Immigrant Entrepreneurs – Descriptions and Policy/Action Recommendations

Follow-up to the November 2010 Conference on Immigrant Entrepreneurship in Massachusetts at Babson College

Overall learning from the November Conference

The conference offered a valuable portrait of the rich mixture of entrepreneurship and business development that exists in Massachusetts because of its immigrants.

The main message from the conference is that immigrant entrepreneurs provide a unique advantage for the state. This competitive advantage needs to be protected, nurtured and enhanced by all stakeholders in the economy, not just government.

The immigrant entrepreneurship ecology that emerged from the conference includes at least four types of entrepreneurs who contribute substantially to economic development and job creation in the Commonwealth. The categories are not mutually exclusive as some business characteristics can be found across these typologies but they do have distinct characteristics.

1. Immigrant Neighborhood Storefront Businesses

These are low-to-moderate-income (LMI) businesses, largely retail and personal services. They start small and frequently stay small and usually locate their businesses in economically distressed areas with lower rents. The businesses are alternatives to wage employment and involve extremely long hours and hard work. Employees are more often than not other family members. The goal of the business owners, often called “Necessity Entrepreneurs”, is to make a life for themselves, their families and to ensure their children’s future. They usually do not expect to pass on the business to their children and frequently note that they are working extraordinarily hard so their children can get an education and not have to work as hard. However, some of these business owners are interested in expanding their businesses into multiple locations and/or allied businesses in which the children may be involved. As growth-oriented firms, they then move into Category 3 – non-tech growth businesses. Overall, these businesses are credited with revitalizing economically depressed neighborhoods and communities.

2. Immigrant High-Tech and Health Science Entrepreneurs/Innovators

These entrepreneurs apply their scientific education and expertise to the creation of a product or service in technology or medical drugs/treatments. The goal of the business owner is often, but not always, to develop the technology and have it acquired by a larger company clearing the way for creating new products and services. Massachusetts benefits greatly from the education and training provided in other countries as well as the innovations developed by these entrepreneurs. For example, 25.7 percent of the biotech firms in Massachusetts were co-founded by immigrants. They specialize in the most complex and risky aspects of biotech to seek knowledge directly applicable to human health. In 2006 alone, these businesses produced over $7.6 billion in sales and employed over 4,000 workers.

3. Immigrant Non-Tech Growth Businesses

These are businesses in real estate, manufacturing, retail, wholesale, transportation, construction, leisure and hospitality, etc. They are the core businesses that drive the state, regional and national economies and become important employers in their community and state. The goal of the owners is to grow the
businesses, create jobs for their community and wealth for their families. They are often called “Opportunity Entrepreneurs.” Leisure and Hospitality businesses are a strong example of these immigrant businesses where immigrants are well over one-third of the entrepreneurs in hotels/accommodations and restaurants/food services in Massachusetts. Non-tech growth businesses sometimes emerge from neighborhood storefronts that find opportunities to expand their businesses. These businesses tend to hire community residents at a higher rate than businesses owned by entrepreneurs who are not from the community.

4. Immigrant Transnational Businesses

These businesses are a new phenomenon of “Keeping Feet in Both Worlds”. Immigrant transnationalism refers to the regular engagement in economic, political and socio-cultural activities spanning national borders. These transnational entrepreneurs are playing an important role in facilitating international trade, investment and “diaspora tourism”. They are a heterogeneous group coming from many countries, crossing ethnic, immigrant and minority boundaries possessing different motivations and experiences. There are four distinct types of immigrant transnational enterprises:

- Circuit firms involved in the transfer of goods and remittances across countries;
- Cultural enterprises that rely on their daily contacts with the home country and depend on the desire of immigrants for cultural goods in the U.S. such as shows, CDs and newspapers;
- Ethnic enterprises that are small retail firms catering to the immigrant community, which depends on a steady supply of imported goods;
- Return migrant enterprises that are businesses established by returnees that rely on their contacts in the U.S.

These four types of immigrant entrepreneurship make valuable contributions to individuals, communities and the overall state economy but in very different ways. By understanding the special characteristics, challenges and opportunities faced by each, public and private sector policymakers can support the success of immigrant entrepreneurs in Massachusetts.

Some actions should be tailored to the unique characteristics of immigrant businesses while other policy actions can support the success of all types of entrepreneurship – both immigrant and non-immigrant. The latter primarily focus on removing obstacles to entrepreneurial activity and include:

- Curtailing the cost of doing business by streamlining the costs of services, licensing and permitting;
- Providing better visibility to business information and services;
- Increasing access to government contracts.

Perhaps one of most valuable things Massachusetts can do to enable immigrant entrepreneurs is to convey welcoming and affirmative attitudes. There are also a myriad of specific policy and action initiatives that will magnify and enhance the economic and social contributions of immigrant entrepreneurs in each category. It should be noted that many of these recommendations will enhance opportunities for all entrepreneurs.
Neighborhood Storefront Businesses

This group has special challenges that include limited English; low familiarity with U.S. cultural and business practices; little or no credit history and little or no business and/or management education. These challenges all lead to no access to financing and a striking disconnection from existing business services. Special “on ramps” are needed so these talented strivers can access traditional business support services, and the services themselves can focus on the immigrant entrepreneurs’ needs and goals. They may be interested in such areas as: 1) English for Entrepreneurs combining English with business technology and other practical skills for running a business; 2) technology and management for higher productivity (and fewer hours) to improve the quality of their lives; 3) learning about laws and regulations pertinent to their businesses; and 4) how to increase access to financial institutions and expert advisers. Some specific strategies could include:

- Market research to collect and analyze data about existing and potential markets to provide vital data to the neighborhood businesses;
- Financial education and training on running a business;
- English for Entrepreneurs integrating English with technology and other practical skills for running a business;
- Mentoring, support and coaching networks;
- Cell phone alert system for automated monthly information calls in several languages to disseminate timely information about changing business requirements and opportunities
- Simple guides for specific businesses modeled after those developed by the Welcoming Center for New Pennsylvanians;
- Individualized Development Accounts (IDAs) expanded to target immigrant entrepreneurs;
- Specialized and flexible small business loan products and extended commercial ownership opportunities;
- Grant incentives that specify proof of at least one job position created beyond the owner targeted to purchase of equipment;
- Opportunity for immigrant business owners with E-2 visas to qualify for permanent visas after five years in business and creating five or more jobs (federal policy).

Many of these services already exist but need re-orientation, refinement, consolidation and/or expansion to make stronger and more trusting connections with immigrant storefront businesses. Additional assessment of needs carried out directly with neighborhood entrepreneurs is strongly recommended to ensure that there is “value added” from the storefront business owner’s perspective.

High Tech and Health Science Immigrant Entrepreneurs

While this group is more likely to be English proficient and be more knowledgeable about cultural and business practices, they face many of the same challenges as neighborhood storefront businesses. They are often unfamiliar with cultural and business practices in the U.S. and may have limited credit histories and business management training. They are also likely to have challenges relating to English language proficiency and finding the right mix of talent and experience. A strong factor here is the opportunity for commercializing existing technology. Immigrant entrepreneurs may not have the same awareness of these opportunities as entrepreneurs who live/study in the Boston area.

About 25 percent of high-tech startups in the U.S. are founded by immigrants; this percentage holds true for Massachusetts particularly for the biotech sector. These start-ups tend to be either:
• STEM (Science, Technology, Engineering and Mathematics) graduates working at U.S. technology companies who identify opportunities and pursue them with their own or third party funding such as SBIR (Small Business Innovation Research), angel, venture capital, etc; or
• graduate students at U.S. research universities who spin-off their professors’ inventions generally with venture capital funding.

For the first group, counseling and mentorship on how to form and grow businesses in the U.S. could be valuable. There are non-profit groups such as TiE (The Indus Entrepreneurs) and NECINA (New England Chinese Information Networking Association) that provide this mentorship. Supporting them financially would allow them to expand their services to additional cities. The latter group would be well-served by creating a “Start-up Visa” that grants a green card to any person who raises at least $2 million to pursue a spin-off company.

Additionally, a significant number of individuals in health science companies are immigrants. Although highly educated, they often need help with very specific English language skills (e.g. writing and presentations). Companies or organizations that can provide language training and presentation coaching serve an important role. Again, the current U.S. visa process presents a high hurdle for prospective immigrant employees/entrepreneurs.

Workshops that focus on practical information such as the Center for Women and Enterprise’s “Venture Capital 101” program and others can guide aspiring entrepreneurs through the basics of starting a business. There are a growing number of workshops and events in the Boston area that assist start-up entrepreneurs. Providing a map to this “ecosystem” would be a valuable aid to immigrant entrepreneurs in high-tech and health sciences.

**Non-Tech Growth Businesses**

Growth businesses in traditional industries (manufacturing, business services, retail and wholesale trade, real estate and construction) represent most of the private sector employment and the core of the business base in many Massachusetts communities. Immigrant entrepreneurs who aspire to grow their businesses are a crucial component of the economic vitality of these places. However, many face the challenges of language barriers, access to networks and a lack of financial and business know-how.

All Massachusetts’ businesses benefit from a healthy and growing state economy. In particular, larger businesses can strengthen their competitive position with a diverse supply chain and a growing number of innovators and potential suppliers in close proximity.

Massachusetts businesses should make special efforts to support the success of the Commonwealth’s immigrant entrepreneurs. In particular, Massachusetts firms should:

- Encourage public policies that are welcoming to immigrant entrepreneurs;
- Establish and support programs to identify and nurture promising immigrant-owned suppliers to enhance management know-how and access to networks of businesses and finance;
- Better integrate immigrant entrepreneurs into local and state business associations by creating environments that are more supportive and by addressing the unique needs and opportunities facing immigrant entrepreneurs.

Growth-oriented immigrant entrepreneurs would also benefit from:

- Direct education and business management education and training;
- English classes integrated with methods and tools for business management and growth;
- Education and coaching on how to access capital.

**Transnationalism and Translational Businesses**

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. The rising tide of transnational businesses, where migrants have regular engagement in economic, political and socio-cultural activities spanning national borders, facilitates international trade, investment and “Diaspora tourism.” These migrants move people; money, goods and services; political ideas and engagement and social-cultural ideas across the world. This new phenomenon, and how to support it, is not well understood. However, there are some actions that can begin moving the process forward.

- Creation of “transnational investment funds” to tap the diaspora’s investment capacity. Some existing examples include financial incentive programs such as high-interest foreign currency accounts, special bonds and tax exemptions for savings and investments. Good examples are the transnational funds created to leverage remittances.

- Create channels to work with transnational immigrants that can act as bridges between sending and receiving countries. For example, receiving countries could work with its immigrant populations to reach foreign markets for bilateral trade, develop overseas investment opportunities and build global knowledge networks. Another example is to leverage trade missions by expanding choice beyond countries that are compatible with Massachusetts’ interests to those countries with large transnational entrepreneurial communities in the state.

- Receiving and sending countries could work in partnership to leverage remittance flows for economic development by creating mechanisms that reduce the cost of remittances and increase their development potential. A good example that could work for both sending or receiving countries is the Mexican program “3+1”. For each dollar invested in development projects back home (or abroad), the Mexican federal, state and municipal governments each contribute a dollar;

- Create training opportunities for immigrant entrepreneurs in partnership with sending countries’ training organizations and universities. This will provide opportunity to learn how to open, manage and grow their companies as well as learn about opportunities in both sending and receiving countries. For example, the Brazilian organization SEBRAE, (an organization similar to the SBA), could create partnerships with Massachusetts organizations to provide training to Brazilian entrepreneurs;

- Operationalize and market the “EB-5 Immigrant Program” that makes 10,000 visas available every year for immigrants wishing to enter the U.S. that invest at least $1 million in new commercial enterprises that would benefit the U.S. economy or $500,000 that would benefit a “target area” (see [www.uscis.gov](http://www.uscis.gov));

- Create transnational exchange opportunities between sending and receiving countries focusing on leveraging knowledge, training capacities and investments in both countries. An example is the transnational incubator experience of the Netherlands that supports immigrant entrepreneurs to invest in their countries of origin and destination;

- Increase the scope and the funding for programs such as MassChallenge that incentivizes investment in the Commonwealth from entrepreneurs around the world including transnational entrepreneurs. These programs could leverage the EB-5 Immigrant Program.