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Authors: Gabrielle A. Brenner, Teresa V. Menzies, Lionel Dionne, Louis Jacques Filion

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Gabrielle A. Brenner, Ph. D., Associate Professor (Corresponding author)
HEC Montréal, 3000 Chemin de la Côte-Sainte-Catherine, Montreal, Québec, Canada, H3T 2A7
Telephone: (514) 340-6456; Fax: (514) 340-6469, gabrielle.brenner@hec.ca

Teresa V. Menzies, Ph. D., Professor
Brock University, Faculty of Business,
Brock University, St. Catharines, Ontario, Canada L2S 3A1
Telephone: (905) 688 5550 x 4118; Fax: (905) 641 8068, tmenzies@brocku.ca

Lionel Dionne, Ph. D.
Postdoctoral Fellow, HEC Montréal, 3000 Chemin de la Côte-Sainte-Catherine, Montréal, Québec, Canada,
H3T 2A7
Telephone: (514) 340-6456; Fax: (514) 340-6469

Louis Jacques Filion, Ph. D., Professor
Rogers-J.-A.-Bombardier Professor of Entrepreneurship
HEC Montréal, 3000 Chemin de la Côte-Sainte-Catherine, Montreal, Québec, Canada,
H3T 2A7
Telephone: (514) 340-6339; Fax: (514) 340-6382,
louisjacques.filion@hec.ca

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ABSTRACT

Few studies on the entrepreneurial contribution by immigrant and/or ethnic entrepreneurs have been carried out in Canada. This paper presents results from a cross-Canada project. Data were collected from 718 entrepreneurs in three cities. Analysis of the socio-demographic profile suggests that ethnic entrepreneurs pursue different paths of integration. Firm characteristics suggest that similar support programs are needed for ethnic firms as for all small firms. Also, our analysis suggest that there is no need for new support programs for ethnic firms, except as to helping them better integrate. Lastly, the use that these entrepreneurs make of social capital only partially confirms the literature.

KEY WORDS

Ethnic entrepreneurs; Immigrant entrepreneurs; Minority entrepreneurs; Social Capital; Ethnic networks; International entrepreneurship
BIографICAL NOTES:

Gabrielle Brenner is an Associate Professor of Economics at HEC Montreal and has a Ph.D. in Economics from the University of Chicago. Her specialty area is behaviour in situations involving risk, including gambling and entrepreneurship. She has also researched and published on the subject of ethnic entrepreneurship, and has sat on several research committees and programs, as well as consulting for the United Nations Industrial Development Organization (UNIDO), the World Bank and the Canadian International Development Agency (CIDA).

Teresa Menzies is a Professor in the Faculty of Business at Brock University in St Catharine’s, Ontario, and has a Ph.D. from the University of Toronto. She teaches entrepreneurship and family business management, and her research interests and extensive publications are mostly in the field of entrepreneurship education, the venture creation process and ethnic entrepreneurship. She is a member of several entrepreneurship journal editorial boards.

Lionel Dionne was a postdoctoral student at HEC Montreal. Prior to that, he was Associate Professor at the University of Moncton in New Brunswick. His research interests lie mainly in the fields of entrepreneurship and organizational behaviour.

Louis Jacques Filion is Rogers-J.-A.-Bombardier Professor of Entrepreneurship at HEC Montréal. He has a Ph.D. in systems and entrepreneurship from the University of Lancaster in Great Britain. He began his career in the private sector before joining academia. He teaches and leads research on self-employment, venture creation and a variety of topics related to entrepreneurship.
INTRODUCTION

Ethnic entrepreneurs and ethnic businesses have attracted more attention from governments and researchers in recent years, mainly because of growing recognition for the important contribution they make to the host society as well as the role of entrepreneurship in integrating immigrants in the host society.

In the United States the economic revitalization of several small towns has been attributed to the work of immigrant entrepreneurs (Berger 1994; Lachman and Brett, 1996; Viglucci, 2000). In Canada, Fortin (2001) wrote that immigrant entrepreneurship is one of the two factors that will perhaps ultimately pull central Canada’s economy out of its sluggish state. Despite this, knowledge of the phenomenon is still lacking, and if we look at research done on the subject, it is possible to identify three significant weaknesses. First, many studies have focused on one ethnic group in particular, and therefore provide only a partial knowledge of ethnic entrepreneurship. Second, even where the study sample includes several ethnic groups, the differences related to ethnicity and location are not really taken into consideration, implicitly suggesting that ethnic entrepreneurship is a single entity, despite the fact that there is ample evidence to the contrary in the literature. And third, researchers have tended to focus on the characteristics of the entrepreneurs themselves, leaving aside the economic contribution made by their firms.

The research presented in this paper is intended to help advance the state of knowledge on ethnic entrepreneurship by first choosing different ethnic groups in the three big Canadian cities and then examining the differences the firms and entrepreneurs between cities and between ethnic groups. The reason we chose these three cities is that first, they are the main destinations for immigrants in Canada and thus are the main locations of ethnic groups and ethnic businesses in Canada. Second, given the different integration policies pursued by Canadian provinces as well as the different provincial policies in place to help immigrants and entrepreneurs, there may be differences due to the different policy and regulatory background that would influence the operation of ethnic firms. Last, the history of the same ethnic communities in the three cities is different, which may have implications on business creation in the given community. This approach will help us also identify the implications of the similarities and differences for government policies, education and future research.

The ethnic groups were chosen because of their presence in the three Metropolitan areas as well as their reputation as entrepreneurs. An added difficulty was that ethnic groups’ immigration and settlement patterns led them to different provinces: some settled in Montreal because of the French character of Quebec and aren’t found in significant numbers in either Toronto or Vancouver. Other preferred to settle in the English-speaking provinces. In order to have a representative sample in each of the three cities, we had to settle for groups found in the three cities which are the Chinese, Italian, Indian Sikhs, Jews and Vietnamese.

Our focus in this paper is the study of business problems faced by ethnic businesses and whether ethnicity impacts both the problems faced and the way the entrepreneurs solves them. This will lead us to study the way ethnic entrepreneurs use their ethnic networks and social capital and whether this represents an
advantage for them. We will also examine whether ethnic entrepreneurs face significantly different problems than other small business owners. Finally we want to see if the city (and province) of settlement impacts both the problems faced by the ethnic entrepreneur and the way she solves it. It must be noted that there has been no other study that has used different ethnic groups and cities to investigate these problems.

**LITERATURE REVIEW AND RESEARCH HYPOTHESES**

Some of our findings have already been published (e.g. Brenner, Filion, Menzies and Dionne, 2006; Filion, Brenner, Ramangalahy and Menzies, 2003; Filion, Ramangalahy, Brenner, and Menzies, 2004; Filion, Brenner, Dionne and Menzies 2007; Menzies, Brenner and Filion, 2003, 2006; Menzies, Filion, Brenner and Elgie, 2007; Paré, Menzies, Filion and Brenner, 2007; Perreault, Brenner, Menzies, Filion and Ramangalahy, 2007; Kariv, Menzies, Brenner and Filion, forthcoming). In this paper, we will first present the literature and theories that explain why immigrants and ethnic community members chose to create businesses. We will then review the literature on business problems faced by ethnic entrepreneurs and on the use of the social capital. On the basis of this literature review, we will formulate specific hypotheses designed to improve our understanding of differences relating to ethnic origin and location, the problems faced by the firms, and how they use their social capital.

**Ethnic entrepreneurs and firms – literature review and research hypothesis**

Historically, “Enclave Theory”, “Middleman Theory” and “Theories of Immigration” have been the basis for much of the research. Enclave theory is concerned with immigrants, entrepreneurship and labor market issues (Nee & Nee, 1986). Ethnic enclaves, as well as being economically and culturally linked, have historically been geographically based (Wang, 1999). Middleman theory relates to the type of service/business that immigrant or ethnic entrepreneurs engage in (Zenner, 1991). Theories of immigration are mostly concerned with migration patterns, networks and economic benefits (Muller, 1993).

Light (1984) looks at poverty, unemployment or underemployment and discrimination as reasons explaining ethnic entrepreneurship, while Evans (1984, 1987) instead looks at lack of language skills and lack of education as the main motivator. Portes and Bach (1985) also emphasize problems with language skills. Min (1990) concludes that the vast majority of Korean entrepreneurs he studied launched their businesses because of lack of good alternatives in the job market.

There is little empirical data concerning the actual process by which ethnic enterprises are created. Marger (1989) reports that most of the Indian entrepreneurs in his study sample launched their business within 12 months of arriving in Canada. Tseng (1995) notes that most of the Taiwanese entrepreneurs he studied started their businesses within four years. The same result is reported by Dana (1993) concerning a sample of Italian entrepreneurs in Montreal, and by Ram et al. (2000) concerning a sample of Pakistani and Indian entrepreneurs in Birmingham. Ram et al. (2000) also reported that the businesses were launched with little formal preparation. The difficulties experienced by ethnic entrepreneurs in obtaining financing from formal sources apparently stem from their failure to draw up a business plan (Deakins et al., 1997).

The studies all point to the fact that the businesses are generally small and labour-intensive, mainly because of financing constraints (Lee, 1999; Basu, 1998). Kloosterman et al. (1999) found that Islamic entrepreneurs in the Netherlands generally invested in businesses requiring little capital and little education, such as wholesaling, retail sales and restaurant services.

Our research into ethnic businesses has led us to examine more than 40 studies completed during the last twenty years. Most focus on the United States and the United Kingdom, and to a lesser extent on Canada.
Due to the constraints inherent in the basically embryonic state of work in the field, many of the studies are part of an exploratory and descriptive process rather than an explanatory and theoretical process, as has been pointed out by other writers (Aldrich and Waldinger, 1990; Dana et al, 1999; Deakins, 1999; Kloosterman and Rath, 1999; Robichaud, 1999). We are only just beginning to understand the causes and processes involved in the ethnic business creation dynamic. Our objective is to circumscribe the phenomenon, along with its visible manifestations and constraints.

The limited ability of entrepreneurs to face the challenges inherent in launching a business has been identified as the main factor in the high failure rate of new businesses. Research into the situation of ethnic businesses has led to the identification of a relatively broad range of problems.

Robichaud (1999) focused his literature review on the elements and models of the business creation process for immigrant entrepreneurs. Overlying the various theoretical approaches is the social and institutional structure of the wider community, and the strategic actions of the entrepreneur. Robichaud confirms the existence of ethnic enclaves and highlights the lack of studies in ethnic entrepreneurship.

Some authors have suggested that ethnic entrepreneurs and their firms constitute a diverse, as opposed to homogeneous, set, for a variety of reasons. The explanations cited most frequently include ethnic origin (Aldrich and Waldinger, 1990; Pécoud, 2004), economic status (Lee, 1999; Rafiq, 1992; Villar, 1994), gender (Paré, 2000), the presence of well-established ethnic networks (Cobas and DeOlllos, 1989; Waldinger, 1995) and location (Aldrich, Zimmer and McEvoy, 1989; Pécoud, 2004; Razim and Langlois, 1996).

Butler and Greene’s (1997) review of ethnic entrepreneurship, with a US focus, highlighted the following the importance of the ethnic community in the business creation process as well as the significant contributions of co-ethnic resources to the entrepreneurial activities of group members.

Generally speaking, past research has shown that women tend to be less well-represented among ethnic entrepreneurs (Paré, 2000), and that some ethnic entrepreneurs have a higher level of education (Bates, 1994; Lie, 1998). Basu (1998) reports that the businesses set up by Indian, Pakistani and Bangladeshi entrepreneurs are often retail outlets, because they find it difficult to obtain access to formal sources of financing and retail businesses require low investment and skill levels. Bates (1994) observed that Korean entrepreneurs differed from African American entrepreneurs in several respects – for example, they invested more at start-up; their firms sold less and were less profitable; and they tended to be better represented in sectors where small businesses were more common, such as food retail, garment manufacturing, food processing and printing. A study by Lee (1999) found that Jewish entrepreneurs dominated the furniture, durable goods and jewellery sectors, while Korean entrepreneurs dominated the grocery, fish, beauty products and take-away sectors and African Americans were preponderant in the music and hairdressing industries. Rafiq (1992) observed that Moslem Asian firms tended to be smaller and concentrated more in less profitable sectors than their non-Moslem counterparts. With regard to Chinese entrepreneurs in Toronto, Wang (1999) notes that the range of sectors in which they invest has broadened over the last 15 years. Formerly, Chinese businesses operated mainly in the services sector (groceries, restaurant services and laundries), but newer businesses are found in various sectors such as furnishing, medical services, services to businesses, services to individuals, and retailing. The author ascribes this change to the increased size of the ethnic market, stimulating the emergence of new ethnic businesses. Zhou (1998), Razim and Langlois (1996), and Hoffman and Marger (1991) all found that the entrepreneurs’ personal characteristics and the concentrations of ethnic firms differed by city.

Accordingly, we propose the following two research hypotheses:
Hypothesis 1a: The personal characteristics of the ethnic entrepreneurs will differ according to the ethnic origin of the entrepreneurs and the geographic location of the firm.

Hypothesis 1b: The characteristics of the ethnic firms will differ according to the ethnic origin of the entrepreneurs and the geographic location.

Problems Encountered by Ethnic Firms

Various studies have shown that the main problems faced by ethnic entrepreneurs when starting a business are first and foremost financial (a lack of capital and/or difficulty in obtaining bank financing) and also relates to social integration (see Galt and Ibrahim 2003; Light and Rosenstein, 1995, Mohammed, 1988; Stiles and Galbraith, 2003; Toulouse and Brenner, 1990; Waldinger, Aldrich, Ward et al., 1990;). This is the situation reported by Basu (1998) in his research into Indian, Pakistani and Bangladeshi entrepreneurs, by Bates (1997) in a study of Chinese and Korean entrepreneurs, by Deakins et al. (1997) on the basis of interviews with Asian, Chinese and African entrepreneurs, and by Dallafar (1994) in a study of female Iranian entrepreneurs. Birley and Ghaie (1992) report that the lack of financing is compounded by social difficulties linked to discrimination, for Indian entrepreneurs. This is also a point raised by Dallafar concerning female Iranian entrepreneurs, who must face sexism and the difficulty of obtaining bank loans. The problems identified by Chu (1996) in a study of Chinese entrepreneurs are more cognitive in nature. Overall, they involve a lack of knowledge of the business world, the economic and social environment, legislation and regulations, and the labour market. A study by Dadzie and Cho (1989) focusing on Afro-American, Spanish and Asian entrepreneurs shows that the most important problems are connected with marketing and ways of locating potential customers in a market about which little is known. Waldinger (1995) looked at Afro-American, Caribbean and Korean entrepreneurs and confirmed the importance of marketing problems. However, the problems did not center on how to identify customers, but rather on how the entrepreneurs could make themselves known and develop a good reputation. In addition to difficulties relating to financing and knowledge, the results reported by Gold (1988) concerning Jewish and Vietnamese entrepreneurs highlighted other types of problems that were cultural (language barrier), personal (lack of credit rating), or social (limited contacts in the community) in nature. Teixeira (1998), in a study of Portuguese entrepreneurs, raised another personal-type problem connected with their relative youth (and implicitly their lack of experience and/or difficulty in developing a relationship of trust).

The literature on small and medium-sized enterprises (SMEs) reveals the importance of properly defining and solving these problems, since they are among the most common causes of the high bankruptcy rate observed in particular during the first five years (Dollinger, 1985; Dun and Bradstreet, 1987; Gaskill, Van Auken and Manning, 1993). We already know that the nature of critical problems varies according to the firm’s development stage (Churchill and Lewis, 1983; Kurato & Hodgetts, 1989).

Based on an adapted version of an analysis grid taken from the findings of Tepstra and Olson (1993), Brenner, Ramangalahy et al. (2000) observed that the problems encountered by Chinese entrepreneurs tend to be independent of gender and firm location. However, in a comparative study of Chinese entrepreneurs in Calgary and Armenian entrepreneurs in Los Angeles, Ray et al. (1988) found that the Chinese entrepreneurs had fewer financing problems and found it easier to adjust to local social standards due partly to the social and financial support available from the ethnic network, but also to the fact that they made very little effort to adjust to the local culture. Based on the above research, we propose the following hypothesis concerning the problems encountered by ethnic firms:

Hypothesis 2: The business-related problems encountered by ethnic firms are not affected by geographic location or by the ethnic origin of the entrepreneur.
Use of Social Capital

Recent theoretical work on ethnic entrepreneurship has concentrated on the use of resources from the ethnic community, generally referred to as social capital. The notion of social capital refers here to the use of employees, information, markets, suppliers and financing from the ethnic community (Menzies, Brenner and Filion, 2003, Menzies, Filion, Brenner and Elgie, 2007 [where we developed an index of ethnic involvement and correlated it with both personal characteristics and business characteristics], Perreault, Brenner, Menzies and Filion, 2007 [where we looked at the link between use of social capital and business performance]; Stein, 2004)). The entrepreneurial dynamism of ethnic communities is often due to the fact that the entrepreneurs have access to resources within their own community. Iyer and Shapiro (1999) report that at the start-up stage, ethnic entrepreneurs tend not to look for assistance outside the ethnic group despite their need for financing, for various reasons: they are unaware of existing programs, they face a language barrier, and they are suspicious of financial institutions. For these reasons, they rely on ethnic solidarity to meet their needs, and also rely extensively on their families and on ethnic manpower. The results reported by Chu (1996) concerning Chinese entrepreneurs in British Columbia show that they rely on the ethnic community to recruit employees and to find customers and suppliers, and also to obtain moral and financial support and advice. Waldinger (1995) suggests that support from the ethnic network and various social structures is critical at the start-up stage. However, it appears that the importance of this support decreases as a business develops. As its activities and customer base gradually extend outside the ethnic community, the business begins to resemble other non-ethnic businesses in the way it operates and is managed. This is demonstrated, for example, in the studies by Bates and Dunham (1993), and Iyer and Shapiro (1999). According to Aldrich and Waldinger (1990), the ethnic community is the primary source of support and business opportunity for its entrepreneurs. Toulouse and Brenner (1990) pointed out that the ethnic community offers a number of benefits, including access to a pool of potential investors, experienced entrepreneurs, reasonably-priced labour, social and economic support, and the possibility for the entrepreneur to function in his or her native language and in a familiar social and cultural context. The ethnic community is also regarded as a means of protection against hostile activities and competition, and as a means of facilitating communications with the host society, and of acquiring managerial knowledge and skills (Field, 2003; Waldinger et al., 1990).

However, some differences in the way ethnic entrepreneurs use their social capital have been reported. For example, Brenner, Ramangalahy, Filion, Menzies and Amit (2000) found that Chinese entrepreneurs are more likely to turn to their ethnic group for financing and sales. Ethnic entrepreneurs also tend to be involved in ethnic organizations and recruit labour differently, depending on the city. Entrepreneurs in Montreal are more involved in social and business associations than their counterparts in Toronto and Vancouver, and tend to recruit more co-ethnic employees. Wong and Ng (1998) and Light, Sabagh et al. (1994) also found that the use of co-ethnic employees differed among different ethnic groups and in different locations. Putnam and Helliwell (1995) showed that the development of social capital varies across location, thereby explaining why some regions are more prosperous than others. Based on all these considerations, we propose a third research hypothesis concerning the use of social capital by ethnic entrepreneurs:

Hypothesis 3: The use of social capital differs according to the ethnic origin of the entrepreneurs and the location of their firms.

RESEARCH METHODOLOGY

We selected a quantitative methodology for this study, due mainly to the size of the proposed sample; the project was spread over a period of four years and involved more than 1,429 entrepreneurs and non-
entrepreneurs\textsuperscript{2} from five ethnic communities in the metropolitan areas of Montreal, Toronto and Vancouver.

\textbf{Survey Questionnaire}

The survey questionnaire was an adapted and improved version of the method tested by Toulouse and Brenner (1990) and by Brenner, Célas and Toulouse (1992). It was divided into two sections designed to obtain information on the socio-demographic profile, the type of firm and the entrepreneurial experience of respondents. When circumstances allowed, we used closed questions or multiple-choice questions to collect the data. This was possible for the questions on level of education, language used at work, sources of financing, turnover, the reasons for going into business and so on. Otherwise, we used open questions and asked the respondents to rank their answers in order of priority. This approach was used for questions on the reasons for emigrating, the problems encountered, identification of business opportunities, perceptions of Canada and so on. (For a copy of the questionnaire, please contact one of the authors)

\textbf{Data Collection and Processing}

Interviews were conducted most often in the language of the target ethnicity. Graduate students from the various ethnic groups were trained to assist with our study and conducted most of the interviews. Interviews took about one to two hours to complete and were conducted over a four-year period, starting in 2000. We adopted a snowball sampling strategy, beginning with recommendations from ethnic community groups and community leaders and then from the various lead entrepreneurs who had been interviewed. Some potential respondents (around 20\%) refused to participate in our interviews. Generally, the ethnic entrepreneurs approached to be interviewed required strong assurance of the confidentiality and anonymity of the data collected.

Two types of statistical analyses were used to process the data. First, descriptive methods were applied to identify the characteristics of the entrepreneurs, their entrepreneurial experience and their firms. Second, we used $\chi^2$ tests and variance analysis tests (ANOVA) in order to make comparisons based on the origin, city of residence, gender and level of education of respondents. In most of the open questions we grouped the responses together in order to facilitate the reading of the results.

\textbf{Study Sample}

In all, 718 ethnic entrepreneurs took part in the study from the Chinese, Italian, Sikh, Jewish and Vietnamese communities. The sample included far more men (74.4\%) than women (25.6\%).

\textbf{FINDINGS}

This part of the paper is divided into five sections presenting the results of the descriptive analyses and comparisons, the characteristics of the entrepreneurs and their firms, the problems faced by the firms at the time of the survey and the entrepreneurs’ use of their social capital.

\textbf{Characteristics of the Entrepreneurs}

We used nine variables to examine the characteristics of the entrepreneurs (see Table 1), the length of time they had lived in Canada, age, level of education, main language used at home and at work, number of

\textsuperscript{2} The non-entrepreneurs questionnaires won’t be used in this paper.
years of work experience before emigrating to Canada, whether or not other family members owned businesses, frequency of trips to the country of origin and the reasons for going into business.

The descriptive results (column 2) show that the non-Canadian born sample entrepreneurs had been living in Canada for an average of nearly 22 years. They were fairly old (over 44 years of age) and fairly well-educated (college level on average). At home, they tended to speak language other than French or English. English was the main language in the workplace for more than 60% of respondents, and French for less than 11%. Their work experience before coming to Canada was somewhat limited (less than four years). On the other hand, they had worked for more than seven years since arriving in Canada. Nearly half (43%) were from entrepreneurial families. They tended to travel infrequently to their country of origin (an average of 2.4 trips in the five years preceding the survey). Their main reason for going into business was to create their own jobs. This finding agrees with the entrepreneurship literature which posits that many entrepreneurs launch their businesses primarily for the independence and freedom it allows them (Julien, 2001). Beyond this fact, we find of course both push and pull factors (Push factors include negative labor markets outcomes, e.g., unemployment, loss of job, lack of professional opportunities. Pull factors include positive attributes perceived to exist in being one’s own boss).

The results of the comparison tests relating to the ethnic origins of the entrepreneurs (columns 3 to 7) show that the Vietnamese entrepreneurs were younger than the others, while the Jewish entrepreneurs were better educated and usually spoke English in the workplace. The Chinese had more experience before they came to Canada, and less since their arrival. They were also the group that traveled most frequently to their country of origin. They tended to go into business for reasons of tradition and to become their own boss, and their firms were younger than those of the other groups. The Chinese and Vietnamese entrepreneurs usually spoke a language other than French and English both at home and in the workplace. The Italian entrepreneurs, for their part, had been in Canada for longer, and tended to be older and less educated than the other groups.

The results of the comparisons concerning location reveal some differences due to the length of time in Canada, level of education, language used at home and in the workplace, work experience in Canada and reasons for going into business (columns 9 to 11). The Montreal entrepreneurs had been in Canada for longer and were more likely to speak French both at home and in the workplace. They also had more work experience since coming to Canada. The Toronto entrepreneurs, for their part, were more likely to speak a language other than French or English at home, and to speak English and another language, rather than French, in the workplace. However, they were also the least likely to speak a language other than French or English. They had the least work experience since coming to Canada, but were the best educated, and went into business for reasons related to tradition.

Generally speaking, these results tend to confirm the hypothesis 1a to the effect that the characteristics of entrepreneurs differ according to their ethnic origin and location. They also seem to indicate that these entrepreneurs fulfill different needs of Canada’s immigration policy. The Sikh immigrant entrepreneurs are younger and better-educated and integrate into the English-speaking community. The Jewish entrepreneurs, on the other hand, are older, more likely to speak English at home and in the workplace, and more likely to come from a business-owning family. The Vietnamese are among the youngest, are the least likely to speak English at home and in the workplace, and make the fewest trips back to their country of origin. The Italian entrepreneurs are more experienced immigrants, better able to integrate Canada’s bilingual culture and are motivated by economic reasons and the need to create their own job. The Chinese entrepreneurs, who keep the most links with their country of origin, can help in the development of business relations with this country.
The observed differences related to location suggest that each of the three cities attracts different kind of immigrants. Montreal attracts immigrants who speak more French, who are more experienced and who come from business-owning families. Toronto attracts its share of older immigrants who speak languages other than French and English both at home and in the workplace, and who go into business so that they can become their own boss. Lastly, Vancouver attracts better-educated immigrants who go into business for reasons related to tradition. This partial confirmation of the hypothesis 1a suggests that more comparative studies of ethnic entrepreneurs are needed in the future.

**Characteristics of Ethnic Firms**

We selected seven (7) variables to study the characteristics of the sample firms, namely total initial investment, the entrepreneur’s share of the initial investment, number of employees, turnover, share of sales to the ethnic group, share of purchases from the ethnic group and the country of origin, and share of exports (Table 2).

The descriptive results (column 2) show that the sample entrepreneurs invested an average of $134,650 at start-up, a significant portion of which (more than 76%) came from the entrepreneur himself or herself. The firms were generally small, employing an average of ten people, including a significant percentage (more than 67%) on a full-time basis. Approximately half the firms (52%) had a turnover of $250,000 or less. They made almost half their sales (44.6%) to their ethnic group, and exported only a very small percentage (1.1%). Lastly, a fairly large percentage of their purchases were made within the ethnic group (25.2%) or from their country of origin (12.7%).

The results of the comparison tests on ethnic origin (columns 3 to 7) reveal clear differences. The Chinese entrepreneurs invested more at start-up, more Chinese firms had a turnover of below $100,000, and fewer of them made $2.5 million or more. They also sold more to their ethnic group, and purchased more from the ethnic group or the entrepreneur’s country of origin. The Italian firms, for their part, had the most full-time employees and the smallest number of firms with a turnover of $100,000 or under. The Sikh firms were those in which the entrepreneur’s initial investment was the lowest, while the Jewish entrepreneurs were the least likely to sell to or buy from their ethnic group and the Vietnamese firms had the fewest employees, purchased the least from their ethnic group and exported the least to the entrepreneur’s country of origin.

The tests for location reveal differences in turnover and in sales to and purchases from the ethnic group (columns 9 to 11). The Montreal firms were the most likely to have sales in the $250,001 to $500,000 category, whereas the Toronto firms were those that sold the most to and purchased the most from the co-ethnic group.

Our findings on the characteristics of these ethnic firms suggest that they need support programs similar to those offered to smaller firms. The fact that these ethnic entrepreneurs travel frequently to their country of origin and that their firms purchase a significant percentage of their supplies from but export only a small percentage of their sales to those countries, constitutes an opportunity that both governments and businesspeople alike could use to promote the internationalization of local economies. The location-related differences observed between the three cities suggest that Montreal’s ethnic firms are more integrated into the local community than those in Toronto. These findings tend to confirm the Hypothesis 1b to the effect that the characteristics of the firms differ according to location and to the entrepreneur’s ethnic origin, and illustrate the relevance of further comparative studies of ethnic entrepreneurs and their firms.

**Principal Problems Encountered**
We asked the entrepreneurs to identify the four main problems facing their firms at the time of the survey. They cited a total of 148 specific problems that we were able to place into 11 categories, namely finance, marketing, human resources, production, strategic management, general administration, networking and partnerships, the institutional and political environment, the social environment, the economic environment and miscellaneous problems (see Table 3).

The descriptive results show that four of these categories were more common at the time of the survey (column 2). In decreasing order of importance, they were the economic environment (mentioned by 33.4% of respondents), marketing (33.0%), human resources (27%) and finance (26.6%). These problems all reflect the areas in which ethnic firms and entrepreneurs potentially need help, among other things in the form of training. Conversely, three categories of problems, namely networking (3.5%), the social environment (5.3%) and miscellaneous problems (8.3%) did not appear to be of major concern to the sample firms. It is also interesting to note that, according to these findings, ethnic firms face a similar configuration of problems to SMEs in general (see: Brenner, Ramangalahy, Filion, Menzies and Amit, 2000; Tepstra and Olson, 1993).

As far as ethnic origin is concerned, the findings show differences in eight problem categories, namely finance, marketing, human resources, strategic management, administration, the institutional and legislative environment, the social environment and miscellaneous problems (columns 3 to 6). The Chinese firms were those that reported the most problems related to marketing and the social environment, while the Italian firms had more trouble with human resources and the institutional and legal environment. The Sikh firms, for their part, were less likely to be affected by problems in the areas of marketing, strategic management, administration and miscellaneous issues, while the Jewish firms faced difficulties with finances, human resources, strategic management and miscellaneous issues. Lastly, the Vietnamese firms had the most trouble with administrative issues, but experienced fewer finance-related problems than the other groups. These significant differences clearly do not support the second hypothesis concerning the ethnic origins of entrepreneurs. In addition, tests using location produced some significant differences in the areas of marketing, human resources and administration (column 12). The Montreal entrepreneurs had encountered more marketing and human resources problems, while the Vancouver entrepreneurs experienced significantly fewer administrative problems than the other groups. We must therefore reject the second hypothesis, since both ethnic group and location clearly produce some significant differences.

Earlier, we mentioned that the problems faced by the ethnic firms in our study were similar in many respects to those faced by SMEs in general. Based on these findings, we do not feel it is justified to suggest new support programs specifically for ethnic firms. Among other things, the preponderance of problems relating to the economic and institutional environment suggests the importance, from a practical standpoint, for ethnic entrepreneurs to understand the local community and integrate more, as well as the need for their firms to focus more on the non-ethnic market to support their growth. Strategic analysis seminars focusing on the characteristics, potential and competitive issues of the local market could help ethnic entrepreneurs. Our analysis of the problems faced by ethnic firms also shows that they need to develop their finance and human resources skills. The significant differences observed also support the need for further comparative studies of ethnic groups in the future.

**Use of Social Capital**

We used seven (7) variables to examine the use of social capital by the sample entrepreneurs, namely number of employees from the family or co-ethnic, the share of sales and purchases within the ethnic group, the share of initial financing provided by the family and the ethnic group, and the entrepreneurs’ involvement in ethnic associations and organizations (see Table 4).
The descriptive findings (column 2) show that very few of the entrepreneurs (11.2%) employed family members. However, care is needed when interpreting this finding, since it was undoubtedly affected by the size of the entrepreneur’s family, which is an unknown factor. On the other hand, more than half of all employees were co-ethnic (51.6%). As we mentioned earlier, a significant percentage of sales (44.6%) and purchases (25.2%) were made within the ethnic group. The data on financing methods show that the family and ethnic group played a limited role. At start-up, they provided just 12.4% and 3.6% of the financing respectively, and at the time of the survey they contributed only 4.5% and 1.1% of the funds required to meet the firms’ needs. These latter results are contrary to most other findings in the literature, which emphasize the importance of the financial role played by families and ethnic groups. Given that 26.6% of the sample entrepreneurs said they had encountered problems in obtaining financing, it would be fairer to state that many ethnic entrepreneurs find it hard to obtain financial assistance from their families and ethnic groups. In addition, the sample entrepreneurs were generally involved very little in ethnic organizations; only 10.6% were members of business associations, 20.7% were members of social clubs and just 5.9% were members of professional and trade associations. These findings tend to suggest that ethnic organizations play a somewhat limited role. There may be a number of reasons for this. For example, many of the firms may have become fairly independent of the ethnic group due to their size, and had perhaps been able to extend their contact and financing networks beyond the ethnic community. This hypothesis therefore appears to be confirmed in the case of the Italian entrepreneurs and firms, but less so in the case of the Chinese entrepreneurs and firms.

The results of the comparisons reveal 11 significant differences due to ethnic origin, namely the number of family members employed by the firms, the number of employees from the same ethnic group as the entrepreneur, the share of sales and purchases made within the ethnic group, financing obtained from the family and ethnic group at start-up and at the time of the survey, and membership of ethnic organizations (columns 3 to 8). The Chinese firms in our sample sold more to and purchased more from their ethnic group, and obtained more financial support from the entrepreneur’s family. The Chinese entrepreneurs were also more likely to be involved in ethnic business associations. The Vietnamese entrepreneurs relied the longest on financing from family members and the ethnic group, while the Jewish entrepreneurs were the least likely to purchase from or sell to their ethnic group. These findings confirm the fact that the Jewish entrepreneurs were far more integrated into the host community than their Chinese counterparts. The Sikh entrepreneurs ranked somewhere between the Jewish and Chinese entrepreneurs in this respect. However, the Sikh firms were those that relied the most on their ethnic group and the least on the entrepreneur’s family for start-up financing.

These significant differences partially confirm the third hypothesis concerning the ethnic origin of the entrepreneurs. Six significant location-related differences were observed, in terms of the number of family members employed, the share of sales and purchases within the ethnic group, the share of current financing obtained from the ethnic group, and involvement in ethnic organizations (columns 9 to 12). The Montreal entrepreneurs recruited more full-time employees from their families, and were also more involved in ethnic organizations. These findings appear to indicate that ethnic entrepreneurs in Montreal integrate more into the ethnic community. The Toronto entrepreneurs were the ones who sold most to and purchased most from their ethnic group, but somewhat paradoxically were also the least involved in ethnic business associations and social clubs. The Vancouver entrepreneurs relied the most on family financing at the time of the survey. These differences partially confirm the third hypothesis concerning firm location, and do not fully support the position on social capital usually presented in the literature. The family and ethnic group do in fact play a significant role in terms of labour, sales and purchases, but the same cannot be said of ethnic organizations and financial support from the family and the ethnic group. Based on our observations, the use of social capital differs at least partly according to the entrepreneur’s ethnic origin and the firm’s location. Generally speaking, these findings confirm the need for further comparative studies of ethnic entrepreneurship.
DISCUSSION

Our findings point out to the fact that both personal human capital and social capital are used by the entrepreneurs in the management of their businesses. The Jewish and Sikhs entrepreneurs are more likely to speak English which helps the insertion of their businesses into the host business community (with some exceptions in Montreal, where the language of business is French). On the other hand the Chinese and Vietnamese entrepreneurs are less likely to speak English and thus are more likely to draw upon the resources of their co-ethnic group.

The structure of the ethnic community and its history seem also to affect the mode of operation of the ethnic entrepreneur. Thus, the reason why the Vietnamese entrepreneurs may use less their co-ethnic network for supply sourcing may be historical. Most Vietnamese immigrants to Canada came as refugees after the fall of South Vietnam in the 1970’s, whether immediately or as boat people. This may have precluded them from keeping links with their country of origin.

When considering the problem encountered at the time of the survey, what is remarkable is that financing is not the crucial problem mentioned in the literature. How to deal with the economic environment, marketing and human resources took precedence on finance problems for the entrepreneurs in our sample. It is also noteworthy that firms located in Montreal, had more marketing and human resources problems than in other cities. This again may be due to French-speaking skill problems of the immigrants.

A Conceptual Model of the Influence of Location and Ethnic Community Structure on Integration Modes of Entrepreneurs

Based on our analysis of inter-firm differences due to location and the entrepreneur’s ethnic origin, we have elaborated a model to understand how entrepreneurs adapt their business strategies to differences relating to personal capital, location and social capital.

Ethnic entrepreneurs located in a given city take the current structure of their community in that city, including the co-ethnic resources and existing networks as a given. The mode of help the ethnic community can give to an entrepreneur is pre-determined by both the culture of the community and the history of settlement in the city. Entrepreneurs also have a number of assets, including their own individual human and their networks both inside and outside the ethnic group. They use their capital, networks and knowledge of the urban community to manage their firms and integrate them in the host community. This may result in two types of integration: one we call “ethnic integration”, where the firm integrates more in the ethnic enclave, buying and selling there and one we call more “individualistic”, where the firm integrates in the business community outside of the ethnic enclave. These relations are shown in Figure 1

Individual Human Capital

Every entrepreneur has certain individual characteristics that help him in choosing where to open his firm and how to manage it and face the problems that are bound to arise. These characteristics include age, level of education and previous work experience both abroad and in the host country. Education may be the result of belonging to an ethnic group that values education, or the result of personal or family investment. The entrepreneur’s work experience, both inside and outside of Canada, may also provide knowledge of certain sector-based aspects of the labour market. Language skills are another characteristics that is important for immigrants when chosing the entrepreneurial path.
Networks and Social Capital

All individuals have networks. Some are specific to the family and ethnic group, while others are more general in nature. Membership of a network is an asset for the individual since it provides access to ethnic resources. For example, the entrepreneur can hire relatives or co-ethnic employees, enjoys priority access to purchase or sell within the ethnic community, and is able to obtain financing from family members or the ethnic community. Ethnic networks are part of the individual’s social capital and may help in all phase of the businesses: help in obtaining financing at start-up as well, as well as obtaining help later. The kind of help the entrepreneur gets is also dependent on the structure and history of the co-ethnic networks. Some networks will be more embedded in the ethnic community than others, and will push the firm toward integration inside the ethnic enclave. Others will have more openness toward the society at large and will provide integration inside the business community at-large. This may be a function of the length of history of the ethnic institutions in a city. Communities with a longer history in a city may have both more credible ethnic institutions and more links with the business community outside the ethnic enclave.

Integration into the Community

Every entrepreneur must deal with specific conditions that affect how he or she will integrate into the ethnic community, and how the firm will integrate into the urban community within which it operates. Differences between cities and environments will be expressed in different ways of managing and facing business difficulties. The better the ethnic community has integrated into the urban environment, the easier it will be for the entrepreneur to integrate. Some ethnic entrepreneurs will use a more individualistic mode of integration and will prefer to integrate outside the ethnic enclave into the wider community. This may be the result of a more individualistic approach or of a greater knowledge of the host community. It would explain for instance why the Jewish entrepreneurs in our sample rely less on co-ethnic sales than the Chinese or Vietnamese entrepreneurs. Some will use a more group-based mode, integrating first and foremost into the ethnic enclave. For instance the Chinese entrepreneurs in our sample sold more and purchased more from their ethnic groups while the Vietnamese relied the most on co-ethnic financing. The choice depends both on the personal characteristics of the entrepreneur and on the structure and culture of the ethnic community itself and on its history. Location impacts also the choices. Thus ethnic entrepreneurs in Montreal were more likely to use the ethnic network and integrate into the ethnic enclave than in Toronto and Vancouver, maybe reflecting the tensions against non-French speaking immigrants in the French province.

Interactions Between these Influences

Interactions between the individual human capital and the use of social networks and of social capital will impact the chosen path of integration in the business community as well as how the entrepreneur will solve his problems. It will also determine which problems will be easier to solve and which more difficult. For instance Vietnamese, who seem to have more access to co-ethnic financing have less finance problems than Jewish entrepreneurs whose community didn’t seem to provide a lot of co-ethnic financing. But maybe because of this, Jewish entrepreneurs are choosing a more individualistic approach of insertion in the business community at large, contrarily to the Vietnamese entrepreneurs who are more turned inwards toward their community. One thing is certain: the history and structure of the community will direct these choices, which will probably change in the long run. Firms which were once confined to the ethnic market may after a time leave the ethnic community. This requires more studies on the long-term evolution of ethnic firms.

CONCLUSION
The results of our tests reveal some significant differences related to ethnic origin and location in the socio-demographic profile of the entrepreneurs, the characteristics of their firms, the problems they face and the use they make of their social capital. Our findings partially confirm three of the four research hypotheses. Analysis of the socio-demographic profile suggests that our sample of ethnic, often immigrant, entrepreneurs pursue different paths of integration in Canada. Sikh entrepreneur immigrants are younger and better educated, more likely to integrate into the English-speaking community and more attracted by the prospect of autonomy. Italian entrepreneurs for their part are more experienced, more motivated by the prospect of creating their own job and more likely to integrate into Canada’s bilingual culture. Jewish entrepreneurs appear to be well integrated, since they sell less to and purchase less from their ethnic group. The Vietnamese entrepreneurs are the least integrated in terms of language, and are more likely than the other groups to use a language other than French and English. Lastly, the Chinese entrepreneurs, especially the women, appear to more frequently use their business relations with their country of origin.

These results are the first of their kind on how ethnic entrepreneurs, often immigrants, from different ethnic groups face business challenges in different cities using their personal and social capital as well as the structure of their ethnic community. Until now there have been no comparative studies of the same ethnic entrepreneurs across cities or across different ethnic groups using the same methodology. We have found that the city of settlement impact the choices of the ethnic entrepreneurs as well as their use of the ethnic network. We have also identified two ways of integrating into the business community at large, one more group-based, integrating the firm in the ethnic enclave, and one more individualistic, integrating within the host society at large. The strategies seem to be changing according to the location, - notably firms in Montreal, which may be more of a challenge for non-French-speaking newcomers do use more the co-ethnic network and the group-based integration strategy than firms of the same ethnic community in Toronto and Vancouver.

We have also found that ethnic firm’s problems are not notably different from other small business problems. Contrarily to what is asserted in most of the literature, we didn’t find that the finance problem is the most important for ethnic entrepreneurs. The economic environment, marketing and human resources are mentioned more often than finance as the main problem faced.

The differences between the cities in our sample can also provide clues on the strategies used by ethnic entrepreneurs. The language laws in Montreal (where French is the official language and immigrants faces laws that force them to try and integrate into the French-speaking community) can be the reason why ethnic firms in Montreal are more integrated into the local community than in Toronto, where there are no language laws. It may also explain why ethnic entrepreneurs in Montreal are also more integrated into their own ethnic community than in Toronto and Vancouver, where the government has a more multicultural approach to immigrant integration.

The findings relating to firm characteristics suggest that similar support programs are needed for ethnic firms as for small firms in general in the service sectors. The fact that ethnic entrepreneurs often travel to their county of origin, and that their firms purchase a significant percentage of their supplies from but export only a small percentage of their production to those countries, constitutes an opportunity that governments could perhaps encourage to a greater degree. Businesspeople working in proximity to the ethnic entrepreneurs could also take advantage of their networks in their country of origin. All these elements could be put to better use to promote internationalization of local economies.

Our analysis of the problems facing ethnic firms leads us to suggest that there is no need for new, specific support programs for these firms, except as to helping them understand and integrate into the local community, which would alleviate the problems they face linked to the economic and institutional environment. The local development corporations (CLDs) could offer strategic analysis seminars for
ethnic entrepreneurs to help them understand the characteristics, potential and competitive issues within the local market. We also found that ethnic firms need to develop their finance and human resources abilities. We found that the generally accepted assertion concerning the importance of social capital for ethnic firms was only partially confirmed. The differences that emerged from our tests suggest that use of social capital differs from one ethnic group to another and from one location to another. Whether this is due to different support programs or different structures of the ethnic community must still be investigated.

We must add that such a methodology comparing ethnic entrepreneurs and their firms across different locations and different ethnic groups using the same methodology hasn’t been used before. Because of its advantages, it should be used by more researchers.
REFERENCES


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### Table 1: Socio-demographic Characteristics of the Entrepreneurs

<table>
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<tr>
<th>Variables studied</th>
<th>Frequency</th>
<th>Chinese</th>
<th>Italian</th>
<th>Sikh</th>
<th>Jewish</th>
<th>Vietnamese</th>
<th>Chi-2 F anova</th>
<th>Location of firms</th>
<th>Location of firms</th>
<th>Location of firms</th>
<th>Location of firms</th>
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<td>Sample</td>
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<td></td>
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<td></td>
<td></td>
<td>Montreal</td>
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<td>Vancouver</td>
<td>Montreal</td>
<td>Toronto</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Anova</td>
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<td>Duration of residence</td>
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<td>43.27***</td>
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<td>Work experience</td>
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<td>Before emigrating</td>
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<td>8.00</td>
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<td>4.88</td>
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<td>6.66</td>
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<td>Create own job</td>
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<td>Make money</td>
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<td>Be own boss</td>
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<td>1.95</td>
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<td>1.18</td>
<td>10.631***</td>
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<td>Tradition</td>
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<td>Other</td>
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*: p ≤ 0.10  **: p ≤ 0.05  ***: p ≤ 0.01  ****: p ≤ 0.005  *****: p ≤ 0.001
1: 0= No education, 1= Elementary education, 2 = Secondary education, 3 =College education, 4 = Undergraduate university education, 5= Postgraduate university education
2: In the first five years
3: 1=More important, 5= Less important

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Table 2: Characteristics of Ethnic Firms

<table>
<thead>
<tr>
<th>Variables studied</th>
<th>Frequency</th>
<th>Ethnic origin of entrepreneurs</th>
<th>Location of firms</th>
<th>Chi-2 F anova</th>
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<tr>
<td></td>
<td>Mean Sample</td>
<td>Chinese</td>
<td>Italian</td>
<td>Sikh</td>
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<td>Initial investment:</td>
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<tr>
<td>Total amount (1000s)</td>
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<td>116.52</td>
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<td>Share owned</td>
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<td>Total number of employees:</td>
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<td>Full-time</td>
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<td>Turnover:</td>
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<td>0 to 100 000</td>
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<td>100 001 to 250 000</td>
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<td>250 001 to 500 000</td>
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<td>2.51 to 10 million</td>
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<td>More than 10 million</td>
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<td>Sales (%) to ethnic group</td>
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<td>61.03</td>
<td>44.89</td>
<td>48.76</td>
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<td>Purchases (%):</td>
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<tr>
<td>From ethnic group</td>
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<td>From country of origin</td>
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<td>Sales exported (%)</td>
<td>1.09</td>
<td>2.95</td>
<td>0.98</td>
<td>0.86</td>
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*: p ≤ 0.05  **: p ≤ 0.01  ***: p ≤ 0.001
### Table 3: Problems Encountered by Firms at the Time of the Survey

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<tr>
<th>Variables studied</th>
<th>Frequency Mean Sample</th>
<th>Ethnic origin of entrepreneurs</th>
<th>Location of firms</th>
<th>Chi-2 F anova</th>
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<tr>
<td></td>
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<td>Finances</td>
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<td>Marketing</td>
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<td>Human resources</td>
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<td>Production</td>
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<td>Strategic management</td>
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<td>Miscellaneous problems</td>
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*: p ≤ 0.05  **: p ≤ 0.01  ***: p ≤ 0.001
Table 4: Use of Social Capital by Entrepreneurs

<table>
<thead>
<tr>
<th>Variables studied</th>
<th>Frequency Mean Sample</th>
<th>Ethnic origin of entrepreneurs</th>
<th>Location of firms</th>
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<tr>
<td></td>
<td>Chinese</td>
<td>Italian</td>
<td>Sikh</td>
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<tr>
<td>Employees from family</td>
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<tr>
<td>Full-time</td>
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<td>0.51</td>
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<td>Part-time</td>
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<td>0.32</td>
<td>0.46</td>
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<tr>
<td>Employees from ethnic group</td>
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<tr>
<td>Full-time</td>
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<td>3.60</td>
<td>2.69</td>
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<tr>
<td>Part-time</td>
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<td>1.81</td>
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<td>Sales to ethnic group (%)</td>
<td>44.60</td>
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<td>Purchases from ethnic group (%)</td>
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<td>Initial financing (%)</td>
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<td>9.75</td>
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<tr>
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<td>0.66</td>
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<td>Current financing (%)</td>
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<tr>
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<td>Professional or trade association</td>
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</table>

*: p ≤ 0.05 **: p ≤ 0.01 ***: p ≤ 0.001
Figure 1 – Personal and social capital used for business operation and business-problem solving