Transnational Entrepreneurship (beyond the bodega)

Statewide Conference on Immigrant Entrepreneurship
Babson College
Alvaro Lima, November 2010.
The three “Mental Frames” about immigration and immigrants that shape public perceptions and policies:

The “Emma Lazarus Frame”

The “Melting Pot Frame”

The “Mr. Roger’s Neighborhood Frame”
The “Emma Lazarus Frame”

"Give me your tired, your poor, your huddled masses yearning to breathe free, the wretched refuse of your teeming shore. Send these, the homeless, tempest-tossed to me, I lift my lamp beside the golden door!"

- There is a widespread belief that migration is an autonomous process driven by poverty, economic stagnation, and overpopulation in the countries of origin unrelated to receiving countries’ foreign policies, economic needs and broader international economic conditions;

- Contrary to this widespread perception, neither the poorest of the poor migrate nor do they come from the poorest countries;

- Contemporary immigration is driven by structural factors: scarcity of labor, low fertility, population aging, market penetration, etc...
Immigrants are represented in low-skilled occupations as well as among scientists, doctors, engineers, accountants, nurses:

They are also penetrating the world of commerce:

- own 25% of all U.S. public venture-backed companies;
- 47% of all private ventured-backed companies, and
- more than half of all Silicon Valley startups.
The “Melting Pot Frame”

“We shall ... assimilate and digest what we have into pure Americans, with American aspirations, and thoroughly familiar with the love of American institutions” (Senator Ellison DuRant Smith of South Carolina 1920s).

- Over time, immigrants are expected to “assimilate” into the dominant society’s socio-cultural and economic systems while simultaneously shedding their “old” cultural practices and political loyalties (Alba, 1985);

- At the turn of the 20th Century, “assimilation” clearly meant conformity to Anglo-Saxon ways - a problem today given the diversity of American society and that of the immigrant groups arriving in the country (Gordon, 1964);
Marcelo M. Suárez-Orozco points out that in the global era, the tenets of unilineal assimilation are no longer relevant. Today there are clear advantages to being able to operate in multiple cultural codes … to traverse cultural spaces (Marcelo M. Suarez-Orozco, 2002);

Despite the assimilation rhetoric, immigrant integration policies (education, training, placement, ESOL, health care, entrepreneurship, citizenship, etc..) are skeletal, ad hoc, and under-funded;

Faced with this situation and labor market discrimination, immigrants create self-employment opportunities;

Immigrant entrepreneurs have been found to do better economically than their waged co-ethnics even when controlling for human capital characteristics (Portes and Zhou 1999)
The “Mr. Roger’s Neighborhood Frame”

“Rub-a-dub-dub … And who do you think they be? The butcher, the baker, and the candlestick-maker…” (English language nursery rhyme).

- Immigrant entrepreneurship conjures up images of small, informal, and family-owned businesses even though contemporary entrepreneurial activities among immigrants are increasingly heterogeneous in scale, range, and levels of formality (Portes, Hailer, & Guarnizo, 2002; Wadhwa, Saxenian, Rissing, & Gereffi, 2007);

- The focus on neighborhood-based and local economic development creates barriers for immigrants to join the circles of global trade and leverage their networks across national borders.
The literature on ethnic entrepreneurship and enclaves assumes that these entrepreneurs conduct businesses, hire workers and have customers all based on their ethnic backgrounds;

Ethnic pathways are only one of the many pathways of incorporation migrants establish (Werbner, 1999);

The ethnic focus, a result of the demands of the Civil Rights Movement, shifts the analytical attention to racial and ethnic relations. And in the process, what is distinctive about immigrants was lost:

“immigrants experienced another life in another country where they maintain a whole host of social and economic resources, while they will live out a whole host of experiences in the new society (Portes et. al. 2001).
A new frame “Keeping Feet in Both Worlds”

“...the many social connections and organizations that tie migrants and non-migrants to one another create a border-spanning arena that enables migrants, if they choose, to remain active in both worlds…”

- Immigrant transnationalism refers to the regular engagement in economic, political and socio-cultural activities spanning national borders;

- Transnational entrepreneurs have played an important role in facilitating international trade, investment, and “diaspora tourism;”

- There is a remarkable disparity between the dynamism of transnational enterprises and governmental misunderstanding or ignorance of the phenomenon;
Transnational entrepreneurs are a heterogeneous group coming from many countries, crossing ethnic, immigrant, and minority boundaries, and possessing different motivations and experiences:

- The current market capitalization of publicly traded immigrant-founded venture-backed companies in the United States exceeds $500 billion, adding significant value to the American economy.

- About 50% of Indian and Chinese entrepreneurs in Silicon Valley “have set up subsidiaries, joint ventures, subcontracting, or other operations in their native countries” (Saxenian, Mtoyama, & Quan, 2002:37);

- For instance, 39% of the 289 companies located at the Hsinchu science-based industrial park near Taipei were started by U.S.-educated Taiwanese engineers with professional experience in Silicon Valley. Seventy of the firms maintain offices in Silicon Valley to obtain workers, technology, capital, and business opportunities;

- Likewise, India’s technology-oriented diaspora stand behind much of the FDI in the country’s emerging technology hubs of Bangalore and Hyderabad;

- About 60% of Hispanic immigrant entrepreneurs in the U.S. are transnational (Portes, Haller, & Guarnizo, 2002);

- Migrant-founded venture-backed public companies today employ an estimated 220,000 people in the United States and over 400,000 people globally.
Preliminary research suggests 4 distinct types of immigrant transnational enterprises (Landolt et. al. 1999):

- **Circuit firms** - involved in the transfer of goods and remittances across countries ranging from an array of informal international couriers to large formal firms;

- **Cultural enterprises** - rely on their daily contacts with the home country and depend on the desire of immigrants to acquire and consume cultural goods from their country such as shows, CDs, newspapers, videos, etc.;

- **Ethnic Enterprises** - are small retail firms catering to the immigrant community which depend on a steady supply of imported goods, such as foodstuffs and clothing from the home country;

- **Return migrant enterprises** - are firms established by returnees that rely on their contacts in the United States. They include restaurants, video stores, auto sales and repairs, office supplies, etc.;
Transnational entrepreneurs do better economically than their waged co-ethnics and pure local immigrant entrepreneurs (Portes and Zhou 1999; Logan, Alba, and McNulty 1994; Wilson and Martin 1982):

<table>
<thead>
<tr>
<th>Activity</th>
<th>Employee/ Wage Worker %</th>
<th>Ethnic Entrepreneur %</th>
<th>Transnational Entrepreneur %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports Goods from Abroad</td>
<td>8.2</td>
<td>9.9</td>
<td>31.9</td>
</tr>
<tr>
<td>Exports Goods</td>
<td>6.5</td>
<td>8.9</td>
<td>18.1</td>
</tr>
<tr>
<td>Invests in Business in Home Country</td>
<td>5.9</td>
<td>11.7</td>
<td>26.4</td>
</tr>
<tr>
<td>Invests in Real Estate in Home Country</td>
<td>20.7</td>
<td>28.2</td>
<td>41.9</td>
</tr>
<tr>
<td>Has Been an International Courier</td>
<td>10.1</td>
<td>8.3</td>
<td>23.6</td>
</tr>
<tr>
<td>Hires at Least One Employee in Home Country</td>
<td>0</td>
<td>30.8</td>
<td>42.2</td>
</tr>
</tbody>
</table>

Frequency of Business Travel Abroad:

- At least twice per year: 7.1, 17.3, 28.4
- Six times or more per year: 0.9, 6.1, 14.6

Source: CIEP, 1998

Source: The Comparative Immigrant Entrepreneurship Project (CIEP); Center for Migration and Development (CMD); Princeton University.
Some Implications of Transnational Entrepreneurship:

- Transnational entrepreneurship is a promising form of integration;

- Transnational integration and transnational entrepreneurship are highly relevant to modern workings of global and gateway cities;

- Transnational integrations and transnational entrepreneurship provide opportunities for business, social entrepreneurs, and governments;

- Transnationalism has broad implications for notions of community, and economic development;

- To take advantages of the transnational phenomenon, concepts such as “local development,” “local community” and “social capital” must be redefined as space of flows (relationships) instead of just geographic places;

- Finally, the model presented can be generalized to include ethnic and non-ethnic forms of social settlement and connections spanning multiple borders.