves and this ties our hands and minds. Like many of our business owners, I had no idea of the importance of a written business plan. I just started my business based on my prior experience and determination to make it happen and be independent.

**Business trend and growth.** To find out the future direction of their businesses, I asked the participants what their assessment was on the current stand of their businesses and what their future growth plans were. The results showed that 13 owners replied that they had invested a lot of hard work and sacrifice, but have not seen a significant growth. Participant 8, expressing this view stated, "Through hard work and dedication our business is doing okay. However, one cannot be rich through a restaurant business." Most of the participants reported they started introducing additional services within their premises to enhance sales and stay competitive in the

coethnic market. Only two owners indicated that their businesses were expanding and growing. I verified that both claims were true through observation of the premises.

Participant 1 said that he had opened a second coethnic retail grocery store at a different location. He also reported that he was engaged in a wholesale trade business importing ethnic food items and ingredients from Ethiopia to distribute to coethnic retailers in the WMA.

Participant 5 reported that he had initially started a restaurant business in the late 1980s to serve his coethnic clientele. After seven years of success, however, the business began slowing down, and he decided to change it into a noncoethnic one. The respondent stated that his business showed significant growth after changing his business model, from a coethnic-centered restaurant into a nonethnic (mainstream) club-bar-restaurant enterprise. Participant 5 further reported that he added a restaurant-jazz-club to his business in the same location, encouraged by the success of his new strategy.

***Expansion and market diversification vision or plan.*** One way of achieving business growth is through expansion in the coethnic market and (or) through diversification into the mainstream market. I asked the participants what their future aspirations and plans were regarding the growth and expansion of their businesses. Eleven of the participants replied that they wanted to grow their business within the coethnic market by adding a similar business or introducing extra services and products within their current business premises. For instance, Participant 2, a grocery owner, reported that he added a deli service in the store and planned to open another store close to his current business. Participant 15, who established her *injera* (spongy flat bread) business, eventually converted the grocery business into a restaurant that served ethnic dishes. Participant 1, who already had made significant progress in expanding his

business within the coethnic market, stated that he would not be satisfied until he had accomplished his dream of building a big business. The respondent expressed his desire to get engaged in the mainstream market, but due to lack of information and knowledge he had not taken any action yet.

Four participants shared their visions and experiences concerning their plans and efforts to diversify their coethnic based business. Participant 12, a restaurant owner, reported making an arrangement with an American group to hold a weekly Karaoke evening to attract more noncoethnic clients. Another restaurant owner, Participant 8, stated that she had introduced dietary and nutritional ethnic dishes to attract more noncoethnic customers. Participant 8 further reported that the restaurant business is tedious and one cannot be rich that way alone. She decided to engage in other business areas as well and started a janitorial service with a partner. Both respondents alleged that their efforts in clientele diversification had shown progress.

Participant 5, owner of two club-restaurant businesses, indicated why and how he had changed his business model from a predominantly coethnic restaurant into a nonethnic model. The entrepreneur reported that after many years of success running a coethnic-based restaurant, he realized that his business was slowing down. After a thorough analysis of his business environment, he noticed that the business was not growing because of two factors. First, his coethnic clientele base was narrow and as more Ethiopian and Eritrean restaurants opened in the same area, the number of customers coming to his restaurant began to decline. Second, the political differences in the Ethiopian and Eritrean communities began affecting his business adversely. Consequently, Participant 12 decided to change his business model from a coethnic-based restaurant into a nonethnic club-bar, targeting customers in the mainstream market. The



owner reported that this change was a risky endeavor, but after encountering many challenges, his business began growing and became successful. He remarked, "One cannot grow a business without taking risk. Those who are afraid of taking risk will remain where they are or spiral downwards."

**Networking and source of information.** To expand and grow one's business, it is necessary to gather information about various markets, market conditions and opportunities, and make rational decisions. I asked the participants what sources of information they used to make business plans and decisions. Thirteen respondents replied that they relied on information obtained from friends, relatives, and acquaintances because coethnic business networks or associations did not exist. They also said that due to the long work hours, they did not have the time to gather information on their own or to contact other business associations or governmental agencies. Two respondents, owners of travel agencies, reported that they had access to information about the travel industry through their affiliated organizations. Participant 5 reported that he gathered information from different sources on his own and conducted a thorough analysis before he made any business decision.

Furthermore, I asked the participants about the degree of exchange of business-related information with other coethnic business owners. All participants replied that an exchange of information among them barely existed. Most of the respondents said they would like to exchange business-related information; however, due to the mistrust of one's intentions, there was no communication. Summarizing this mistrust, Participant 4 said, "I tried to exchange information with other compatriot business owners in our industry, but many were not willing to

do the same. They thought that a competitor was trying to steal ideas and take advantage of them." In *knowledge management* this phenomenon is known as *knowledge hoarding*.

***Source of investment capital.*** To grow and expand a business, one has to invest capital by reverting to internal sources (own savings, business profit) and (or) seeking external finance. The results indicated that 13 respondents replied they used only internal sources because they did not like to be in debt. Two respondents, Participants 1 and 5 reported that they sought external finance from banks to support their expansion plans. Participant 1 said that finding access to investment capital for small businesses like his was very difficult. He reported that after the establishment of his ethnic retail grocery store, he applied for loans at commercial banks but was denied. He said it was only after obtaining a line of credit from a local community bank that other banks were interested in his business. Participant 5 stated that he had encountered similar difficulties when he applied for a bank loan to renovate his first restaurant business. He said he was able to secure a bank loan and renovate the property with the help of a co-signer who was convinced of his business plan.

In summary, the responses revealed the following results that provide answers to Research Question 2, on the identification of the growth barriers of EEI-owned businesses in WMA. First, the responses indicated that all participants except three managed the daily operation by themselves without any delegation to employees. Second, fourteen participants used professional services only for bookkeeping and tax filing purposes. Third, the majority of participants were not aware of the importance of a written business plan and none of them used one at the startup of the business. Fourth, 13 individuals believed that their businesses were doing fairly well but lacked growth. Two respondents reported that their businesses were

performing well and had shown significant growth. Fifth, all participants except two operated in the coethnic market and relied on it; the majority of them had no vision or plan of expanding into the mainstream market. Sixth, out of the 15 interview participants, two respondents were operating successful businesses in the mainstream market. Seventh, 11 interviewees reported that they got their information from friends and relatives, and two stated that they gathered information from various sources. Eighth, all 15 respondents reported they lacked coethnic business associations or networks that could facilitate access to and the exchange of information. Ninth, with the exception of two participants who used bank financing to invest and expand their business, the other subjects (13) used their personal savings and profits to upgrade their businesses because of their aversion to indebtedness. In the following section, I discuss the patterns and the themes that emerged from the analysis of the interview results.

### **Pattern Identification and Thematic Extraction**

Qualitative studies deliver voluminous data that make the analysis and the generation of patterns and themes with valid meanings a daunting task for researchers. Hence, to reduce the bulk of data and find valid patterns and themes in them, Miles and Huberman (1994) suggested the use of displays and 13 meaning-generating tactics or approaches. Following this recommendation, I adopted the counting, clustering, and factoring tactics to generate the patterns and themes from the data as presented in Table 3 and Table 4 below. Table 3 shows the topics of the interview questions and the responses of the participants. Table 4 illustrates the patterns and themes identified from the responses by using the factoring approach.

Table 3

*Summary of Clustered Interview Results on the Research Question 2*

Topics of interview questions	Participants' responses
Management of the business	Responses
<ul style="list-style-type: none"> <li>• Running routine business operational activities</li> <li>• Use of professional financial service</li> <li>• Use of a written business plan</li> <li>• Business promotion</li> </ul>	<ul style="list-style-type: none"> <li>• 9 replied full control by the owner or co-owner; 1 replied delegation of operational tasks to employees</li> <li>• 14 used an accountant for bookkeeping and tax filing purpose only; only 1 for business consulting</li> <li>• All (15) did not use a written business plan</li> <li>• All (15) use local community radio, advertisement magazines and flyers. Some use sponsoring events, social media</li> </ul>
Business trend and growth	Responses
<ul style="list-style-type: none"> <li>• Assessment of their businesses in terms of profitability and growth</li> <li>• Expansion and growth plans; efforts within coethnic market</li> <li>• Growth/expansion plans, efforts into non-ethnic market</li> </ul>	<ul style="list-style-type: none"> <li>• all (15) replied they were doing well; 13 saw no growth/ expansion; 1 saw significant growth; 1 modest growth</li> <li>• 12 had no business plan but tried to expand sales in their current stores; 1 had no intention of expanding; 1 expanded by duplicating business in another location</li> <li>• 12 replied no plan, no attempt done</li> <li>• 2 had strong desire but no plan as yet</li> <li>• 1 opened a club-bar-restaurant business</li> </ul>
Source of business information	Responses
<ul style="list-style-type: none"> <li>• Friends, relatives, clients</li> <li>• Own effort</li> <li>• Coethnic networks (associations)</li> <li>• Non-coethnic networks, organizations</li> </ul>	<ul style="list-style-type: none"> <li>• All (15)</li> <li>• 2</li> <li>• All (15) replied there is none</li> <li>• All (15) replied they did not use; they don't know; have no access</li> </ul>
Source of investment capital	Number of responses
<ul style="list-style-type: none"> <li>• Business profit and own savings</li> <li>• External sources (e.g., banks, SBA)</li> </ul>	<ul style="list-style-type: none"> <li>• 13 because of fear of indebtedness</li> <li>• 2 used bank loans</li> </ul>

Table 4

*Thematic Extraction by Using Factoring Approach*

Patterns of growth and expansion barriers	Thematic categories of barriers
<ul style="list-style-type: none"> <li>• Lack of information</li> <li>• Lack of information exchange (mistrust)</li> <li>• Lack of exposure to outside environment</li> <li>• Lack of business network, business associations</li> <li>• Lack of written business plan</li> <li>• Lack of utilizing professional consultants</li> <li>• Concentration of EEI businesses in the same locations and coethnic clientele</li> <li>• Lack of management knowledge and skills</li> </ul>	<ul style="list-style-type: none"> <li>Managerial problem</li> <li>Business community problem</li> <li>Managerial problem</li> <li>Organizational. problem</li> <li>Managerial problem</li> <li>Managerial problem</li> <li>Managerial problem</li> <li>Managerial problem</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of business experience</li> <li>• Lack of growth vision/ plan</li> </ul>	<ul style="list-style-type: none"> <li>Management problem</li> <li>Managerial problem</li> </ul>
<ul style="list-style-type: none"> <li>• Spill-over of political differences in the communities into businesses</li> <li>• Access to finance</li> <li>• Debt taboo, risk avert</li> <li>• Sojourn mentality (save money and return home)</li> <li>• Behavior of coethnic clients</li> </ul>	<ul style="list-style-type: none"> <li>External environment factor</li> <li>External environmental factor</li> <li>Cultural factor</li> <li>Cultural factor</li> <li>Cultural factor</li> </ul>

**Emergent Patterns and Themes**

Tables 3 and 4 illustrate how the results were condensed and combined by using clustering and factoring approaches that led to the emergence of the four patterns and themes discussed below. These patterns and themes address the central question of this research, namely, the growth barriers of EEI-owned businesses in the Washington metropolitan area.

- Theme 1: Managerial deficiencies
- Theme 2: Absence of network and organizational support system
- Theme 3: Cultural barriers
- Theme 4: External environmental barriers

**Theme 1: Managerial deficiencies.** The data indicated that the majority of the participants considered managerial deficiencies potential impediments to the growth of their businesses. As examples, they mentioned lack of management skills, lack of information, lack of a written business plan, not using professional business consultants, and reliance on the coethnic market. The majority of the participants said that the causes of these problems were the lack of knowledge in management and lack of business experience.

**Theme 2: Absence of organizational support system.** All interviewees stated that one of the obstacles to the growth of their businesses was the absence of a coethnic networking system or organization. They reported that such a networking system could open access to information about various markets, locations, market conditions, business opportunities, and government assistance. Another organizational problem was the absence of information exchange cooperation between EEIEs due to lack of trust and appreciation of the benefits of cooperation. The majority of the participants said that many of these entrepreneurs lacked awareness of the positive effects of sharing ideas and exchanging information for the common good of their business communities. In addition, they reported that many EEIEs believed that withholding ideas and information rather than sharing would give them a competitive advantage, irrespective of the type of information. Some participants suggested that this secrecy could even be a cultural phenomenon that affected their community in general.

**Theme 3: Cultural barriers.** The data also showed that some culture-related attitudes and behaviors could have played a growth impeding role. For instance, almost all participants reported that they had not attempted to apply for bank loans to finance their business operation because they did not want to be in debt. Furthermore, most of the participants reported that they

had no intention of settling in the United States for the rest of their lives. They stated that their intention was to save money and return to their respective countries of origin, Ethiopia or Eritrea, when peace and political stability prevailed.

Some participants mentioned other culture-related factors that may have impeded investment and business growth. For instance, the feeling of being responsible and obligated to help relatives back home, and the behavior of coethnic customers in restaurants. Restaurant-owning participants reported that certain behavior of their Ethiopian or Eritrean clients may not be conducive to the growth of their business. The owners mentioned examples of behaviors such as: sitting too long with one small order, sharing food instead of ordering separate dishes, and resisting price increases induced by inflationary pressures. The participants indicated that these behaviors could be partly the results of their cultural background and partly due the lack of exposure to restaurant etiquette and manners.

**Theme 4: External environmental barriers.** Respondents stated that other external factors that were beyond their control had an adverse impact on the growth of their businesses. One such factor was the spill-over effect of political controversies between supporters and opponents of the governments in Ethiopia and Eritrea; and conflicts between Ethiopians and Eritreans. All respondents said they had an open door policy for all customers. However, they were wrongfully categorized as sympathizers of one political group or another, and rumors were spread against them to drive customers away.

The other external barrier to business expansion and growth was the lack of access to funds from financial institutions. This factor was mentioned only by two respondents who had had negative experiences with banks. The majority of the respondents, however, did not attempt

to obtain loans from financial institutions for fear of indebtedness, as this had a negative connotation in their culture.

### **Plausibility and Validity of the Findings**

In Chapter 3, I listed three propositions derived from the conceptual framework of this study as potential explanations for the central question of the research (i.e., the growth and market diversification problems of EEI-owned firms in the WMA). The propositions were: low-level educational background, lack of adequate management experience and skills, lack of business networking and organizational support system, and cultural norms and attitudes. The four patterns and themes that emerged from the data and discussed above confirm the plausibility of these propositions. The data delivered mixed result regarding the proposition of low-level educational background. Some firms owned by respondents with a low-level educational background showed better business growth than the ones owned by respondents with a higher level of education. The data indicated the plausibility of these propositions. To ensure the dependability and credibility of the study, however, it is necessary to verify the plausibility itself. As suggested in Miles and Huberman (1994) and Yin (2009) this was done by taking discrepant cases, nonconforming data, outlier and surprises results into consideration.

**Discrepant cases and nonconforming data.** I started this study with the premise that the EEI-owned businesses did not exhibit growth and market diversification experiences, and appeared to be in a stagnant condition. The analysis of the data confirmed this assertion for the majority of the businesses. However, the analysis also revealed discrepant and outlier cases as well as surprising outcomes in the data. Beyond my expectation, 14 respondents reported their realization of the need to expand and grow their businesses. Consequently, all retail grocery



owners tried to expand their businesses by adding a variety of new products and introducing deli services. Similarly, all restaurant owners attempted to attract non-coethnic customers by introducing special music evenings, special dishes, and delivery services. A surprising finding was that one restaurant-bar owner saw no need of changing the coethnic clientele base of his business because he considered the restaurant to be a social club in his community.

Nevertheless, despite these expansion attempts, all respondents except three were not able to expand and grow their businesses in a substantial way. One of the three exceptional respondents expanded his business in the coethnic market by using two strategies. He added another retail grocery at a different location (duplication strategy) and started a wholesale operation in his coethnic market (vertical expansion strategy). The other two exceptional respondents, a gas station owner, and a club-bar-restaurant owner, however, were operating their businesses fully in the mainstream market. To ensure the exceptionality of the progress made by the two businesses, I used other sources beyond the interview data (i.e., books, online articles and information gathered from the community). From these references, I learned that the two exceptional businesses were part of the few outlier EEI-owned businesses that have succeeded in entering the mainstream market. These firms operated parking business, convenience stores, liquor stores, gas stations, and real estate brokerages. Hence, the findings confirmed the plausibility of the postulated propositions about the central research question.

### **Evidence of Quality**

To ensure the trustworthiness of this research, as outlined in Chapter 3, I employed measures that enhanced the quality and dependability of the data collected. I conducted the interviews by using the IRB-approved interview guide and protocol consistently with all

participants to maintain uniformity in the procedural steps. Furthermore, to minimize selection bias, I purposefully included in the sample EEI-owned businesses that varied in trade lines, in geographical locations, and the markets they served (coethnic market or mainstream market). The interviews lasted 60 to 90 minutes, and all participants provided comprehensive information. I remained neutral during the interview and refrained from leading questions. Moreover, to enhance the accuracy of the transcribed interviews, I provided participants an opportunity for member checking and feedback. Besides interviewing, I utilized data from multiple sources to triangulate the findings: documents, books, articles, and personal observations.

### **Summary**

In this chapter, I presented the process by which I collected, recorded, and analyzed data to generate the four patterns and themes described as findings. I also discussed the relationship of these findings to the research questions. The findings indicated that the barriers to the growth of EEI-owned businesses are managerial deficiencies, lack of organizational support system, cultural factors, and external environmental factors. Additionally, to enhance the trustworthiness of the study, I discussed discrepant cases, nonconforming data and surprising outcomes that emerged in the analysis of the data. In Chapter 5, I will discuss my interpretation of these findings, their implications for positive social change, conclusions addressing the research questions, recommendations, and the relation of these findings to the larger body of literature on immigrant entrepreneurship.

## Chapter 5: Summary, Conclusions and Recommendations

### **Summary**

The purpose of this study was to identify the barriers that impeded the growth and development of EEI-owned businesses in the WMA and to recommend managerial and organizational remedies. To achieve these goals, I employed a qualitative approach and investigated the four research questions by conducting interviews with 15 participants. The responses to the questions revealed four themes that pinpointed the factors responsible for growth and development problems of these businesses: managerial deficiencies, lack of organizational support system or networking, cultural factors, and external environmental factors. In the following sections, I discuss my interpretation of these findings, recommendations, the significance of the research, and suggestions for further studies.

### **Interpretation of Findings and Conclusions**

In the problem statement, I elaborated the growth and expansion problems. The findings indicated that various factors summarized in the four themes were the potential impediments to growth. In the preceding sections, I presented the results and findings pertaining to the first two research questions. The purpose of Question 1 was to examine why and how EEIEs started their businesses. The aim of Question 2 was to address the growth and market diversification problems of EEI-owned firms. In this section, I address Questions 3 and 4 to provide suggestions that may help alleviate the barriers and promote growth and expansion. I made the recommendations for this based on the literature review conducted on the experience of other immigrant entrepreneurs in the United States, Europe, and Canada. Question 3 addressed the

identification of managerial and organizational tools, whereas Question 4 focused on policy implications.

### **Managerial and Organizational Solutions**

As the findings indicated, the factors that hindered growth were managerial deficiencies, lack of an organizational support system, cultural norms and external obstacles. Based on the theoretical framework, and the lessons drawn from the experiences of other immigrant communities, I propose managerial and organizational measures shown below to alleviate these barriers

**Providing training and mentoring opportunities.** The majority of the participants had no prior management experience in business activities. Moreover, none of the respondents used a written plan. As a result, most owners were not able to run and manage their businesses in an effective and efficient way. Consequently, the majority of the firms experienced poor or no growth. It is likely that many EEI-owned firms had even had to close because of these deficiencies. Fairlie and Robb (2010) stated that although many disadvantaged individuals possess a strong desire for entrepreneurship, they may ultimately fail due to lack of human or financial capital. Other researchers reported similar findings. For instance, Wainer (2015), in a study of Haitian and Hispanic immigrant small business owners, found that the barriers to growth were lack of access to capital, business education, business skills, and language and culture.

Hence, to improve the performance and growth of EEI-owned businesses, the skills of the entrepreneurs must be upgraded by implementing a series of technical assistance programs. As Schlossner (2012) suggested, the first task should focus on developing skills through

customized entrepreneurship training programs. The second task should address the unique circumstances of individual owners by providing targeted mentoring and business consulting services. A study by Abbasian and Yazdavar (2014) indicated that immigrant entrepreneurs in Sweden found such training programs to be useful for their business development. Chrisman, McMullen, Ring, and Holt (2012) found that counseling by providing guidance, mentoring and other services during business startup phase is more effective in spurring venture growth than programs that focus on developing general entrepreneurial knowledge. Where should EEIEs look for such assistance?

***Technical assistance providers.*** The main source of technical assistance for small firms in the U.S. is the Small Business Administration (SBA). The SBA, in collaboration with its partners, Service Corps of Retired Executives (SCORE) and Small Business Development Centers (SBDCs), provides counseling, mentoring, and training opportunities for small firm owners (SBA, 2014a). SCORE is a nonprofit association of many volunteer counselors sponsored by SBA to provide free advice and training to small enterprises (SBA, 2014b). Small Business Development Centers (SBDCs) offer current and aspiring small firms free business consulting and low-cost training (SBA, 2014c). Another organization that can play an important role in providing assistance is the Enterprise Development Group (EDG) in Arlington, Virginia. EDG is a nonprofit organization affiliated with the Ethiopian Community Development Council (ECDC). It offers low income individuals, refugees, and minority small business owners, micro loans, financial literacy, business training, and affordable rental office space (EDG, 2015). Besides its main task of refugee resettlement, ECDC is also engaged in strengthening ethnic-based organizations (ECDC, 2016).

These organizations can be instrumental in helping EEIEs upgrade their management skills, improve the performance of their firms, and grow their businesses. How do EEIEs gain access to this assistance of these organizations? This question leads us to address the issue of lack of organizational support systems in the EEIE business communities and the need to create business associations.

**Creating business networks.** As the data of in this study indicate, EEIEs lacked information on opportunities outside their coethnic market because they did not have the time or the ability to gather such information. Hence, to obtain access to information on markets, suppliers, regulations, business consultancy, training, financing and growth opportunities, the creation of networks becomes crucial. In a study on the importance of these business networks for immigrant entrepreneurs, Stephens (2013) noted that participation in networks led to an improvement in confidence and the development of business skills. Stephens (2013) further stated that more benefits can be obtained from networking. It creates opportunities for "closer contact with business activists, entrepreneurs, local government representatives, suppliers, consultants and customers" (2013, p. 241). Thai (2013) also stated that there is a significant relationship between immigrant entrepreneurship and networking. Thai (2013) empirically verified the significant role played by social capital in encouraging immigrant entrepreneurs to conduct business activities. Similarly, business networks can serve as internal networking platforms and as conduits to external business and governmental resources. The next question is: "How do EEIEs develop their business social network?"

Stephens (2013) remarked that for many entrepreneurs, forming social or business networks is a difficult process, but one that is crucial. To form networks, he suggested engaging

in one's ethnic and business communities, soliciting the advice of specialists and local higher education institutes, and utilizing the support of Chamber of Commerce. Stephens argued that memberships in broader and formal organizations provides entrepreneurs access to diverse information and helps them build trust. One of the findings of my study was the lack of trust among the entrepreneurs. Hence, to build trust among themselves and reap the benefits of social networking, the business owners should be organized in formal organizations. Pioneer EEIEs or committed individuals from the communities should step up and take the initiative of organizing such a platform. Since building business network demands knowledge and experience, dedicated professionals should assist the entrepreneurs. To start this process, it would be helpful to examine the network formation experience of other immigrant entrepreneurs. I briefly present the experience of such as the African Development Center (ADC) in Minneapolis, Minnesota.

In 2003, Africans living in Minneapolis, Minnesota founded ADC. Its mission was to help African immigrants in business startup, business development, and home ownership by providing training, counseling, and financing opportunities. In a few years, ADC was able to rally the financial support and sponsorship of public and private institutions because of its successful implementation of its mission objectives. At present, ADC is the main micro-lender and a business training and counseling facilitator for African immigrants in Minnesota. It has won awards for service excellence from the City of Minneapolis (ADC, 2014). In light of this experience, perhaps a better way of solving the network problem of EEI-owned businesses could be building a broader network within the framework of an African immigrant entrepreneurs' program in the WMA. Such a comprehensive approach may draw the attention and support of public and private entities. For this purpose, the ADC model could be used as a starting point to

build a similar organization to assist existing and aspiring African entrepreneurs in the WMA. These suggestions are similar to the strategies recommended by Stephens (2013) on building immigrant entrepreneur business networks. In addition, one should explore other avenues of building trust and social networking. For instance, Ekaterina and Mai (2013) stated that many authors view nonprofit organizations and associations as mechanisms for fostering cooperation between citizens and enhancing trust in society.

### **Solutions to Cultural Barriers**

According to the findings of the present study, one of the cultural barriers that impaired the growth of EEI-owned small firms was the business-owners' perception of indebtedness. The majority of the owners refrained from applying for bank loans because they believed that incurring a debt was a sign of failure; they also feared the risk involved in borrowing. If these entrepreneurs want to grow and expand their businesses, they might have to explore financing options. However, many lack knowledge of the benefits of external financing, as well as information on available resources and the ways of accessing them. Hence, to overcome the culture-based barriers and knowledge deficits, EEIEs should be provided education on various financing options, and the requirements of accessing them. Such financial literacy education can be provided by arranging training and counseling services, for instance, through the Small Business Administration.

### **Solutions to External Environmental Barriers.**

One of the external growth-impeding barriers mentioned by respondents was the spill-over effect of political controversies in their communities. The majority of the entrepreneurs, particularly restaurant owners, reported that inimical political differences in their respective



communities adversely affected their businesses. The vulnerability to such external factors occurred because most of the firms were dependent on their coethnic clientele. A few owners who recognized the adverse effect of these externalities took some measures to protect their businesses by diversifying their customer base. The dependency on coethnic clientele not only made EEI-owned firms vulnerable to such external shocks, but also blinded them to exploring other opportunities in the mainstream market. Hence, to shield their businesses from such external factors, these firms should expand and diversify their clientele base to noncoethnic markets.

Another reported external growth-impeding factor was the lack of access to capital. Robb (2013) indicated that inadequate capital is the main limiting factor for the growth, expansion, job, and wealth creation abilities of small firms. Bates and Robb (2013) reported that minority business enterprises have greater difficulty accessing loans from banks than comparable White-owned firms. This financial constraint has become more pronounced on minority and immigrant entrepreneurs after the 2007 financial crisis (Correa & Giron, 2013). Robb noted that small enterprises are less favored by banks because they are small in size, lack adequate collateral, and history of management performance.

To overcome these financing barriers, the entrepreneurs should explore various unconventional opportunities for funding (Clark-Gill, 2016). For instance, peer-to-peer funding, crowdfunding, microfinancing, and borrowing against one's 401(k) retirement plan. It is easier to secure loans through peer-to-peer funding and microfinancing than from traditional banks. These financing avenues can also help the entrepreneurs to improve their credit history. Clark-Gill (2016) further stated that "crowdfunding enables entrepreneurs to generate revenue based on

various types of startup endeavors and ongoing projects in their businesses” (p. 366). Aguilar (2013) reported that the SEC was considering crowdfunding as one way of facilitating access to capital for small business owners. On October 30, 2015, the SEC adopted rules to permit companies to offer and sell securities through crowdfunding (SEC, 2015). In addition to these options, the entrepreneurs should apply for government loans or grants reserved for minority-owned businesses. To obtain additional resources, the entrepreneurs should look into joining associations, such as Minority Business Development Agency and Minority and Women Business Enterprise (Clark-Gill, 2016). Bates and Robb (2013) proposed the persecution of financial institutions that discriminate against minority business enterprises on the basis of borrower race.

In summary, the majority of the EEI-owned firms experienced similar external barriers that hindered their access to financing. In addition, the entrepreneurs' negative perception of debt, their lack of knowledge of the financing system, and their language shortcomings were impediments to obtaining finance. To overcome these obstacles, the owners should be provided trainings in financial literacy and management skills development. Additionally, the entrepreneurs should strive to build internal networking organizations and join associations that facilitate access to capital and other external resources. This can be done with the help of dedicated individuals and professionals in their communities. Robb (2013) made similar suggestions to improve the creditworthiness of minority-owned small businesses in general.

## Conclusions

### Growth Barriers of EEI-Owned Businesses

**Managerial deficiencies.** The first theme was management deficiency. The causes for this deficiency were the lack of management skills, lack of business experience, and the absence of a written business plan. As the results in Table 4 indicated, nine of the 15 (60%) participants had no prior experience in business; five (33.3%) had limited experience. Furthermore, not all 15 respondents used a written business plan at the startup stage or after that because they lacked awareness of its benefits. Moreover, as the responses showed, the majority of the respondents started their firms without prior business experience or a roadmap for enterprise development.

From these findings, it can be concluded that some of the causes of growth and expansion problems were poor management skills, lack of previous business experience, and the absence of a written plan. These findings are supported by an empirical study of Fairlie and Robb (2010) who compared the business experiences of African American-owned firms versus Asian or White American-owned ones. From their work, they concluded that the level of education, prior experience, family-owned business experience, and access to finance determined the success of small firms. Kidwell, Hoy, and Ibarreche (2012) argued that the family-ownership nature of most ethnic is an obstacle that hindered the introduction of formal management practices. Other authors (e.g., Botha & Robertson, 2014; Measures, 2014) have placed great emphasis on the importance of a written plan. Besides the lack of both management experience and funding, the most crucial factor in the failure of small businesses was the absence of a written plan. Measures (2014) remarked that a well-thought-out business plan can help entrepreneurs identify target markets, stay focused on their goals, evaluate their progress and detect weaknesses. Moreover, a

written strategy plan can assist entrepreneurs in devising expansion strategies and communication approaches with lenders, and in handling unforeseen challenges. Mazzarol (2013) cautioned that small enterprises should have plans that reflect the degree of complexity of their businesses. The U.S. Small Business Administration described the importance of a written plan stating: "A business plan is an essential roadmap for business success. This living document projects 3-5 years ahead and outlines the route the company intends to take to grow revenues" (SBA, 2014a).

Another factor that exacerbated the growth problem of EEI-owned businesses was their dense concentration in the same coethnic market locations. The data indicated that 10 of the 15 (66.7%) respondents operated in the coethnic market for more than 10 years and five (33.3%) of them between four to seven years (see Appendix D). The majority of these firms exposed themselves to a competitive environment that hampered the growth and expansion prospects. This finding confirmed the proposition of Waldinger et al. (2006) However, two respondents (who operated a gas station and a club-bar-restaurant in the mainstream market, respectively) reported significant growth. The two entrepreneurs stated that they were not afraid to take risks to enter the mainstream market because they had experience from past family-owned firms.

**Lack of Organizational Support System.** The second theme that emerged from the data as a potential barrier to development of EEI-owned firms was the absence of a coethnic organizational support system or social networking. The literature review on the experience of other immigrant entrepreneurs (e.g., Koreans, Chinese) indicated that social networking was crucial to the growth of their firms. Coethnic organizations in these communities played large roles in gathering, disseminating, and exchanging information. They also assisted owners by

facilitating financing opportunities. Fray (2013) found that Latin American business owners in New York City were successful in launching and sustaining entrepreneurial ventures by using informal networking.

The results in Table 3 and Table 4 show that all respondents regarded the lack of information on opportunities outside their coethnic market as one of the main impediments to the growth of their businesses. Most of the respondents attributed this lack of information to the absence of a social network that could facilitate the collection, dissemination, and exchange of information. Ethiopian and Eritrean communities in the WMA have well-functioning social networks organized under the umbrellas of religious and civic organizations. They also support each other in addressing social events such as, weddings, funerals, festivities, and in assisting needy individuals. However, besides these social associations and civic organizations, I did not find entities that solely focus on promoting business development of EEI-owned firms.

This finding supports the study by Tesfom (2006) on East African entrepreneurs in Seattle. He stated that existing East African social and family networks played an important role in the adaptation process of immigrant entrepreneurs. Tesfom also reported that he did not find evidence showing any role these networks played in providing and facilitating an exchange of information among the entrepreneurs. Similar to the finding in this research, Tesfom discovered that there was no significant exchange of information among the East African entrepreneurs he had interviewed. The reasons given were lack of trust and the desire to win a competitive edge by keeping information secret. In the field of knowledge management-such behavior is known as knowledge hoarding. These findings indicated the absence of an organizational support system, or according to Kwon, Heflan, and Ruef (2013), the lack of social capital at the community level.

Community level social capital is built on the basis of a social trust that extends beyond a face-to-face interaction, incorporating people whom one has never met (Kwon et al., 2013).

Social trust plays a crucial role in self-employment and exchange of information at a community level. Social trust encourages the free flow of information between social groups and helps business owners overcome the legitimacy problem of small business (Kwon et al., 2013). Hence, to build a viable organizational support system at a community level, the primary task is to develop social trust among EEIEs by explaining these benefits.

**Cultural barriers.** The third theme that emerged from the data as a barrier to development of the firms was a set of cultural factors. One factor was the attitude held by the majority of the respondents (87%) against borrowing (Table 3). Most of the interviewees reported that, in their culture, people considered indebtedness as a sign of failure. Such attitudes may hinder these entrepreneurs from investing in their businesses and subsequently impede development. Another cultural factor that might have hampered growth was the sojourn mindset of these immigrant entrepreneurs about their life in the United States. Sojourning is a mindset of immigrants who plan to return to their home countries after saving money in their host countries (Bonacich, 1973). As the data in Table 2 indicated, nine respondents (60%) immigrated to the United States seeking political asylum. These interviewees reported that their objective was to save money and return home when political conditions improved. I believe that such sojourn mentality may have hindered these entrepreneurs from investing in long-term commitments for fear of tying their savings in less liquid assets.

**External environmental barriers.** The fourth theme that emerged from the data as a potential barrier to growth and development consisted of external environmental factors. The

majority of the respondents stated that the spill-over of political controversies in their communities was one factor that had adversely affected business by changing patronage behavior of their clients. The sources of the controversies were the reflections of the unsettled war conditions between Ethiopia and Eritrea, and the current political disputes in both countries.

The second external factor was the lack of access to capital from lending institutions. Fairlie (2012a) indicated that access to capital, wealth inequality, and lending discrimination are the barriers to minority business success. Besides these common barriers, the findings revealed other internal impediments to obtaining finance by the subject firms. The above statement is relevant only to the experience of three respondents who had applied for bank financing; most interviewees did not attempt to secure bank loans. One of the three respondents received a bank loan approval with the help of a cosigner, and the other two applicants had been denied loans. The rest of the respondents (87%) did not attempt to apply for direct bank loans or through the loan guarantee program of the Small Business Administration. The data revealed two barriers that may have hindered access to bank financing. One potential barrier to securing finance was the requirement of a written business plan, which none of the participants had. The other barrier was the cultural perception of the majority of the respondents that considered indebtedness to be a sign of business failure. In this discussion, I interpreted the findings by identifying the causes of the barriers that hindered the growth of EEI-owned firms. Next, I propose policy recommendations that may assist in overcoming these impediments.

### **Policy Implications and Recommendations**

As mentioned, the SBA in partnership with SCORE and SBDCs provide training, mentoring, and counseling opportunities for small firms. It also facilitates access to capital for

small businesses by providing loan guarantees to lending institutions. Similarly, local economic development agencies have programs designed to assist small firms in the Washington, DC area. However, the findings of this study indicated that the majority of EEIEs were not aware of the existence of these resources. The majority of the respondents gave as reasons: lack of time to gather information on their own, language barriers, and the absence of networking organizations. Rathford (2012) noted that immigrant business owners may be unaware of such services "due to language barriers, isolation from mainstream information outlets, or insufficient outreach" (p. 181).

The implementation of the above suggestions to remedy these barriers demands time. In the interim, the SBA and local economic development agencies should assist EEIEs by undertaking proactive actions. For instance, these institutions can organize outreach programs to inform the owners about the various services and resources available. As suggested by Wainer (2015), this can be done by establishing immigrant entrepreneur centers as information clearing houses. Information on resources available to entrepreneurs can be relayed by using ethnic media and by organizing information seminars. Such programs could be instrumental in informing EEIEs about resources that could help them improve their management skills and business performance.

For this purpose, it is necessary to study the experiences and innovative ideas of various jurisdictions in the United States and Canada. Wainer (2015) recommended that local governments emulate Salt Lake City's example of serving "as program incubator and supporter of immigrant entrepreneurs" (p.14). Pare and Maloumy-Baka (2015), based on their study of immigrant-owned firms in Montreal, suggested a one-stop-shop service to assist entrepreneurs.



Kallick (2015) made similar proposals about programs aimed at helping immigrants businesses based on the experience of some U.S. cities. Bonner (2015) reported that Philadelphia provided a network of cross-sector support services to immigrant entrepreneurs facing challenges. The City Council of the District of Columbia enacted the DC Language Access Act to alleviate the language barrier immigrants faced in accessing government services. The Act requires government agencies to provide in-person interpretation and translation of vital government documents in languages commonly spoken in the District of Columbia (Rathford, 2012). Smith, Tang, Miguel (2012) reported that Arab-American entrepreneurs in Detroit, Michigan found the pathways to success by applying a business incubator model through their community support organizations.

According to Kulkarni (2014), one of the most comprehensive schemes supporting immigrant entrepreneurs in the United States is the Refugee and Immigrants Succeeding in Entrepreneurship (RISE) program in Louisville, Kentucky. Kulkarni (2014) reported that RISE is a partnership of private, public, nonprofit organizations, and education institutions. These partners support the program by providing financial, consulting, training, coaching, and mentoring services. In the program, aspirant entrepreneurs are identified and provided with these assistances. At the end of the program, the immigrant entrepreneurs receive a certificate of entrepreneurship.

In summary, an effective targeted public and private assistance program for immigrant entrepreneurs should be composed of at least four elements as proposed by Desidero (2014). First, assist business owners to develop specific human capital and business skills by offering language courses, financial literacy and entrepreneurship trainings, and introducing the host

country's business culture and regulations. Second, provide help in network-and social capital building. These can be done through business-to-business advising, creating opportunities to connect with the mainstream business community, business associations, and potential suppliers and customers. Third, offering targeted counseling and assistance on administrative procedures, compliance with tax regulations, labor laws and social security obligations. Fourth, implement targeted measures to facilitate access to finance for the entrepreneurs by improving their creditworthiness, and introducing them to other unconventional means of financing. In light of these recommendations, ideas can be adopted from the experience of European countries and Canada, as discussed in detail by Desiderio (2014).

In conclusion, targeting assistance by the SBA and local government agencies to immigrant small firm owners will not only promote the business interests of these recipients, but also benefit the communities of the area at large. Such support may induce the creation of more job opportunities, increased demand for goods and services, increased revenue for local governments, and the revival of declining neighborhoods (Sahin, Nijkamp & Suzuki, 2014). Hence, supporting ethnically, culturally, and linguistically diverse entrepreneurs could be a potential source of competitive advantage for the local cities and region (Alexander-Leclair, 2014; Rodriguez-Pose & Hardy, 2015). In the following section, I discuss the social change implications and significance of this research.

### **Social Change Implications**

This study's findings may have significant positive social change implications in the areas mentioned below. Primarily, it will benefit the individual EEI-owned businesses in the WMA, which are experiencing stagnant business performance and market diversification problems. The

implementation of the proposed trainings will help EEIEs improve their management skills and enhance the growth of their firms. Moreover, as suggested, the building of support systems will open networking platforms and access to resources in the mainstream market to EEI-owned businesses.

The study will also have positive social change implications on the communities in the Washington metropolitan area. As a result of the improved growth and market expansion of EEI-owned businesses, communities will benefit from increased job opportunities and revenues created by these firms. Hong and McLaren (2015), using Census 1980-2000 found that each immigrant entrepreneur creates 1.2 local jobs for local workers. Moreover, the findings of the present study can be useful for conducting further work on African immigrant-owned firms elsewhere to bring about positive social changes.

In addition to these implications, the study made significant contributions to the body of literature on immigrant entrepreneurship. It offered insights into managerial and organizational issues -areas that had not received adequate attention in immigrant entrepreneurship studies. It also enriched the research on immigrant entrepreneurship by contributing an additional area of study on African immigrant entrepreneurs in the United States.

### **Recommendation for Further Studies**

To have a holistic understanding of the entrepreneurial activities and business development of EEIEs in the United States, I recommend further investigation in three areas. First, to test the generalizability of the results of this research, it is necessary to repeat it in other U.S. metropolitan areas. As this case study reflects the experience of EEIEs examined in WMA, there is a need for a cross-state investigation of the business development experiences of EEIEs

in other states as well. For instance, Yasin (2014) conducted a cross-national examination of business startup experiences of Punjabi small firm owners operating in the United Kingdom, Denmark and Norway. His findings revealed that respondents in the United Kingdom experienced more hostile experience than the ones in Denmark and Norway.

Second, the focus of this work was on first-generation Ethiopian and Eritrean immigrant entrepreneurs. I recommend further study on entrepreneurial activities of second-generation Ethiopian and Eritrean entrepreneurs (SGEEEs) to understand their entrepreneurial engagement and the direction they are taking. For instance, Beckers and Bloomberg (2013) found that in the Netherlands "the higher level of socio-cultural integration of second generation immigrants does not necessarily lead to better business prospects" (p. 654). Baycan, Sahin, and Nijkamp (2012) reported that second-generation migrants in the Netherlands showed engagement in new areas such as the Internet, Computer Technology, and the creative industries. Arcand (2012) suggested that in Montreal, Canada ethno-cultural background does not play a significant role in the transmission of entrepreneurial spirit to second-generation immigrants. Abada, Hou and Lu (2013) showed that second generation immigrants became self-employed, enticed by opportunities, and not by push factors. Gudmundsson (2013) examined how immigrant self-employment affects the educational chances of the second-generation. Hence research on these, and other aspects related to the business engagement of second-generation Ethiopians and Eritreans, may reveal the future trend of the business development of these communities.

Third, there is an increased trend in transnational business activities of U.S. resident Ethiopian entrepreneurs or diasporans in their homeland. Transnational entrepreneurship can generate opportunities for diasporans and the societies in which they operate (Chand, 2012).

Hence, to understand the level of transnational business EEIEs have achieved, further studies of their business relations with their home countries is important. Chacko and Gebre (2013) conducted a study focusing on how to leverage the diaspora for development in Ethiopia. Transnational relationships are primarily facilitated by familial ties, social networking, cultural enterprises, returned migrants, and ethnic firms overseas that source supplies from their home countries (Portes & Yiu, 2013). Diasporan entrepreneurs engage in transnational activities to exploit business opportunities or patronize their patriotic and homeland sentiments (Lin & Tao, 2012). They invest in their home countries through direct and portfolio investment or through new startups (Kotabe, Riddle, Sonderbergger & Taube, 2013). Neville, Orser, Riding and Jung (2014) asserted that immigrant entrepreneurs have comparative advantage over others in launching successful transnational businesses. They contended that immigrants possess valuable ethnic resources like knowledge of local language and culture, and social networks. Prashantan, Dhanaraj, and Kumar (2015) reported that although ethnicity plays a significant role in building social capital, nonethnic ties are more significant for international growth.

### **Researcher's Reflection**

As in all qualitative studies, I was confronted with two types of biases that posed threats to the validity of conclusions; researcher bias and reflectivity. Researcher bias is the subjective selection of data that fit the researcher's theory or preconceived ideas, whereas reflectivity is the influence of the researcher on the setting or individuals studied (Maxwell, 2005). In this work, most of the data confirmed my informal observations. To rule out researcher bias and enhance credibility, I included discrepant cases and non-conforming results in data interpretation and reporting. To protect against reflectivity, I tried to control my past small business owner

experience from influencing the views of the respondents during the interviews by refraining from asking leading questions.

Moreover, during the data collection process I encountered a potential threat of dependability. I planned to use a tape recorder during the interviews with the aim of gathering accurate information. However, out of respect for the confidentiality concern of the participants, I took notes during the interview instead. To ensure the accuracy of the information, I transcribed the notes into documents immediately after the end of each session. Furthermore, to minimize researcher bias and increase the dependability of the data gathered, I solicited feedback from the participants.

### **Concluding Statement**

As studies in immigrant entrepreneurship have indicated, immigrant entrepreneurs have played a significant role in the economic development of the United States-and they continue to do so (Fairlie, 2008). One of the latest groups of immigrant entrepreneurs that are making positive social change contributions to local economies is the growing community of African business owners. Despite their rapid increase in number and business activities, these entrepreneurs have not received due attention in the literature. Moreover, my research indicated that the activities of these entrepreneurs have not been included in the Survey of Business Owners, the statistical report published by U.S. Census Bureau. It is my hope that this case study will help in drawing the interest of researchers to conduct further studies on African immigrant entrepreneurs.

In addition, as suggested in the policy recommendations, the hope is that the SBA and local economic development agencies will provide training programs and facilitate more access

to financing to immigrant entrepreneurs. The undertaking of such actions will help EEI-owned firms grow their businesses and enhance their job and revenue creation potential. Furthermore, as the majority of EEIEs lack information on the value of organized networking, better-informed community members should step up to assist these entrepreneurs. Particularly, the few Ethiopian and Eritrean entrepreneurs who have succeeded in building mid- and large-size businesses in the area can play a leading role in this endeavor. The researcher will make the utmost effort to disseminate these ideas in the Ethiopian and Eritrean business communities and to solicit the cooperation of SBA and local economic development entities.

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## Appendix A: Interview Guide and Questions

1. Can you tell me about yourself and your family?
2. How long have you been in the U.S? and what made you come to the United states?
2. What is your educational background and previous experience in business activities?
3. What are the factors that led you to starting your own business?
4. How were you able to finance the costs involved in starting and operating the business?
5. How do you run and manage your daily business operations? How many employees do you have?
6. How do you obtain information and advice relevant for the growth of your business?
7. What is your assessment of your business in terms of sales growth, profitability, and self-satisfaction?
8. What is your experience in living and doing business in the U.S., given that you came from a different cultural background?
9. What are your future business aspirations and plans? What barriers hindered your aspiration to grow and expand your business? (follow up question if necessary)
10. What factors would help the growth and expansion of your business into the mainstream market?

## Appendix B : Interview Protocol

Interview with Participant 1, owner of retail groceries. He sells miscellaneous ethnic Ethiopian food and non-food items.

Gender: Male

Date: 6/29/2014

Duration: 6:30 -8:00 pm

Place: In participant's office

Interviewer: Sereke-Berhan Meres

Prior to the interview I provided the interviewee the opportunity to read the official Walden University approved Letter of Consent and explained the content. After reading the letter, the respondent signed the letter and I proceeded with the interview

### Q. 1. Personal Background and Business Start-up

Researcher

Can you tell me about yourself, your educational background and past business experience and why you came to the United States?

Respondent

I am a high school graduate and left my country, Ethiopia, to Kenya because of political repression. After working for a while in Kenya, I saved money and started my own small transportation business and was doing well. In 2004 I came to the US as a political refugee. Like many of my compatriots I was home sick, and also found the life in the US to be hard. I did all kind of jobs but could not move ahead. At one point, I came to a conclusion that I don't want to work for somebody else and decided to be independent by starting my own business in 4 years. My friends and relatives said I was crazy. I started bringing ethnic Ethiopian food items and spices from Ethiopia and sell them from home to Ethiopian owned groceries and restaurants. During this time I worked very hard and saved every penny I earned. This business activity gave me the opportunity to see the growing demand for the ethnic food items I was selling to other grocery owners. At last, in 2007 I opened my own retail grocery store in Falls Church, Virginia in a business area where numerous Ethiopian small businesses are located. Since I had good understandings of the needs and wants of Ethiopian customers I was able to fulfill their needs by providing quality items and service and my business started growing.

Researcher

Did you have a written business plan when you started your business?

Respondent

Like most Ethiopian business owners I had no idea of the need of having a written business plan, I just started my business based on the experience had strong determination to make it happen. However, now after reaching a certain stage I see the benefits of having a business plan and advise new business starters to have one.

## Q.2. Management of the Business Operation and Planning

Researcher

How do you manage and run your business operation (Bookkeeping/accounting, inventory/supply management and marketing)?

Respondent

The whole burden of day-to-day management of the business, i.e., from ordering items to picking up shipments, pricing, bookkeeping, dealing with financing and leasing related issues as well as marketing falls on me. This really takes a lot of my time and effort and it is too much for me, particularly now when both of my stores are doing well. However, on the supply side, I have four reliable sisters working for me in Ethiopia who purchase quality items at reasonable price and ship to me. I also delegate some of the tasks like attending at the cash register to my employees which gives me some time to do other important tasks. Other owners they stick to the register because they don't trust their employees and their business cannot grow. Our problem (Ethiopian business owners - Researcher) is we don't utilize professional service. We only think of saving money by doing the tasks ourselves instead of paying professionals and this ties our hands and minds and also causes a lot of stress in our life. I think it is better to hire professionals for some tasks of the business so I can focus more on growing my business. I am giving this a serious thought but we don't have information. When it comes to marketing, my strategy is providing absolute quality customer service to any customer who walks into my stores. If they are not satisfied with our product they can return it without any hustle and tell us the problem so we can fix it. I tell my employees this is the way to win the trust of customers who help us pay our lease and earnings. I also sponsor events of the community. But my strongest advertiser is myself, wherever I go and meet people I tell them about my business and it works very well. Once they come to our store I try to exceed their expectations and I tell my employees to do the same. Sometimes I use flyers.

## Q3. Source of Business Information

Researcher

How and where do you get information relevant for your business start-up and expansion?

Respondent

I try to get information through my own efforts, but this is not efficient and effective way. There is a lot of useful information out there that I don't know. It is almost impossible to get information from other Ethiopian business owners. There is mistrust. They think they will lose competitive edge by sharing information. I personally like to share information with others, particularly with new business starters. I love sharing my experience and providing them advice. I think the main problem is that we Ethiopian business owners do not have a business association that could tie us together and be a forum for information exchange and also a source of information from the mainstream market to help us grow our business. That is one reason why we are not growing. We have a lot of resources in our community in various types of professions but we are not utilizing them. To build trust between these two groups such an association can play a big role or creating a business forum like Angie's List may solve this mistrust problem.

Q. 4. Assessment of Current Business and Future Growth Aspiration

Researcher

How do you assess your business in terms of sales growth, profitability and self-fulfillment?

Respondent

My business has grown well in sales and profitability. I started with one store and I have added another one which has a much larger square footage thanks to our quality customer service and products. Despite this success I am not yet satisfied and I am far away from where I want to be. I have a plan to expand the business by opening another store in Maryland and my long term vision is to enter into the business of franchise ownership.

Q5. Obstacles to business Growth and Expansion

Researcher

What are the obstacles or barriers that hinder the growth and expansion of your business?

Respondent

One of the major obstacles that I experienced is getting finance from lending institutions. Despite the positive return and profitability of my business I was repeatedly denied loans. I thought maybe it was due to the past financial crisis. However, I was able to secure a loan from Hispanic Community Bank and after that other banks are willing to lend me. The other important obstacles are lack of information, absence of business association and the lack of using our abundantly available resources in our community.

Researcher

Why do Ethiopian business owners tend to open new businesses in trade lines and locations already congested with other Ethiopian-owned firms? Doesn't this intensify the existing competition further?

Respondent

I see it in a positive way. When a new business owner comes to our area he/she will bring with him/her customers giving us an opportunity to harvest new customers. I always encourage prospective entrepreneurs to open business in our neighborhood.

Q6. Experience with City or State Agencies

Researcher

What is your experience with City or State agencies during the start-up and operation of your business?

Respondent

I personally had and still have a very good experience. Since I follow the rules and regulations I never had a problem with them. They are very cooperative. Other people get in trouble when they don't follow the rules and try to take short cuts.

Researcher

Thank you very much for taking your precious time to provide me with this valuable information.

Respondent

You are welcome. Please don't hesitate to call me if you have questions, I can always avail to you few minutes. I value the importance of your study to our community.



Appendix C : Research log and NviVo 10 Reports

0:25 AM

Node Classification Summary

Growth Barriers of Ethiopian and Eritrean Businesses in the Washington D.C. Area

11/21/2014 10:25 AM

Attribute Value	Attribute Value Description	Number of Nodes Assigned
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**Classification Name: Person**

**Attribute Name: Age Group**

25-35		3
36-45		2
46-55		5
Above 55		5

**Attribute Name: Business Type**

Cab Service		3
Club/Bar/Restaurant		1
Gas Station		1

Restaurant	4
Restaurant and Cleaning Service	1
Retail Grocery	1
Retail Grocery and Deli	1
Retail Grocery/wholesale	1
Travel Agency	2

**Attribute Name: Client Type**

Coethnic	5
Nonethnic	4
Not Applicable	1
Predominantly Coethnic	5

**Attribute Name: Education Level**

College Graduate	7
Completed High School	7

Attribute Value	Attribute Value Description	Number of Nodes Assigned
Elementary school		1

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**Attribute Name: Gender**

Female	6
Male	9

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**Attribute Name: Immigration Reason**

Family Reunion	3
Further Study	2
Further study/Political refugee	1
Political refugee	9

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**Attribute Name: Location**

DC	7
MD	2
VA	6

---

**Attribute Name: Number of Business**

1	12
2	3

---

**Attribute Name: Number of Employees**

1	3
15	1
2	2
4	2
5	1
6	5
8	1

**Attribute Name: Prior Business Exposure**

None	9
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Reports\\Node Classification Summary Report Page 2 of 3

Attribute Value	Attribute Value Description	Number of Nodes Assigned
Yes		6

**Attribute Name: Years in Business**

10	2
14	1
15	1
18	1
4	1
5	2
7	2
Over 20	5