

Hispanic business enterprise success: Ethnic resources, market orientation, or market exchange embeddedness?

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Abstract

Using data from a survey of one hundred and ninety-nine Hispanic owned businesses in central Indiana, the authors test the extent to which Hispanic business outcomes are associated with three factors identified in the literature as having an effect on business success—mobilization of ethnic resources, an ethnic or a mainstream market orientation, and embeddedness in market exchange relationships. Noting that business owners rate their level of enjoyment and satisfaction with their business highly even when their businesses' performance is questionable, the authors distinguish between subjective and objective indicators of business success. No relationship between the three sets of independent variables and the subjective indicators of success are found. Conversely, the objective indicators of business success, such as estimated business assets of the business and business longevity, among others, are negatively related to ethnic resources utilization and positively related to a mainstream market orientation. Mixed results are found for indicators of “market exchange” embeddedness.

Keywords: Hispanic entrepreneurship, ethnic entrepreneurship, immigrant business enterprises, Indiana businesses

INTRODUCTION

This study analyzes theories that may explain the success of Hispanic Business Enterprises (HBEs) in central Indiana, one state that has experienced significant growth of Latino/Hispanic immigration in the last decade. The Latino/Hispanic community is the largest immigrant/minority population in the United States; they represent 15 percent of the U.S. population and according to the U.S. Census Bureau, Latinos/Hispanics will account for 25 percent of the U.S. population by 2025. Indiana has recently received more than its fair share of the growth of Latino/Hispanic immigration into the United States; indeed, according to the latest Census estimates, this population grew in Indiana more than 50 percent from 2000 to 2010. Therefore, this study focuses on understanding Hispanic ethnic entrepreneurship in one of the states that has experienced one of the highest inflows of Hispanic immigrants.

In the last several decades, the world has seen growing flows of immigrants mostly from developing economies into advanced countries. The latter are facing the challenge of properly integrating many of the new immigrants. The integrative role, as well as the viability, of ethnic entrepreneurship has been debated in the literature. American scholars tend to have a more positive assessment than their European counterparts do, of ethnic businesses as an alternative to opportunities in traditional employment markets. This divergence in the literature can perhaps be attributed to observations of ethnic entrepreneurship within varying social, economic, and institutional contexts of immigrant reception. Unlike immigrants in the United States, immigrants to some European societies have experienced considerable barriers to self-employment. European societies tend to have a much more regulated economy, and countries, where organized labor is strong, have placed many constraints on access to business ownership by immigrant populations (Haberfellner, 2003; Mung and Lacroix, 2003; Pang, 2003; Wilpert, 2003).

This study tests the significance of three sets of variables identified by scholars, across national boundaries, as having an effect on ethnic business outcomes. Analyzing data from a survey of one hundred and ninety-nine Latino/Hispanic business owners, conducted in the summer of 2007, we test the impact of mobilization of ethnic resources, ethnic or mainstream market orientation, and “market exchange” embeddedness on the business outcomes of Hispanic Business Enterprises in Indianapolis.

THEORETICAL FRAMEWORK

There is a growing academic interest in understanding the ethnic entrepreneurship phenomenon. Scholars working within the ethnic entrepreneurship paradigm have reached little consensus concerning the determinants of ethnic entrepreneurship, its implications, and its outcomes. In the next few paragraphs, we discuss the ethnic entrepreneurship theoretical views that are tested in this study.

The Ethnic Resources View

American sociologists have tended to emphasize “social capital” and “ethnic networks” explanations of ethnic entrepreneurship (see Bonachich and Modell, 1980; Light, 1972; Light and Bonacich, 1988; Lovell-Troy, 1980; Portes and Bach, 1985; Waldinger et al., 1990, and

others). Noting that “market mechanisms are embedded in social structures and processes,” Waldinger (1993, p. 694) explained this approach as follows: “the spur toward entrepreneurial activity and the ability to mobilize needed resources come from the structure of the immigrant communities, the networks of associations of which these communities are constituted, and the predispositions the networks breed.” Nevertheless, due to limitations in the applicability of the ethnic resources tradition to different national contexts, Kloosterman et al. (1999, p. 254) developed the notion of “mixed embeddedness,” arguing that to properly understand the immigrant entrepreneurs’ prospects to experience upward social mobility, one has to take into account their simultaneous insertion into ethnic networks and markets and the political and socioeconomic institutions of the host country.

Both the ethnic resources and the mixed embeddedness views have been criticized (see Barrett et al., 2003). Valdez (2002) points out that the ethnic resources literature has characterized some ethnic groups, such as Korean and Cubans, “entrepreneurial” based on their rates of business ownership that exceed by far those of other ethnic groups, including Mexican Americans, rather than on their level of business success. Barrett et al. (2003, p. 101) attribute the high rates of business ownerships among immigrants from South Asia and China and their British-born descendents, within the context of a less restrictive British economy, to massive deindustrialization in the 1980’s, “which created disproportionate job loss among immigrant-origin groups and stimulated self-employment as a survival strategy.” Barrett et al. (2003, p. 101) state: “One consequence has been acute entrepreneurial over-population with too many sellers chasing too few customers. The result has been an “over-concentration of under-resourced ethnic-minority entrepreneurs in a narrow range of low-level often-declining sectors such as corner-shop retailing.” Barrett et al. (2003, p. 114) additionally point out that business practices based on “kinship or communal obligations dictate nepotism rather than meritocratic hiring practices,” and that at some point “gemeninschaftlich informality has to be replaced by standard business practices.”

The Market Orientation View

American scholars have tended to view the ethnic market as a cradle out of which businesses that start with an ethnic market orientation may expand either to provide ethnic products or services to the wider mainstream market or into businesses that operate independently from ethnic markets and products. The same view, however, has not been shared by some scholars who have viewed the emergence of ethnic businesses in ethnic markets as a “form of disguised unemployment” (Light and Gold, 2000:196) and have argued that “co-ethnic customer dependency is a serious restriction on development” (Barrett et al., 2003, p. 113).

In Canada, Ley (2006) finds evidence supporting the assertion that reliance on the ethnic market or enclave is detrimental to business outcomes. He examines the business performance of entrepreneurs from Korea, Hong Kong, and Taiwan, who entered Canada through the Business Immigration Programme. Among the three groups, Koreans were the most successful because they “disproportionately sought mainstream markets rather than relying on the ethnic enclave” (Ley, 2006, p. 743).

The Market Exchange Embeddedness View

Valdez (2002), questioning the centrality of the mobilization of ethnic resources for business outcomes, offers an alternative theoretical framework--a market embeddedness approach--to the study of ethnic businesses outcomes. Based on Polanyi's work (1944, 1992) and Granovetter's (1985) notion of embeddedness, she argues that the "economic system of a given society is distinguished by three forms of economic integration – market exchange, reciprocity, and redistribution." Further, "the market exchange relationship is the primary form of economic integration in a market economy."

Valdez (2002, p. 1) recognizes that under "conditions of market disadvantage," redistributive relationships, such as "government assistance," and reciprocal relationships, such as "ethnic resources" or "social capital," may act as "compensatory mechanisms that augment entrepreneurial outcomes." These forms of integration, nevertheless, are secondary to the market exchange relationship and at best have only a "compensatory effect" on entrepreneurship. Valdez, then, hypothesizes that "the use of market exchange relationships," such as the capacity to establish lines of credit with banks, "will have a significant and strong relationship to entrepreneurial success" (2002, p. 11).

Other scholars' findings were consistent with Valdez's assumptions. Bates (1994, p. 671), for example, argues "the success and survival patterns of Asian immigrant firms derive from their large investments of financial capital and impressive educational credentials of the business owners." Conversely firms that rely to a large extent on ethnic resources tend to be "the less profitable, more failure-prone small businesses of Asian immigrants."

In summary, the ethnic entrepreneurship academic tradition has identified three distinct phenomena—mobilization of ethnic resources, ethnic versus mainstream market orientation, and "market exchange" embeddedness—that affect the entrepreneurial outcomes of ethnic business owners. In the next sections of this paper, we test the relationship of each of these three theoretical views to the business success of Hispanic Business Enterprises in central Indiana.

RESEARCH METHODOLOGY

Data Collection

The data used in this paper was collected to help the Greater Indianapolis Chamber of Commerce better understand the characteristics of and challenges faced by Hispanic Business Enterprises (HBEs) located in central Indiana. Interviewers collected usable data from 199 Hispanic business owners by conducting face-to-face interviews during the summer of 2007. The term Hispanic Business Enterprises (HBEs) is defined as any business for which more than 50 percent of the ownership is held by a person or persons of Hispanic descent.

A combination of methods was used to compile a sample of potential respondents. First, several lists were combined. Lists of businesses were obtained from the Indiana Secretary of State, the publisher of a popular Spanish language publication, a consulting firm specializing in Hispanic markets, individuals on an advisory council, and certified minority-owned businesses self-identified as Hispanic-owned. Once the list was compiled, researchers called each potential respondent to determine if the business was owned by Latino/Hispanic individuals and to identify the preferred language in which to conduct the interview. Additionally, research workers canvassed city streets in order to identify formal and informal businesses that might not

have been included in any of the existing lists. Finally, as the survey was conducted, interviewers asked respondents to identify other Hispanic businesses. Attempts were made to interview all the business owners identified through the listings, street canvassing, and referrals.

Some owners were unable or unwilling to answer some of the survey questions and as a result some of the variables contain missing values. Although the initial sampling lists might have omitted some businesses owners who could not be identified, we believe the owners surveyed are generally representative of the universe of Hispanic owned businesses in central Indiana. Nevertheless, it is likely that formal, more easily identifiable businesses, whose owners might have been more receptive to interviewers, were over sampled.

Operationalization—Business Success

The face-to-face survey included several questions to measure business success; these are summarized below. Similar indicators have been used by other scholars to operationalize business success. For example, Ley (2006) uses satisfaction with business success and net revenues. Valdez (2002) utilizes business age and business owner's income, among others. We use the following measures of business success: Subjective Measures: level of enjoyment in owning a business; level of satisfaction with business accomplishments; level of agreement with the statement that "central Indiana is a good place to own and operate a business;" the extent to which owners felt that low margins and profitability levels were an obstacle to their businesses reaching full potential; Objective Measures: the perceived approximate market value of the business as indicated by the owners; estimated value of the current business assets; number of employees (as an indicator of business size); and, business age (as an indicator of the business sustainability).

Operationalization—Ethnic Resources

A critical ethnic resource, according to the literature, is the capacity of the entrepreneur to utilize the labor of relatives and co-ethnics as a source of cheap and trusted labor. In order to measure the level of dependence on mobilization of ethnic resources, we use the percentage of employees who are Latino and the percentage of employees who are relatives. We also use two categorical variables: partnership status (Hispanic partner, non-Hispanic partner, and no partners) and whether or not the owner started the business with family members. We use the owner's self-rated English language skills as an indirect indicator of utilization of ethnic resources. A business owner with a limited capacity to speak English will by necessity have to rely on co-ethnics for the information needed for start-up and daily business operations.

Operationalization—Market Orientation

The main indicator of dependence on the ethnic market is the extent to which a business's customers are Hispanic. We refer to this variable as market orientation. For purposes of this analysis, we define those with a high percent of Hispanic customers (eighty percent or higher) as having an ethnic market orientation, while those with a low percent of Hispanic customers (twenty percent or less) have a mainstream market orientation. Those who serve both types of customers (between twenty percent and eighty percent) are oriented to both markets.

Operationalization—Market Exchange Embeddedness

The capacity to establish lines of credit with mainstream financial institutions is a major indicator of “market exchange” embeddedness. The survey contained questions on whether the business had applied for a bank loan in the past two years and whether the loan was granted. We also use the following indicators: the level of education of business owners (used by Valdez, 2002 as an indicator of the owners’ capacity to engage in “market exchange” business practices), and whether the business has a developed business plan. We also use continuous indicators, such as the owner’s age, the length of time the owner has been in the United States, and whether the owner perceived “limited English language skills” as a barrier to business advancement. Owners who are older, who have been in the United States for a longer period of time, and do not face English language barriers have a higher capacity to embed themselves into market exchange relationships within the advanced capitalist system of the United States.

Description of the Sample

Latino owned businesses, as would be expected for a recent immigrant group, are generally young and small businesses (see Table 1). About 72 percent of the businesses have been in operation for five or fewer years and 68 percent have five employees or less. Fifty-one percent of all businesses have an estimated market value of less than two hundred thousand dollars. Data collected by the survey indicate that only six businesses out of one hundred ninety-five have an estimated market value of more than five million dollars. Latino business owners are also to a large extent first generation immigrants. Only 15.9 percent of those surveyed were born in the United States. Over half (51.9) percent were born in Mexico. Business owners were asked about their goals for their businesses. Eighty-five percent intend to expand their businesses either by adding products/services and/or markets or both, while about 13 percent intend to stay the same. Only 1.5 percent intends to scale back. Overall the image that emerges from the data is one of optimism about the future of one’s business.

Table 2 shows the number and percent of Hispanic owned businesses by area of activity. Traditional areas of immigrant entrepreneurship in wholesale, retail, distribution and food services account for close to 49 percent of all Hispanic owned businesses. Furthermore, 34 percent operate in the areas of construction, and professional and technical services. Hispanic business activities are not limited to the ethnic market and many have potential to grow beyond the ethnic market.

In Table 3, we present frequency distributions of the subjective indicators of business success--level of business enjoyment, satisfaction with business accomplishments, perception of central Indiana as a good place to own and operate a business, and perception of low margins or profitability levels as a barrier. Over 94 percent of owners somewhat agreed or strongly agreed with the following statement: “I truly enjoy my business.” Close to 82 percent of the respondents somewhat agreed or strongly agreed with the statement: “Overall, I am satisfied with what I have accomplished with this business.” Slightly more (85.2%) somewhat or strongly agreed with the statement that “Central Indiana is a good place to own and operate a business.” Finally, about half the respondents agreed or strongly agreed that “low margins or profitability levels” were barriers “that might keep this business from reaching its full potential.” Coming to America and becoming a business owner may provide the entrepreneur with intangible benefits,

including a heightened sense of self-worth, control over one's daily existence, and increased social status among family, friends, and co-ethnics.

DATA ANALYSIS

Ethnic Resource Mobilization and Business Success

In this section, we examine the correlation between reliance on ethnic resources and the indicators of business success. Ethnicity scholars have observed a “cultural proclivity” toward business partnerships among immigrants (e.g, Light, 1972). However, Sanders and Nee (1996, p. 236) note that immigrants prefer to seek help within the family “before seeking business partners outside the family,” as a way of reducing “the potential for conflict and increased transaction costs when non-family business partners are involved.” Table 4 on the partnership status of Latino business owners shows that nearly 60 percent of Latino business owners operate with partners. Of those with partners, a majority (61.3 percent) has Latino/Hispanic partners and 38.7 percent have non-Latino partners. Business partners may provide start up and operating capital, know-how, technical assistance, and access to markets. Consistent with the mobilization of ethnic resources school, we would expect ethnic entrepreneurs to form partnerships with family members and co-ethnics to a larger extent than they do with non-ethnic partners. Forming partnerships with non-ethnic partners indicates a lower level of reliance on ethnic resources and perhaps easier access to mainstream markets. The data in Table 4 show that Latino/Hispanic owners are indeed capable of stepping outside of the ethnic community to take advantage of resources offered by mainstream partners. Conversely, the non-ethnic entrepreneurs' willingness to enter into partnerships with Latinos indicates that the former are likely to perceive the latter as worthy business partners who are engaged in viable business ventures.

The data in Table 5 show few significant correlations between the continuous independent variables and the subjective indicators of success. It seems that owners with a higher percent of relatives employed are to some degree less likely to enjoy their business, but the correlation between the two variables is weak ($r = -.146$, $p < .05$). There is a positive correlation between English language skills and the level of business enjoyment ($r = .230$, $p < .01$). No other significant correlations were found for other subjective indicators of business success. The correlations between reliance on ethnic resources and the objective indicators of business outcomes (perceived market value of the businesses, estimated value of the business assets, the age of the business, the number of employees) yielded numerous significant correlations (Table 5). The percent of Hispanic employees is negatively related to the perceived market value of the business, the estimated assets value, the business age, and the number of employees (with negative coefficients $r = -.326$, $r = -.373$, $r = -.206$, and $r = -.357$ respectively, all at $p < .01$). There is also a negative correlation between the percent of employees who are relatives and business age ($r = -.211$, $p < .01$) and number of employees ($r = -.202$, $p < .01$). Table 5 also shows a positive correlation between English language skills and the perceived market value of the business ($r = .268$, $p < .01$), the estimated assets value ($r = .252$, $p < .01$), the business age ($r = .274$, $p < .01$), and the number of employees ($r = .233$, $p < .01$). These data indicate that businesses more dependent on ethnic resources perform less well when it comes to the objective measures of success than those that are less dependent on those resources.

The data in Table 6 shows no significant mean differences between the subjective indicators of success and partnership status and starting the business with or without family

members. Overall then, the data show no relationship or at best a very weak association between mobilization of ethnic resources and the subjective indicators of business success. The relationship between partnership status and the objective indicators of business success show mixed results. Having a non-Hispanic partner is positively associated with the estimated assets value and the number of employees, but the relationship between this independent variable and the other objective indicators of success is not statistically significant. Those with no partner seem to have the lowest level of business performance, but only two of the indicators show a significant means difference. The data also show that the objective indicators of business success are lower when the entrepreneurs started the business with family members than when they started without family members.

Overall the data show a mixed picture. Business owners who rely on ethnic resources have a highly positive business outlook, but their businesses perform less well than the businesses of those who rely less on the mobilization of ethnic resources. Our analysis of the data on Hispanic Business Enterprises in central Indiana would lead us to concur with those who argue that the mobilization of ethnic resources is not a major determinant of business success among ethnic entrepreneurs (Barrett et al., 2003, Ley, 2006, Valdez, 2002, among others).

Market Orientation and Business Success

In order to measure dependence on the ethnic market or market orientation, we use the business' percent of Latino/Hispanic customers--low, medium, and high. The data in Table 7 show that although a majority of Hispanic owned businesses, 53.8 percent, is highly dependent on the ethnic market, Latino entrepreneurs in central Indiana are not limited to this market or to peripheral businesses within this market. Over 30 percent have a mainstream market orientation and 16.1 percent operate within both types of market. This is quite remarkable given that a high level of Latino immigration to Indiana is a recent phenomenon and the majority of Hispanic entrepreneurs are first generation immigrants (see Table 8). As expected, businesses oriented towards the ethnic market are to a much larger extent owned by immigrants than by American-born Latinos. However, 67.8 percent of the firms oriented to the mainstream market are owned by immigrants.

Oneway ANOVA revealed that there were no significant differences between the three groups (mainstream, mixed, and Hispanic market orientations) and the subjective indicators of business success (level of enjoyment, satisfaction, perception of central Indiana as a good place to do business, and perception of low profit margins as a barrier to success).

On the other hand, the data in Table 9 show that businesses oriented towards the mainstream market have a higher level of success, as measured by the objective indicators of success, than those oriented to the ethnic market and to mixed markets. Generally, businesses that are oriented to mainstream markets have a significantly higher perceived market value and estimated assets value, and are older and larger. The differences between those that are oriented to mixed markets and those oriented to the Hispanic market are generally not significant.

Overall, the data presented in this section provide moderately strong support for the assertion that insertion into the wider non-ethnic market results in more positive business outcomes than reliance on the ethnic market. We concur with the arguments made by Barrett et al., 2003 and Ley, 2006, among others, concerning the limiting aspects of an orientation to or dependence on the ethnic market.

Market Exchange Embeddedness and Business Success

In this section, we analyze the relationship between market exchange embeddedness variables and the indicators of business success. According to Valdez's (2002) embedded market approach, the capacity of an individual to engage in market exchange relationships within the context of an advanced capitalist economy is the principal determinant of his/her business success. The individuals' reciprocal relationships and access to redistributive resources have only a compensatory effect on business outcomes.

In Table 10 we present Pearson correlation coefficients for the continuous indicators of embeddedness in market exchange relationships. Respondents were asked to rate, on a scale of 1 to 5, from strongly disagree to strongly agree, the extent to which "limited English language skills" were a barrier "that might keep this business from reaching its full potential." Those with limited language skills have a slightly lower level of business success. Generally the data show a weak correlation between this variable and two of the objective indicators of business success—estimated assets value ($r = -.117, p < .05$) and business age ($r = -.185, p < .05$). There is no significant correlation between this variable and the other two objective indicators of business success. With the exception of the owners' perception of low margins and profitability as barriers that might keep their business from reaching full potential ($r = .382, p < .01$), there is no relationship between this independent variable and the subjective indicators of business success. Interestingly, those with limited English language skills were less likely to see low margins or profitability barriers as an obstacle to their business reaching full potential.

The correlation coefficients between the owners' age and the objective indicators of success are weak to moderately strong, but this variable is unrelated to the subjective indicators of success. The same pattern is true for length of years in the United States. The correlation coefficients between this variable and the objective indicators of success are moderately strong, but there are no significant correlations with the subjective indicators of business success.

In Table 11, we present data on the categorical indicators of market exchange embeddedness: level of education, loan applications, and whether the company has a formal business plan. The level of education is significantly related to three of the objective indicators of business success. Those with more than a high school education have a higher perceived market value, estimated assets value, and their businesses are older.

The main indicator of market exchange embeddedness, according to Valdez (2002), is the entrepreneur's capacity to borrow from mainstream sources of financing. Respondents were asked if they had applied for any bank loans within the past two years. We do not know why close to 69 percent of all business owners had not applied for a loan in the past two years, and whether this indicated they did not need to do so because they did not need to borrow, enjoyed high profit margins, were not expanding their businesses, or were using alternative sources of financing. These levels of borrowing are nevertheless comparable to those found by other scholars. Describing the ethnic groups included in her study, Valdez (2002, p. 20) indicates that 65 percent of white businesses, 64 percent of Black, 63 percent of Mexican, but only 36 percent of Korean businesses did not borrow startup capital from any sources. The data in Table 11 show that those who had borrowed from a bank had a slightly higher perceived market value and estimated assets value than those who had not borrowed from a bank in the past two years, but the t-test p-values are slightly higher than .05. There are no significant means differences for the other two objective indicators of business success (business age and number of employees). Those who applied for and received a business loan had significantly higher perceived market

and estimated assets values than those who did not receive a bank loan. Receiving a loan was unrelated to business age and was only weakly related to the number of employees.

Having a business plan indicates a higher level of business formality and it is a requirement for establishing credibility in “market exchange” relationships. The data in Table 11 indicate that there are significant differences between those who have a business plan and those who do not for all the objective indicators of business success, except for the business age. Overall, businesses that have a business plan are more successful than those that do not have such a plan.

The data presented in this section provide mixed support for Valdez’s claim that a higher level of “market exchange” embeddedness is positively related to business success. The indicators of “market exchange” embeddedness are positively associated with some of the objective indicators of success but not with others. Hispanic business owners are making inroads into mainstream markets and are becoming embedded in “market exchange” relationships. However, there is still plenty of room for them to increase their levels of insertion into mainstream markets and embeddedness in “market exchange” relationships.

CONCLUSIONS

The findings of this study provide support for Barrett et al. (2003) and Ley (2006) who observe that ethnic entrepreneurs who operate in mainstream markets and do not rely on the mobilization of ethnic resources are more successful than those who rely on ethnic markets and ethnic resources. The findings also suggest a moderate level of support for Valdez’s (2002) assertion that “market exchange” relationships are more significant than “reciprocal” relationships when it comes to business outcomes.

Even though the data analyzed in this study provided evidence supportive of the assertions that ethnic resource mobilization and dependence on ethnic markets produce less successful entrepreneurial outcomes, we do not share the negative views held by some European scholars concerning the integrative role and viability of ethnic businesses. We were generally unable to find significant associations among subjective indicators of business success with all three types of independent variables (mobilization of ethnic resources, market orientation, and market exchange embeddedness). Frequency distribution data shows that Latino/Hispanic business owners have a very positive and optimistic business outlook and that such outlook is unrelated to the level of mobilization of ethnic resources, market orientation, and market exchange embeddedness. If indeed reliance on ethnic resources and markets were a form of “ethnic bondage” and a “loosing ticket,” perhaps more Hispanic Business Enterprises owners would have indicated that they were dissatisfied with their business accomplishments. While Barrett et al. (2003, p. 104) view the emergence of ethnic businesses in England as a result of job loss and “marginality in the economic mainstream,” this does not seem to be the case for Hispanics in central Indiana. The fact that a very high percent of owners, 94.4 percent, expressed a high level of enjoyment in owning a business is reflective of a general preference to be self-employed rather than to work for someone else. In this sense, going into business does not seem to be an alternative to not being able to find employment in the mainstream economy.

Hispanic entrepreneurs in central Indiana are not limited to ethnic markets or segmented areas of business activity. They are not stuck in marginal areas of business activity at the fringes of the broader economy. About thirty-six percent are operating in construction, professional and technical areas of activity, which can easily grow and expand into mainstream markets (see

Table 2) and those operating in some of the more traditional areas of immigrant businesses activity in food, wholesale, and retail services can also expand into non-ethnic markets. Over 30 percent of Latino entrepreneurs own businesses that are oriented primarily to mainstream markets and over 16 percent are oriented to both types of market, mainstream and ethnic (see Table 7). Additionally, close to 39 percent of those with partners are involved in partnerships with a non-Latino partner, which denotes that Hispanic business owners are stepping outside the ethnic market to attain business support. A significant number of Latino business owners are also well-embedded into “market exchange” relationships. One could hardly refer to this picture as a “last ditch survival strategy” or an “economic lifeboat.”

Further research needs to be conducted to test the relationships between the three sets of independent variables and business outcomes among other immigrant and ethnic populations. Additional indicators of ethnic resource mobilization and market embeddedness, not included in the current survey, could be tested. In this study, we treated the three sets of independent variables as unrelated phenomena. However, those businesses with a mainstream market orientation are perhaps less likely to mobilize ethnic resources and are perhaps more likely to be embedded in “market exchange relationships.” A deeper analysis could be conducted to take into consideration the interactive effects between the three sets of independent variables.

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Table 1
Business Age, Size, Market Value, Country of Origin, and Business Goals

Variable	Percent	Frequency
Business Age		
One year or less	30.2%	60
2-5 years	41.7%	83
6-10 years	19.6%	39
More than 10years	8.5%	17
Number of Employees		
2 or fewer	29.6%	59
3 to 5	38.7%	77
6 to 10	14.6%	29
Greater than 10	17.1%	34
Estimated Market Value of the Business		
Less than \$50,000	27.6%	55
\$50,000 - \$199,000	24.1%	48
\$200,000 or greater	26.6%	53
Missing values	21.6%	43
Country of Origin		
United States	15.9%	30
Mexico	51.9%	98
South America	16.4%	31
Central America	8.5%	16
Other	7.4%	14
Business Goals of Latino Entrepreneurs		
Scale back	1.5%	3
Stay the same	13.1%	26
Add products	15.6%	31
Add markets	15.1%	30
Add Products/markets	54.8%	109

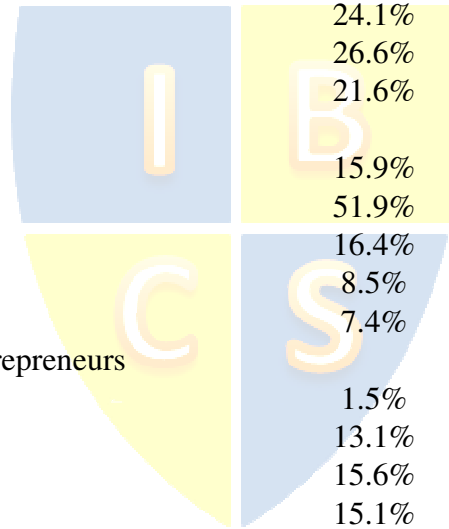


Table 2
Hispanic Owned Businesses by Area of Activity

Area of Activity	Number	Percent
Construction/Manufacturing	19	9.5%
Wholesale/Retail/Distribution	52	26.1%
Professional Services	32	16.1%
Technical Services	17	8.5%
Food Services	45	22.6%
Other Services	34	17.1%
TOTAL	199	100.0%

Table 3
Subjective Indicators of Success

	1. Strongly Disagree	2. Somewhat Disagree	3. Neither Agree nor Disagree	4. Somewhat Agree	5. Strongly Agree
Enjoy Business	1 0.5%	2 1.0%	8 4.1%	30 15.3%	155 79.1%
Satisfied with Business Accomplishment	4 2.0%	19 9.7%	13 6.6%	58 29.6%	102 52.0%
Central Indiana Good Place for Business	5 2.6%	8 4.1%	16 8.2%	52 26.5%	115 58.7%
Low Margins or Profitability Levels as a Barrier	50 25.1%	24 12.1%	38 19.1%	45 23.7%	33 17.4%

Table 4
Partnership Status of Latino Entrepreneurs

	Number	Percent	Percent within those with partners
No Partners	80	40.2%	---
Hispanic Partner	73	36.7%	61.3%
Non-Hispanic Partner	46	23.1%	38.7%
Total	199	100.0%	---
Total with Partners	119	59.8%	100.0%

Table 5
Ethnic Resources and Business Success (Correlation Coefficients)

Subjective Success Measures	% Hispanic Employees	% Family Employees	English
Enjoy Business	-.065	-.146 ^a	.230 ^b
Good place for Business	.047	-.122	.050
Satisfied w/ Business	.028	-.029	.095
Margins/Profits Barriers	-.125	-.039	-.016
Objective Success Measure	% Hispanic Employees	% Family Employees	English
Perceived Market Value	-.326 ^b	-.139	.268 ^b
Estimated Assets Value	-.373 ^b	-.133	.252 ^b
Business Age	-.206 ^b	-.211 ^b	.274 ^b
Number of Employees	-.357 ^b	-.202 ^b	.233 ^b

a: Significantly correlated at 0.05 level

b: Significantly correlated at 0.01 level

Table 6
Ethnic Resources and Business Success

Success Measure	Hispanic Partner	Non-Hispanic Partner	No Partners	Start w/ Family	Did not Start w/ Family
Enjoy Business	4.68	4.78	4.71	4.66	4.74
Good place for Business	4.32	4.20	4.45	4.35	4.37
Satisfied w/ Business	4.21	4.16	4.21	4.40	4.11
				(t-test, p-value =0.069)	
Margins/Profits Barriers	3.07	2.69	2.94	3.13	2.83
Perceived Market Value	\$0.79 mil.	\$0.87 mil.	\$0.39 mil.	\$0.12 mil.	\$0.96 mil.
				(t-test, p-value = 0.001)	
Estimated Assets Value	\$0.41 mil.	\$0.59 mil. ^c	\$0.12 mil. ^b	\$0.06 mil.	\$0.48 mil.
		(ANOVA, p-value =0.098)		(t-test, p-value =0.002)	
Business Age	4.16	5.46	4.13	3.60	4.91
				(t-test, p-value =0.037)	
No. of Employees	7.52 ^c	8.13 ^c	4.26 ^{a,b}	5.41	6.88
		(ANOVA, p-value 0.014)			

a: Significantly different from Hispanic Partner

b: Significantly different from Non-Hispanic Partner

c: Significantly different from No Partners

Table 7
Market Orientation of Hispanic Business Enterprises

Percent of Customers Who are Latino	Number	Percent
Low	60	30.2%
Medium	32	16.1%
High	107	53.8%
Total	199	100.0%

Table 8
Market Orientation by Place of Birth

	Percent of Latino Customers			
	Low	Medium	High	Total
Born in the U.S.	19 32.2%	3 9.4%	9 8.4%	31 15.7%
Born Outside of the U.S.	40 67.8%	29 90.6%	98 91.6%	167 84.3%
Total	59 100.0%	32 100.0%	107 100.0%	198 100.0%

Table 9
Market Orientation and Business Success

Success Measure	Market Orientation			One-Way ANOVA Results
	Mainstream	Mixed	Hispanic	p-values
Perceived Market Value	\$1.47 mil. ^{b,c}	\$0.26 mil. ^a	\$0.23 mil. ^a	(p<0.000)
Estimated Assets Value	\$0.82 mil. ^{b,c}	\$0.18 mil. ^a	\$0.06 mil. ^a	(p<0.000)
Business Age	6.82 ^{b,c}	3.09 ^a	3.52 ^a	(p<0.000)
No. of Employees	11.95 ^{b,c}	4.22 ^a	3.85 ^a	(p<0.000)

a: Significantly different from Mainstream Market Orientation

b: Significantly different from Mixed Market Orientation

c: Significantly different from Hispanic Market Orientation

Table 10
Market Exchange Embeddedness and Business Success

Success Measure	Market Exchange Embeddedness Variables		
	English Limiting	Owner's Age	Years In U.S.
Enjoy Business	-.039	-.098	.072
Good place for Business	.078	-.082	.016
Satisfied w/ Business	-.051	-.114	-.008
Margins/Profits Barriers	.328 ^a	.043	-.002
Perceived Market Value	-0.072	.296 ^a	.377 ^b
Estimated Assets Value	-.177 ^a	.298 ^a	.391 ^b
Business Age	-.185 ^a	.401 ^b	.500 ^b
No. of Employees	-.056	.198 ^a	.354 ^b

a: $p < .05$

b: $p < .01$

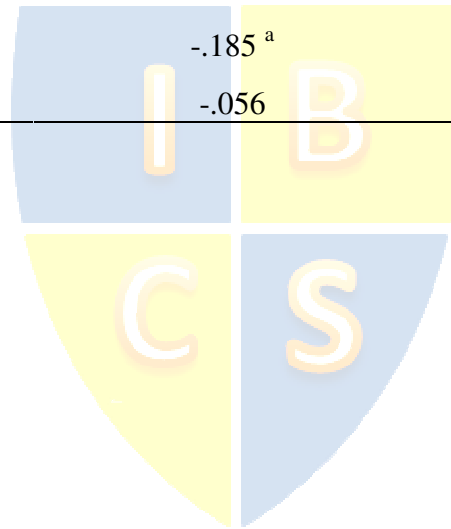


Table 11
Market Exchange Embeddedness and Business Success

Success Measure	Market Exchange Embeddedness Variables							
	H.S. Graduate or Less	More than H.S. Graduate	Apply for Bank Loan	Did Not Apply for Bank Loan	Receive Bank Loan	Did Not Receive Bank Loan	Has Business Plan	Does Not Have Business Plan
Enjoy Business	4.64	4.78	4.67	4.73	4.65	4.73	4.79	4.67
Good place for Business	4.36	4.30	4.48	4.28	4.49	4.30	4.46	4.27
Satisfied with Business	4.16	4.18	4.32	4.15	4.31	4.16	4.35	4.10
Margins/Profits	3.07	2.93	3.07	2.85	3.16	2.85	2.90	2.93
Perceived Market Value (mil.)	\$0.20.	\$1.03.	\$1.27.	\$0.41.	\$1.45.	\$0.39.	\$1.12.	\$0.38.
	(t-test, p-value =0.003)		(t-test, p-value =0.070)		(t-test, p-value =0.051)		(t-test, p-value =0.053)	
Estimated Assets Value (mil.)	\$0.07.	\$0.55.	\$0.66	\$0.18	\$0.82	\$0.16	\$0.65	\$0.13
	(t-test, p-value =0.003)		(t-test, p-value =0.052)		(t-test, p-value =0.032)		(t-test, p-value =0.015)	
Business Age	3.55	5.26	5.21	4.1	4.94	4.28	5.06	4.12
	(t-test, p-value =0.020)							
No. of Employees	7.22	5.41	7.97	5.64	8.61	5.57	8.39	5.12
					(t-test, p-value =0.089)		t-test, p-value =0.012)	