

# Structural Opportunity or Ethnic Advantage? Immigrant Business Development in New York

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Research on ethnic enterprise emerged in the United States as part of an attempt to explain the historical differences in business activity between blacks and other ethnic groups. In *Beyond the Melting Pot*, Glazer and Moynihan argued that "the small shopkeeper, small manufacturer, or small entrepreneur of any kind played such an important role in the rise of immigrant groups in America that its absence from the Negro community warrants at least some discussion."<sup>1</sup> Glazer and Moynihan offered some brief, possible explanations, but the first extended treatment came with the publication of Ivan Light's now classic comparison of Blacks, not with Jews, Italians, or Irish, but with immigrants—Japanese, Chinese, West Indians—whose racial characteristics made them equally distinctive; the argument developed an imaginative variant of the Weber thesis, showing that it was ethnic solidarity, not individualism, that gave these immigrants an "elective affinity" with the requirements of small business.

As we approach the 1990s, it is apparent that ethnic business is no longer a matter of strictly historical interest. Recent developments—the renewal of mass immigration to the United States, the growing importance of small business to the U.S. economy, the evident entrepreneurial success of some recent immigrant groups, the persistently low self-employment rates among native blacks—have made the study of ethnic business a lively field. One can now count numerous empirical studies—of which the recent reports on Korean entrepreneurs in New York, Los Angeles, and Chicago, on the Cuban business enclave in Miami, on immigrant restaurateurs

1. Nathan Glazer and Daniel P. Moynihan, *Beyond the Melting Pot*. Cambridge, MA: MIT Press, 1963. Pp. 30.

and garment factory owners in New York are just a small sample.<sup>2</sup> And as researchers have documented the ability of particular ethnic groups to exploit small business niches in an economy dominated by larger, more sophisticated concerns, they have kicked off a wave of fertile theorizing about ethnic business. The various theoretical schema elaborated thus far—Ivan Light's notion of class and ethnic resources, Edna Bonacich's concept of the middleman minority, Alejandro Portes' argument about the formation of "ethnic enclaves"—have filtered deeply into the literature and have become part of the conceptual vocabulary that scholars use to think about problems of race and ethnicity.<sup>3</sup>

While the field of ethnic enterprise is flush with research, all this activity has generated considerable controversy over the sources of ethnic entrepreneurial success. In a sense, three distinctive approaches to this question have now crystalized: one that emphasizes the characteristics that immigrants bring with them and make them predisposed to do well in business; a second that emphasizes the importance of opportunity structures as a condition of business success; and a third that points to the interaction between predisposing characteristics and the opportunities that newcomers encounter. This article provides a new assessment test of these explanations through an analysis of data from a survey of 213 white, hispanic, and Korean storeowners in New York City.

In the next sections I will set the context for the present study. First, I will sketch out the different approaches to the study of ethnic enterprise and then discuss the procedure and characteristics of the study areas.

## Conceptual Approaches

As noted above, explanations of immigrant entrepreneurship fall into three categories. Since these three basic conceptual approaches have

2. See, for example, Ilsoo Kim. *The New Urban Immigrants: The Korean Community in New York* (Princeton: Princeton University Press, 1981); Kwang Chung Kim and Won Moo Hurh, "The Formation and Maintenance of Korean Small Business in the Chicago Area", unpublished manuscript, Department of Sociology and Anthropology, Western Illinois University, 1984; Ivan Light, "Asian Enterprise in America: Chinese, Japanese, and Koreans in Small Business", in Scott Cummings, ed. *Self-help in Urban America: Patterns of Minority Business Enterprise* (Port Washington, N.Y.: Kennikat, 1980) [on Koreans in Los Angeles]; Alejandro Portes and Robert Bach: *Latin Journey: Cuban and Mexican Immigrants in the United States* (Berkeley: University of California Press, 1985); Thomas Bailey, *Immigrants and Natives: Contrasts and Competition* (Boulder, Colo: Westview, forthcoming) [on immigrant business in the restaurant and construction industries in New York]; and Roger Waldinger, *Through the Eye of the Needle: Immigrants and Enterprise in New York's Garment Trades* (New York: New York University Press, 1986).

3. For the concept of the "ethnic enclave", see Portes and Bach, *Latin Journey*; Edna Bonacich elaborates an argument about the characteristics of middleman minorities in her article, "A Theory of Middleman Minorities", *American Sociological Review*, V. 37, 1973, Pp. 583-94; Ivan Light distinguishes between class and ethnic resources in his article, "Immigrant and Ethnic Business in North America", *Ethnic and Racial Studies*, V. 7 (1984: 196-216).

already been treated at some length elsewhere, I will only sketch out the different frameworks in outline form.<sup>4</sup>

The predisposing factor approach suggests that immigrants or particular groups of immigrants do well because of a propensity toward business: perhaps because they are more hard-working, disciplined, and risk-oriented than others; perhaps because close kin and community ties give them access to resources (low-interest capital, cheap labor, trusting customers) that others can't acquire so easily; perhaps because they are interested in making a quick dollar and returning home quickly, and therefore are willing to work harder and take more risks than natives; or perhaps because they begin with material resources (capital, prior business experience, transferable skills) that provide an edge in starting out on one's own.

The problem with any of these arguments is that they take for granted what needs to be explained. To do well in business may indeed require a propensity toward entrepreneurship: but propensities will not propel a group into business if the niche for small businesses is small or non-existent or if ownership opportunities are hotly contested by natives. Opportunity structure arguments emphasize the following: (a) opportunities for ethnic entrepreneurs are patterned and are mainly found in industries where entry is easy but the risks of failure are severe; (b) the potential for immigrant business development is greatest when there are vacant business places to which immigrants can succeed. Such vacancies might arise for either or both of the following reasons. First, the low status, low rewards, or high opportunity costs of running a small business might deter would-be entrepreneurs. Second, changes in neighborhood ethnic composition might reduce the pool of local native entrepreneurs; given a naturally high rate of failure among all small businesses, vacancies arise into which immigrant businesspeople can step.

The third major approach focuses on the interaction between immigrants' characteristics and the opportunities that they encounter. Here again, there are several strands of argumentation. Thus, one might acknowledge that immigrants have a propensity toward business, but contend that the propensity is not imported but rather reactive or situational: business is not a way of life, but rather immigrants' best way of making a living when life provides few alternatives. Similarly, one might emphasize the importance of kin and community attachments—especially in securing and train-

4. Since I have discussed these various approaches at some length elsewhere, I will take the liberty of dispensing with references. The reader interested in a more detailed review of the literature on ethnic enterprise might want to consult Chapter 2 in my book, *Through the Eye of the Needle*. I have offered a somewhat different treatment in "Immigrant Enterprise: A Critique and Reformulation", *Theory and Society*, V. 15, 1986. My article on "Ethnic Business and Occupational Mobility in Advanced Societies" (*Sociology*, V. 19, 4, 1985), co-authored with Robin Ward and Howard Aldrich, provides still a different overview, with considerable emphasis on European material.

ing skilled labor—but then point out that these informal resources are particularly valuable in resolving the organizational strains inherent in a small business environment.

This article reports on an attempt to replicate and assess one of the strongest statements of the opportunity structure approach thus far: the "Three City Study" of 580 white and East Asian businesses in Britain, conducted by Howard Aldrich, David McEvoy and their colleagues. The results of their study, which involved both cross-sectional analysis based on a survey conducted in 1978, and longitudinal analysis based on follow-up visits made in 1980, 1982, and 1984, can be summarized in the following generalizations: (1) Asians and whites were essentially similar in socio-economic characteristics and access to informal, organizational resources; (2) the proportion of Asian shopowners in an area was most strongly associated with the proportion of Asians in the area; (3) changes in the business population were correlated with changes in areas' residential population: as areas shifted from white to Asian, the proportion of storekeepers who were Asian also increased; (4) Asian and white businesses were essentially similar in survival rates; (5) the proportion of sites occupied by profit-oriented shops declined from 1978 to 1984 as shops were left vacant or converted to non-business uses.<sup>5</sup>

Finding that Asians did not possess characteristics that gave them special advantages in business, the "Three City Study" also concluded that the prospects for Asian business development were poor:

...the Asian shopkeeper has exchanged the status of second-class worker for that of second-class proprietor and the visible gloss of self-employment simply acts to conceal the continuing presence of racial disadvantage. The growth of self-employment has generally functioned to absorb surplus labor rather than to increase the economic status of Asians and should thus be seen as a process of involution rather than as a genuine case of development.<sup>6</sup>

5. Howard Aldrich, David McEvoy and their colleagues, John Cater and Trevor Jones, have published numerous reports on the "The Three City Study". Perhaps the most detailed, and the one to which this paper is most closely addressed, is "From Periphery to Peripheral: The South Asian Petite Bourgeoisie in England", Pp. 1-32 in Ida Harper Simpson and Richard Simpson (eds.) *Research in the Sociology of Work*, V. 2, JAI Press, 1983. Other references include: Aldrich, et al., "Ethnic Residential Concentration and the Protected Market Hypothesis", *Social Forces*, V. 63:4, 1985; the same authors, "Ethnic Advantage and Minority Business Development", Pp. 189-211 in R. Ward and R. Jenkins (eds.) *Ethnic Communities in Business*, Cambridge: Cambridge University Press, 1984.

6. Howard Aldrich, et al., "Business Development and Self-Segregation: Asian Enterprise in Three British Cities", in Ceri Peach, et al. (eds.) *Ethnic Segregation in Cities*. London: Croom Helm, 1981, Pp. 183.

This conclusion was in line with the results of Aldrich and Reiss' earlier study of small businesses in American ghetto areas, where they found that the low incomes of minority populations and the decline of central city economies meant a weak market for the types of local goods that minority or ethnic entrepreneurs typically provide.<sup>7</sup>

### *Study Areas and Procedure*

I generally followed the design of the "The Three City Study". In this case, however, my comparison groups were whites, Hispanic immigrants, and Korean immigrants. My study was based in two neighborhoods in New York City's outer boroughs: the Jackson Heights area of Queens; and the Sunset Park area of Brooklyn. The Jackson Heights study area consisted of 21 contiguous census tracts where commercial activity was to be found; in Sunset Park, the area included 23 contiguous census tracts. I began with a complete ethnic census of all commercial businesses, establishing the ethnic identity of storeowners through brief queries of proprietors, managers, or employees. The census came up with a list of 2,085 stores, of which 32.7 percent were white-owned, 36.5 percent were Hispanic-owned, and 9.7 percent were Korean-owned. The remaining stores were owned (in order of importance) by other Asians (Chinese, Thais, Pilipinos), Indians, and Middle Easterners (Arabs, Turks, and Iranians).

I selected 80 stores from each group, drawing stores on a random basis from the list enumerated through the census. Interviews in Jackson Heights were conducted in the summer and fall of 1986, and in Sunset Park, in summer 1987; the ethnicity of interviewers matched to that of the shopkeepers in most cases. A total of 213 interviews out of the target of 240 were completed, yielding a sample of 70 white-owned stores, 74 Hispanic-owned stores, and 69 Korean-owned stores.<sup>8</sup> The interview formats were adapted from the questionnaire used in the "Three City Study" (graciously furnished me by the authors). Though I added an additional battery of questions focussing on social networks and value orientations, this report will only discuss findings that are directly comparable to those analyzed in the "Three City Study". It should be noted that there is no longitudinal component to this study; therefore, results reported in this

7. See Howard Aldrich, "Ecological Succession in Racially Changing Neighborhoods: A Review of the Literature", *Urban Affairs Quarterly*, V. 10, 1975, Pp. 327-348; and Aldrich and A.J. Reiss, Jr., "Continuities in the Study of Ecological Succession: Changes in the Race Composition of Neighborhoods and Their Businesses", *American Journal of Sociology*, 81 (1976: 846-866).

8. Contrary to expectations, refusal rates were highest among white owners. Ethnicity of interviewers was not matched to ethnicity of owners under two circumstances: interviews with Hispanic owners during the initial phase of the project, which I conducted myself; and misidentification of the ethnicity of the owner in the original census of businesses.

paper speak only to the cross-sectional analysis of the "Three City Study".

The two neighborhoods are both important areas of new immigrant settlement. As of the 1980 Census of Population, half of the residents in Jackson Heights, and one quarter of the residents in Sunset Park were foreign-born. Both areas have substantial concentrations of Hispanics, with Colombians most numerous in Jackson Heights and Dominicans and Puerto Ricans preponderant in Sunset Park. Both areas also boast substantial populations of South Americans. Living alongside the Latino population are a growing number of Asians. A diverse population of immigrants from Korea, China, India, and the Philippines is dispersed throughout the Jackson Heights area, with several of the census tracts in the area containing the highest concentrations of Asians outside of New York's historic Chinatown. Sunset Park has fewer Asians, though it contains a growing Chinese community already known as New York's "third Chinatown" as well as a sizeable Middle Eastern population. But while both areas have attracted many immigrants, they have retained a substantial white population. Non-hispanic whites were just over forty percent of the study areas' population as of the 1980 census; and while it is impossible to determine the extent to which whites have since left the area, the many rental properties in the area that are being converted to condominium or cooperative ownership suggests that the areas have maintained their attractiveness

TABLE 1  
STUDY AREA ETHNIC COMPOSITION  
POPULATION 1980; STOREOWNERS 1987

	Population	Storeowners
White	43.8%	32.7%
Hispanic	43.9%	36.5%
Asian	8.5%	24.9%
Korean	1.2%	9.7%

Notes: Source: Population: 1980 Census of Population, STF4, special tabulation prepared by New York City Department of City Planning; Storeowners: own census of businesses.

to whites. Table 1 shows the ethnic composition of the area's storeowners and population for the groups with which we are concerned in this article.

### *Pre-disposing Factors: Assessment*

As suggested in our brief sketch of conceptual approaches, much of the work on ethnic enterprise has emphasized those factors that predispose immigrants toward business success. Some of the qualities most often mentioned are particularly intractable to study: values, which figure so prominently in cultural arguments, are notoriously elusive. Other factors can only be considered to be predisposing in a very loose sense: if immigrants turn to business out of frustration with their lack of opportunities, what is involved is not so much a pre-existing propensity, but a reactive preference. Our focus is on three contentions common to predisposing factors arguments: the contention that sojourning propels immigrants into business; the contention that immigrants are more reliant than natives on informal ethnic resources; the contention that occupational closure leads immigrants to get ahead through business.

*Circumstances of Migration:* Whether newcomers arrive as temporary migrants or as permanent settlers—what Robin Ward has called the “circumstances of migration”—is generally seen as a crucial condition of mobility and integration into the host society.<sup>9</sup> But just how do the circumstances of migration influence business outcomes? The literature suggests two possibilities. One argument, offered by Edna Bonacich, contends that immigrants who move as “sojourners” with a clear intention of returning home will opt for business over employment as the better way of rapidly accumulating a portable investment capital.<sup>10</sup> An alternative is suggested by Michael Piore's argument, developed in his book *Birds of Passage*, that migrants provide a satisfactory work-force for dead end jobs in industrial society as long as they maintain the expectation of return.<sup>11</sup> By implication, those same low-level jobs will be unacceptable to permanent settlers, whose ambitions extend to the positions occupied by natives and the rewards obtained from those jobs. Consequently, blocked mobility will impinge more severely on settlers than on their counterparts among the birds of passage.

These two alternative arguments specify an interaction between the circumstances of migration and immigrants' motivation and that type of

9. Gerald Mars and Robin Ward, “Ethnic Business Development in Britain: Opportunities and Resources”, in Ward and Jenkins, esp. P. 12.

10. Edna Bonacich, “A Theory of Middleman Minorities”, *American Sociological Review*, V. 37, 1973, Pp. 583-94.

11. Michael J. Piore, *Birds of Passage*, Cambridge: Cambridge University Press, 1979.

**TABLE 2**  
CIRCUMSTANCES OF MIGRATION: HISPANICS AND KOREANS

	Hispanics	Koreans	Significance
Owned small business			
Prior to migration	20.3% (64)	12.1% (66)	N.S.
Brought money	14.3 (63)	34.3 (67)	.05
Made trip home	73.8 (65)	31.3 (67)	.001
Planned temporary stay	38.3 (60)	1.5 (65)	.001
Now planning to return	18.3 (60)	0.0 (62)	.001
American citizen*	48.1 (52)	37.3 (59)	N.S.
Not citizen: wishes to be citizens*	56.0 (25)	55.3 (38)	N.S.

Notes: Note on significance of differences: significance was tested by an analysis of variance on interval variables and chi-square on other variables.

\*Base figures for Hispanics does not include Puerto Ricans.

Source: Own survey of business owners.

linkage cannot really be explored with the data at hand. However, we can document the circumstances under which the Hispanic and Korean storeowners we interviewed migrated to the United States; the findings, displayed in Table 2, show that permanence, rather than sojourning, characterizes these two groups of petty entrepreneurs. Only a minority

of owners said that they came to the United States with the idea of going back home, though the proportion answering "temporary" was considerably higher (and significantly so) among the Hispanics than among the Koreans. Though the owners maintain continuing contact with their home communities—the majority of the Hispanics, and a sizeable minority of the Koreans have made at least one trip back to their country of origin—plans for permanent return have subsided: virtually none of the Koreans and just one-sixth of the Hispanics intend to return home. Evidence of commitment to settlement is indicated by responses to questions about citizenship and citizenship plans. The Hispanics have lived in the United States for a much longer period than the Koreans; nonetheless, their naturalization rate barely exceeds the Koreans' and the difference is not statistically significant. Though a comparable majority of owners in both groups told us that they wish to become citizens when they gain eligibility, what stands out from the Korean-Hispanic comparison is the markedly higher level of permanence among the Koreans. This finding refutes the Bonacich hypothesis that sojourning promotes concentration in trade.<sup>12</sup> It also suggests, as we shall see shortly, that permanence may have a positive impact on immigrants' business success.

*Ethnic Resources:* The nature of the immigration process is such that immigrants rely on networks of kin and friends for information and for assistance in finding jobs and homes. If immigrants can then mobilize those networks to raise capital or to obtain trustworthy workers willing to work long hours at lower wages they may gain an edge over native competitors, who are less likely to have similarly strong ties and are more likely to rely on market processes in recruiting labor. Just how well this characterization of native owners fits our sample of white businesspeople is open to question, since virtually all of our owners were "ethnics" and many were immigrants themselves. But since most of the whites were native-born, and the immigrants among them were mainly residents of long-standing duration, we can still appropriately hypothesize that strong ties to dense social networks will be less common among the group of white owners than among their immigrant counterparts.

As shown in Table 3, informal, kin and ethnic resources are important to all three groups of entrepreneurs. A substantial proportion of entrepreneurs have kinship ties to other owners, with Koreans highest in the proportion related to family members owning shops (the difference, however, is not significant). Such ties to other owners are likely to be useful

12. For Bonacich's argument about the direct linkage between sojourning and the development of immigrant business, see E. Bonacich and J. Modell, *The Economic Basis of Ethnic Solidarity*. Berkeley: University of California Press, 1980: 30.

TABLE 3  
ETHNIC RESOURCES: WHITES, HISPANICS, KOREANS

	White	Hispanic	Korean	Significance
Family members owning shops	36.2% (58)	40.7% (59)	51.6% (64)	N.S.
Raised capital through:				
Savings	69.7 (66)	67.6 (68)	95.5 (67)	< .001
Family	24.2 (66)	33.8 (68)	34.3 (67)	N.S.
Friends	12.1 (66)	20.6 (68)	13.4 (67)	N.S.
Bank loan	24.6 (66)	20.6 (68)	1.5 (67)	< .001
Percent capital raised through:				
Savings	72.1 (41)	60.1 (54)	88.1 (63)	< .001
Family	23.7 (26)	32.8 (35)	14.1 (44)	< .01
Married	74.6 (59)	76.2 (63)	93.9 (66)	< .001
Married, with spouse in business:	35.7 (42)	54.2 (48)	67.7 (62)	< .01
Have children, with children in business:	25.0 (44)	19.6 (46)	18.3 (60)	N.S.
Average no. emps	3.8 (70)	2.1 (74)	3.0 (69)	< .01
Avg no. rels emp'd	0.65 (70)	0.92 (74)	1.1 (69)	< .01

Note: Source: Own survey of business owners

in a variety of ways, from providing information to having meaningful role models whom one can imitate; indeed, data not displayed here, show that Koreans were significantly more likely than others to receive business advice and assistance from kin and other Korean friends.

Other studies of immigrant and ethnic entrepreneurs have emphasized the importance of social networks in raising start-up capital. The owners queried in this survey, however, indicate that personal savings were the most important source of start-up funds; interestingly, the Koreans were most likely to raise capital through savings and also generated the highest proportion of capital through this source. Still, social ties to friends and family played an important role in generating capital for owners in all three groups.

The impact of differences in informal resources can best be seen when examining staffing patterns among the three groups of firms. Potential access to family labor was greatest among the Koreans, since almost all were married, in contrast to roughly three-fourths of the Hispanics and whites. Spouses were also most likely to work in Korean-owned firms and least likely to be found in white-owned shops. Though children were most likely to work in white-owned shops, children played a relatively minor role, with only one-seventh of the owners in all three groups reporting children at work in the shop. Consistent with this pattern is the finding that kin played the least important role in staffing white firms: white firms employed the largest number of workers, employed the fewest number of kin, and therefore had the highest proportion of workers drawn outside the family orbit.

*Occupational Closure:* Immigrant concentration in business may well be a response to blocked mobility in the labor market. Immigrants are likely to fare less well than natives in gaining access to career jobs. Age is one factor: though immigrants tend to be relatively youthful, they generally arrive an age past the time when most natives begin their careers and consequently are less likely to find entry-level jobs in career hierarchies than natives. Though the current cohort of immigrants is well-educated by historical standards, immigrants may find that the schooling obtained abroad does not go far in landing a good job, in part because of language difficulties, in part, because of distinctive training requirements, in part because licensing requirements bar entry into the field for which one has trained.

As shown in Table 4, the white, Hispanic, and Korean store-owners in our sample were fairly close in age, though the differences among the group were statistically significant. But, as suggested above, the older one is at the time of migration the more likely is age to be a significant obstacle to mobility. The three groups do differ significantly in the owners' age

TABLE 4  
SOCIO-ECONOMIC AND BUSINESS CHARACTERISTIC

	White	Hispanic	Korean	Significance
Average Age	44.9 (59)	39.6 (53)	41.2 (61)	< .05
Years of education	11.9 (58)	11.8 (62)	14.1 (66)	< .001
Father self-emp'd	37.1 (57)	34.5 (65)	29.2 (51)	N.S.
Father blue-collar	50.0 (58)	49.2 (63)	29.3 (41)	N.S.
Inherited business	4.5 (66)	0.0 (68)	0.0 (67)	< .05
Self-emp'd last job	31.5 (54)	15.5 (58)	14.5 (62)	< .05
Year of immigration*	1968 (28)	1969 (61)	1980 (66)	< .001
Years in business	13.4 (68)	5.7 (74)	3.9 (69)	< .001
Age when started business	30.3 (50)	34.2 (53)	37.5 (61)	< .001
% speaking English poorly or not at all*	16.7 (24)	15.4 (65)	45.8 (59)	< .001

Note: \* Base figure for whites includes foreign-born only

at the time the businesses were founded, with the Koreans' the oldest of all (the few white owners who inherited their businesses are excluded from this comparison). Furthermore, the groups differ in the sequencing of time of arrival in the U.S. and the establishment of a business: the Koreans are recent immigrants who started a business shortly after moving to New York, whereas the Hispanics went into business after a long sojourn in the United States. Further evidence of blocked mobility is the

fact that the Koreans are highest in educational attainment, and yet poorest in language ability. The Koreans have received significantly more schooling than either of the other two groups, who are roughly comparable in educational attainment; the majority of Koreans received college-level educations; and almost half of the Koreans rate their English-language ability as "poor" or "non-existent"

As to the evidence on familial background, virtually all owners are self-made men and women: only three of the white owners inherited the shops that they currently run. In spite of the absence of business heirs in our sample, some owners in each group—though in each case a minority—came from families with entrepreneurial backgrounds: white were most likely and Koreans least likely to have fathers who had been self-employed. Though the difference among the three groups is not statistically significant, the low rate of self-employment among the fathers of Korean owners suggests that Korean immigrant entrepreneurship is a situational adaptation, not a carryover of business traditions from the old country.

Although Koreans are unable to translate their educational achievements into career jobs, their high levels of schooling probably play an important role in their business success. Previous research has underlined the instrumentality with which Koreans develop their business plans; this suggests that the general reasoning skills acquired through schooling makes it easier to learn how to successfully maneuver in a new environment. Moreover, school ties are an important source of affiliation for Koreans who participate actively in alumni associations, and thereby connect with higher-status Koreans and obtain useful business information. Other indicators point to the importance of class resources to the rapid development of Korean business. The percentage of owners with fathers who occupied white collar positions was significantly higher among the Koreans than among the two other groups. Thirty-four percent of the Koreans, as opposed to 13 percent of the Hispanics, said that they brought money with them to invest in a business. Finally, virtually all the Korean owners relied on savings for start-up capital and had hardly any need for loans from banks.

### *Opportunity Structures: Assessment*

To get started, the would-be immigrant capitalist needs access to ownership opportunities; these opportunities, as noted earlier, are most likely to arise when the supply of native owners run short. The supply of native owners might diminish because the rewards of small business are simply too meager and the opportunity costs too great to attract new entrepreneurs. Alternatively, changes in the ethnic composition of residential areas might reduce the pool of native owners, with newcomers pro-

viding the replacements instead.

There is some evidence that occupational succession has occurred independently of changes in the study areas' residential composition. Relative to their 1980 share of the population, whites were under-represented among the ranks of local storeowners. Moreover, the whites who we found running shops contained a higher proportion of the foreign-born than did the areas' white population. Most of these immigrant owners came during the 1950s and 1960s, when the number of immigrants arriving from Europe was considerably greater than is the case today. Moreover, half of the native-born were themselves children of the foreign-born, underlining the linkage between immigration and recruitment into petty proprietorship. Furthermore, the data on business longevity shown in Table 4, tell us that white businesses are generally long-established entities; indeed, only one quarter of the white businesses in our survey had been founded in the previous five years.

However, the "Three City Study" mainly emphasizes the consequences of changes in a neighborhood's social ecology for newcomers' business opportunities: the central finding was that the larger a group's share of an area's population, the larger was its share of the area's stores. To see whether this finding held in my study area as well I regressed each group's 1980 share of the population at the census tract level on its share of stores in the tract at the time of our survey; the results of that analysis are presented in Table 5. While the findings for all three groups show a strong relationship between population concentration and business-ownership shares—the unstandardized coefficients are high and significant at the .01 level—a look at slopes suggests that the form of the relationship varies among the different groups. The disparities in unstandardized regression coefficients tell us that concentration has the greatest impact on Koreans, next on Hispanics, and least on whites (each 1 percent increase in an area's proportion of Koreans is associated with a one and two-thirds percent increase in the proportion of Korean storeowners; comparable increases produce a .7 percent and a .5 percent increase in the proportion of hispanics and whites, respectively).

These findings are compatible with the differences in owners' characteristics that we've already observed. The relatively modest relationship between concentration and business share suggests that the white replacement rate is not high, even in neighborhoods dominated by whites; this is consistent with the finding that most white businesses are indeed long-established. Similarly, the very strong ecological relationship found for Koreans tells us that Koreans bring forth new entrepreneurs at a very high rate. Just such a high rate of recruitment into business is what one would expect given the ethnic resources on which Koreans can draw and

TABLE 5

REGRESSION OF ETHNIC BUSINESS SHARES  
ON ETHNIC POPULATION SHARE, 44 CENSUS TRACTS

Group	a	b	b*	r-square
Whites	.098	.510**	.685	.467*
Hispanics	.049	.706**	.728	.527*
Koreans	.076	1.689**	.478	.224*

a=intercept; b=unstandardized regression coefficient; b\*=standardized regression coefficient; \*\*=probability .01

Note: Source: "Ethnic business share (dependent variable): own census of businesses; "ethnic population share" (independent variable): 1980 Census of Population, ST4, special tabulation prepared by New York City Department of City Planning (ethnic-categories are mutually exclusive).

the complex of interacting social and psychological processes that seem to impel them into business (their high socio-economic characteristics, the disadvantages resulting from older age and poor English-language facility, and their commitment to permanent settlement).

*Market Orientation:* Segmentation in customer markets is one possible consequence of population concentration. If business owners in any particular neighborhood tend to mainly come from the ethnic group that dominates the area, then residents may have little choice but to shop at the stores owned by their co-ethnics. A niche for immigrant merchants might arise for another reason, namely because immigrant customers might have a preference for patronizing their co-ethnics. Often an immigrant community has a special set of needs and preferences that are best served, and sometimes can only be served, by those who share those needs and know them intimately, namely, the members of the immigrant community itself. Immigrants also have special problems that are caused by the strains of settlement and assimilation and are aggravated by their distance from the

institutionalized mechanisms of service delivery; consequently, the business of specializing in the problems of immigrant adjustment is another avenue of ethnic economic activity. By the same token native businesses are likely to be hampered in servicing such ethnic markets: natives are less likely to know about immigrants' tastes and buying preferences; natives aren't likely to offer the degree of trust wanted in services of a confidential nature; and natives may simply opt out of servicing an immigrant market for simple reasons for disdain.

To assess the unprotected market hypothesis, we examined the ethnic composition of the customers served by white, Hispanic, and Korean owners. We asked our respondents to estimate the ethnic make-up of their clientele and then tell us what factors seemed to account for their customer mix.

TABLE 6

CUSTOMER COMPOSITION: MERCHANT'S REPORTS

	White	Hispanic	Korean	Significance
Percent white	32.2	19.0	16.3	< .001
Percent Hispanic	40.1	72.4	61.6	< .001
Percent Asian	12.0	5.3	14.3	< .05
Percent Korean	2.5	0.2	4.8	< .05
Explanation				
White customers >= 50% Why?				
neighborhood	72.7	85.7	87.5	N.S.
White customers <50% Why?				
neighborhood	83.3	78.1	96.8	< .01

Source: Own survey of business owners



The survey results provide limited support for the notion that ethnic owners depend on co-ethnic patronage to provide them with a protected market. On the one hand, as shown in Table 6, each group of owners was most likely to report the highest level of patronage for members of the same ethnic group: thus, the proportion of white customers was highest among the Hispanics, and so on. On the other hand, the groups differed in their reliance on co-ethnic patronage, with Hispanics most dependent on other Hispanic shoppers. Many owners also did business by finding customers from other ethnic groups. White owners reported that forth percent of their customers were Hispanics and Hispanics said that one-fifth of their customers were white.

While white and Hispanic owners gained much patronage from co-ethnics, co-ethnics were but a small portion of the Korean client mix. The growing Asian population in the areas provided Koreans with customers whom white and, particularly, Hispanic owners were less successful in attracting. But Korean owners' mainly relied on outsiders to provide them with patronage—much as one would expect given the Korean overrepresentation among petty proprietors in this area. Koreans were especially dependent on Hispanic patronage, which suggests that they captured some of the vacancies that arose out of the process of ecological change in Hispanic areas.

*Explaining Market Orientations:* What accounts for the patterns of customer segmentation noted above? To explore this question we followed two approaches. First, we queried owners' (in an open-ended way) about their own explanations for customer composition. Next, I used regression analysis to test the effect of population composition on clientele mix. Shopkeepers whose customers were less than/more than 50 percent white were asked why the proportion of customers was so high/low. As in the "Three City Study" responses clearly fell into the categories of "neighborhood composition" or "special products/services" (linguistic facility/difficulty was grouped under the latter), as noted in Table 6.

Among the minority of merchants with mainly white trade, three quarters of the whites and five-sixths of the Hispanics and Koreans said that "neighborhood composition" was the most important influence on their customer mix. A similar answer was given by the great majority of merchants whose customers were mainly non-white. However, Hispanics were significantly more likely to mention "special products" than either whites or Koreans.

*Ecological Analysis of Customer Composition:* Shopkeepers mainly attribute their customer mix to the influence of neighborhood composition. Following the procedure used in the "Three City Study", I used regression

analysis to examine whether residential concentration has created de facto protected markets for ethnic owners.

For the regression analysis I used the business sites as units of analysis, making for a total of 213 cases. I ran separate regression equations for each of the three groups. The dependent variable was the proportion of customers reported as white/hispanic/Korean. The independent variables were: (a) the proportion of white/hispanic/Korean residents in the census tract in which the business was located; and (b) the owner's ethnicity. Because the variance in the proportion of Korean customers was so low, I substituted proportion of customers who were Asian as the dependent variable in the Korean equation, and replaced percent of residents Korean with percent of residents Asian as one of the independent variables.

The regression equations are shown in Table 7. In all three cases, population composition and owner's ethnicity are at best modest predictors of customer composition, although the r-squares are all significant at the .001 level as are the coefficients for population composition. Population composition exercises the stronger effect on customer composition in each equation; its impact is greatest for Asians and least for whites. By contrast, the independent influence of owner's ethnicity has the greatest positive effect in Hispanic-owned stores and has a negative, though not statistically significant effect in Korean-owned stores, which may reflect the success of white-owned stores in attracting Asian patronage, as shown in Table 6.

Though modest, the results of the regression analysis are compatible with other information and observations reported above. Population composition has a strong, independent impact on customer composition, though the relatively low r-square indicates that other, unmeasured factors also affect patronage mix. The coefficients for owner ethnicity among whites and hispanics tell us that ethnic factors—perhaps an attempt to provide special ethnic provides or a preference by customers to patronize their co-ethnics—significantly increase the proportion of co-ethnics who shop in white and hispanic owned stores.

### *Sacrifice for What? Ethnicity and Competitive Economic Behavior*

Small business is no longer a declining economic niche and the proportion of Americans who are self-employed has been rising gradually over the past ten years. Still, going into business on one's own is not for the weak or faint-hearted: the risks of failures remain substantial and those businesses that survive often depend on their owners' willingness to work

**TABLE 7**  
REGRESSION ANALYSIS OF CUSTOMER COMPOSITION

Whites			
Dependent variable: Proportion of customers white			
Independent variable: Proportion of tract white			
Owner's ethnicity (white=1, non-white=0)			
Constant term	% of white residents in tract	owner's ethnicity	Adjusted term r-square
.046	.324*** (.246)	.111** (.192)	.111***
Hispanics			
Dependent variable: Proportion of customers Hispanic			
Independent variable: Proportion of tract Hispanic			
Owner's ethnicity (Hispanic=1, non-Hispanic=0)			
Constant term	% of Hispanic residents in tract	owner's ethnicity	Adjusted term r-square
.247	.659*** (.418)	.136** (.029)	.248***
Koreans			
Dependent variable: Proportion of customers Asian			
Independent variable: Proportion of tract Asian			
Owner's ethnicity (Korean=1, non-Korean=0)			
Constant term	% of Asian residents in tract	owner's ethnicity	Adjusted term r-square
.017	.846** (.354)	-.040 (.108)	.135***

Notes: Figures in parentheses denote standardized regression coefficients

\*\*=significance at .01 level

\*\*\*=significance at .001 level

Source: See Table 5

**TABLE 8**  
ETHNICITY AND COMPETITIVE ECONOMIC BEHAVIOR

	White	Hispanic	Korean	Significance
Days open	6.2 (69)	6.4 (73)	6.5 (69)	<.05
Hours open daily	10.6 (65)	10.7 (73)	11.2 (69)	N.S.
Open Sunday (percent)	34.8 (69)	51.4 (74)	50.0 (68)	<.10
Total hours open	7.2 (65)	68.7 (67)	73.2 (66)	N.S.
Number of customers daily	112.9 (63)	79.9 (65)	163.2 (64)	<.001
Daily sales	\$1339 (20)	\$ 901 (25)	\$1794 (26)	N.S.
Belong to coop (percent)	2.9 (69)	7.1 (70)	1.7 (60)	N.S.
With savings	33.9 (56)	32.8 (58)	60.6 (66)	<.01
Want kids to go into business	20.0 (40)	21.6 (37)	3.4 (59)	<.05
Meet competitors	10.6 (66)	7.2 (69)	0.0 (69)	<.05
Made profit last year	66.7 (57)	61.5 (52)	88.3 (60)	<.001
Expect profit this year	82.8 (58)	81.8 (55)	96.3 (54)	<.10

Note: Source: Own survey of business owners

long and hard. Indeed, the demanding conditions of running a small business are often quite sufficient to deter native whites from entering the retail field, as is apparently the case in our study area.

The storeowners whom we interviewed all put in long hours. Owners in all three groups kept their shops open more than ten hours a day; virtually none enjoyed the luxury of a two-day weekend rest from work; and many did business on Sunday as well. Moreover, individual efforts seems to be the key factor in store-owners' strategies: relatively few reported meeting with other owners to discuss ways of controlling competition and few belong to buying coops that might result in lower wholesale prices.

To what extent owners' prodigious efforts produced success is difficult to determine. One attempt to probe this issue—a question about whether owners succeeded in saving money from the business—showed that a substantial minority of owners in at least each group answered "yes". Since there are relatively few vacant stores along the main shopping streets in the two areas, it would appear that the rewards of storeowning—whatever they might be—are sufficient to attract a continuous pool of new entrepreneurs. Still, storeowning is not so attractive that the owners we surveyed would want their own children to go into the business: in all three cases, only a minority of the respondents with children said that they would like their children to go into the business when they grow up.

While owners from all groups worked hard, the new immigrants' efforts exceeded the whites': the Koreans and Hispanics worked longer hours than whites per day, were more likely to keep their stores open on Sundays, and put in a total work week that was longer than whites'. The contrast between the Koreans and the Hispanics, however, was largely a draw: though the Koreans outpaced the hispanics on three of our indicators of effort, the differences were generally not statistically significant.

The evidence does suggest that, for the Koreans, effort is associated with success. The Koreans attracted significantly more customers each day than either whites or hispanics, and their high volume produced the highest level of sales. With these revenues, the Koreans succeeded in attaining the highest level of profitability among the storeowners in our sample: the Koreans were significantly more likely than the others to report that they had made a profit the previous year and that they expected to make a profit this year. The Koreans were also most successful in saving money from the revenues generated by their stores. By contrast, Hispanic merchants did poorest on all indicators of success, despite hours of work that rivaled or outdistanced the Koreans', in large measure because the Hispanics often ran businesses with small purchases per sale. Under these conditions, long hours are the only means of boosting sales above costs.

Despite their greater business success, Koreans were the least enthusiastic about their children succeeding them in business. As one Korean

fish store owner said, "This business is too hard: it's for the first generation only". The Koreans' noted lack of enthusiasm for petty entrepreneurship reinforces our earlier argument that Korean business activity is a situational response to blocked mobility.

### *Conclusion*

I set out to examine the central findings of the "Three City Study", most notably the contention that ecological factors, rather than unique group characteristics, exercise the strongest influence on immigrants' share of business positions. While my results do indeed underline the impact of ecological factors on business opportunities and conditions, this study suggests that the development of ethnic business is linked to a broader complex of interacting factors.

Ecological factors bear a strong, positive relationship to ownership patterns and to the ethnic characteristics of the clientele. The higher a group's share of the population in an area, the higher is its share of the stores. Similarly, the proportion of co-ethnic customers increases with the proportion of co-ethnics living in the store's area.

The argument that the small business niche is so constraining as to select populations with similar characteristics also receives support from our study. Indeed, the similarities between Hispanic and white owners on virtually every count—socioeconomic characteristics, informal resources, the operating characteristics of their business—are very striking. Other findings—Hispanic owners' much greater reliance on co-ethnics as customers and the strong association between Hispanic population and business shares—also suggest that what is involved here is a pattern of succession driven by changes in local residential patterns.

At this point, however, our findings diverge from the conclusions of the "Three City Study". To begin with, our evidence suggests that there are ample opportunities for occupational succession, independent of succession at the residential level. White businesses, as we have noted, are long established; there are few new white businessowners; the white owners are disproportionately foreign-born or children of the foreign-born; and population concentration has the weakest impact on whites' shares of stores. These findings are consistent with other research results, showing that white participation in business ownership in the retail sector is declining, both absolutely, and relative to white population share. Moreover, the decline in white immigration to New York is likely to reduce the number of whites seeking a living in petty proprietorship, since it is precisely foreign-born whites who are most over-represented among the

ranks of the self-employed.<sup>13</sup>

Emphasis on immigrants' chances for occupational succession ties us into another point: that opportunities, however important, are not the same for every group. Given Hispanic population size and a tendency toward clustering, Hispanic owners find that vacancies more or less naturally arise in areas where there are substantial numbers of co-ethnics to serve as patrons. But the same opportunity is not available for Koreans: there are simply too few of them and they are residentially dispersed. Koreans, however, may pursue another option: filling in those vacancies that arise simply because small business no longer provides the economic rewards needed to attract white entrepreneurs.

Our evidence on Koreans speaks to two issues in the ethnic entrepreneurship literature. First, how is one to explain the evident differences in ethnic entrepreneurial outcomes, if not in terms of groups' own characteristics? Although proponents of opportunity structure approaches claim that storeowners are similar, regardless of ethnicity, the Koreans, differ markedly from both whites and Hispanics. The Koreans bring a distinct set of background characteristics to the running of a business; they have considerably more access to informal, social resources; they differ from the two other groups on our (admittedly crude) indicators of "effort"; and they appear to be the most successful of all.

It is tempting to invoke middleman minorities theories to resolve the issue. Descriptively, the Koreans comprise a middle-man minority: they do not depend on the ethnic market, but rather sell in the general economy; the bulk of the Koreans' clientele consists of lower income members of minority groups. However, the characteristics of Korean owners are not consistent with the predictions of middleman minority theory: Koreans exhibit a strong tendency toward permanent settlement, nob sojourning; and there is little evidence of an entrepreneurial background or experience prior to migration. Rather, the evidence suggests that Koreans' business activity can best be understood as a situational response to disadvantage. Koreans' sense of exclusion from opportunities in the primary sector, fortified by their commitment to permanent settlement in the United States, is the crucial motivating factor, not an entrepreneurial ethos that they import with them from Korea. While opportunities for small business derive from underlying processes of succession at both the ecological and occupational levels, Koreans are well-positioned to exploit these chances, thanks to a combination of class and ethnic resources.

A final point concerns the importance of the ethnic small business niche. The "The Three City" study argued that there were severe market constraints on England's petite bourgeoisie and that there was ample reason

13. See, Waldinger, *Through the Eye of the Needle*, esp. Chapter 5; and Waldinger, "Changing Ladders and Musical Chairs: Ethnicity and Enterprise in Post-Industrial New York", *Politics and Society*, V. 15, 4 (1986-87):369-402.

to be skeptical about small business as a ladder for Asian upward mobility. If this study provides any guide for what is happening in other immigrant communities, a more optimistic view would not be misplaced. In contrast to Asians in Britain, or for that matter, the blacks and Puerto Ricans who preceded them, the immigrants who have moved to New York over the past two decades have found a vibrant economy in which their skills have been demanded. That small businesses in New York are thriving tells us that immigrants' incomes are sufficient to generate considerable local demand. And the prospect of continued opportunities for occupational succession should give immigrants additional chances to serve clients outside their own communities.

### Discussion

One implication of these conclusions is that researchers thus far engaged in a debate over single factor explanations of ethnic entrepreneurship would do well to move on to a multi-variate approach.<sup>14</sup> Immigrants will not go into business unless there are opportunities, but future research will need to flesh out differences in characteristics and resources in order to account for groups' differing success in exploiting the existing small business niche. Moreover, it is unlikely that any single characteristic will be crucial in determining a group's business participation rate: for example, my evidence on Koreans points to the importance of both class and ethnic resources. Another direction for future work would be a closer look at the interaction between groups' characteristics and the mix of opportunities and constraints that they encounter. We can locate the source of Koreans' business drive in the mismatch between their skills and the opportunities that they encounter for salaried employed – not in any special feeling or affinity for business. Moreover, the circumstances of Koreans' migration seem to make the consequences of blocked mobility more severely felt. By contrast, such a mismatch is not characteristic of the Hispanics; hence, their recruitment into business takes the form of a more or less natural succession into vacant places.

The contrast between Koreans and Hispanics also suggests that different patterns of ethnic business development might arise. As Portes and Manning have already argued, ethnic entrepreneurs will sometimes be organized in an enclave economy – where they are spatially concentrated and service co-ethnic demand – but in other instances will be organized as a "Middleman minority", reliant on co-ethnics for informal resources, but spatially scattered and dependent on customers outside the group.<sup>15</sup> My study suggests the conditions under which these two different types of ethnic

14. Waldinger, *Through the Eye of the Needle*, esp. Chapter 3.

15. Alejandro Portes and Robert Manning, "The Immigrant Enclave: Theory and Empirical Examples", Pp. 47-69 in Susan Olzak and Joane Nagel, eds. *Competitive Ethnic Relations* (Orlando, Fla: Academic Press, 1986).

economies will arise. For the enclave, what is needed, at the very least, are numbers and some degree of residential concentration. Ethnic resources are less important in these spatial concentrations; moreover, entrepreneurs active in the enclave may not have to out-compete native businessowners, precisely because ecological succession leads natives to filter out of the area. By contrast, middleman minorities will tend to be groups that lack the population base needed for an enclave economy; therefore scatter across space because to be close to their customers—who consist of everyone not in the group. Success as a middleman minority will be enhanced by higher than average skills, ethnic resources, and drive. However, servicing non-ethnic clients means competing with natives and that probably involves working harder to get business; hence, middleman minorities' firms may have the distinctive operating characteristics we have seen in this study.

## *Intra-group Differences in Business Participation: Three Asian Immigrant Groups<sup>1</sup>*

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This investigates the ethnic and nativity differentials in self-employment based on small-business experiences of three Asian immigrant groups in the U.S. — Korean, Chinese, and Asian Indians. In light of the 1980 Census data, the intra- and the inter-group differences in the business participation rates of these Asian immigrant groups are examined. Findings reveal that each group has substantial intra-group differences in the business participation rate, and the differences can best be explained by the interactive approach proposed by this study. Moreover, a comparative study (inter-group comparison) of these intra-group differences opens a new avenue to understanding the various patterns of business participation among the recent immigrants from Asia.

In the past, small business offered a viable employment opportunity to newly-arrived immigrant groups (Bonacich and Modell 1980; Cummings 1980; Glazer and Moynihan 1963; Light 1972). Apparently, such business opportunity continues to be available today, even as the American economy enters the post-industrial era and non-European immigrants dominate the current flow of immigration to the United States (Bonacich, Light, and Wong 1980; Kim 1981; Kim and Hurh 1985; Light 1984; Lovell-Troy 1980; Min 1984; Wilson and Martin 1982; Wilson and Portes 1980). The persistence of immigrant small business in the U.S. and the active immigrant small business reported in other countries has stimulated research interest in this topic (e.g., Aldrich 1977; Aldrich *et al.* 1983 and 1985; Aldrich, Jones, and McEvoy 1984).

Regarding the rate of business participation, Light (1984) observes two interesting facts: 1) between 1880 and 1980, the foreign-born showed a persistently higher rate of self-employment than native-born Americans; and

<sup>1</sup> We are grateful to Dr. William T. Liu, Director of the Pacific Asian American Mental Health Research Center, University of Illinois at Chicago, for his generous help in the use of the 1980 Census tapes.