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# The Impact of Immigrant Entrepreneurs' Social Capital Related Motivations

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# The Impact of Immigrant Entrepreneurs' Social Capital Related Motivations

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**T**he immigrant entrepreneurship literature indicates that immigrant entrepreneurs reap numerous benefits from their co-ethnic communities' social capital. These benefits, however, often come at a price because scholars note the potential for this community social capital to impose limitations on the entrepreneurs. While the literature largely focuses on the benefits of social capital, there is no research on what motivates the immigrant entrepreneurs to engage with their co-ethnic community in terms of contributing to, and utilizing, their co-ethnic communities' social capital, and the consequences these may have on their enterprises. Addressing this gap in the literature is important in the development of successful immigrant enterprises. Thus, based on a model posited by Portes and Sensenbrenner (1993), we suggest that immigrant entrepreneurs' motivations will influence their use of, and contributions to, co-ethnic community social capital, impacting, in turn, business success. We contribute to both the immigrant entrepreneurship and social capital research through exploring how entrepreneurs' motives, with respect to their co-ethnic communities' social capital, influence business success.

**Keywords:** social capital, immigrant entrepreneurship, immigrant entrepreneurs, motivations, co-ethnic, ethnic entrepreneurship

## Introduction

Extensive research indicates that immigrant entrepreneurs are important contributors to their host-country economies (Min & Bozorgmehr, 2000). In the United States in 2010, more than 40 percent of all Fortune 500 companies were started either by an immigrant or a child of an immigrant. Moreover, at a rate of 620 immigrant-founded businesses relative to 280 native-founded businesses per 100,000 businesses, immigrant entrepreneurs start more businesses per month than host-country nationals (American Immigration Council, 2014). As of 2013, immigrant-founded businesses in the United States comprised US \$900 billion dollars in market capital, and employed approximately 600,000 people (American Immigration Council, 2014). Additionally, these enterprises have been shown to revitalize economically depressed regions through commercial activity and investments. Taken together,

this information indicates that immigrant-founded enterprises are significant contributors to the US economy. It is therefore not surprising that scholars have studied immigrant entrepreneurs and their businesses for more than 30 years.

The immigrant entrepreneurship literature, which provides ample information on the role of immigrant-founded businesses in the economies of their host countries, consists of two primary research streams. The first focuses on the reasons behind the high levels of self-employment among immigrants (Bozorgmehr, 2000; Light & Bonacich, 1991; Raijman & Tienda, 2000), and the second examines the factors that impact the economic success of immigrants (Chrysostome, 2010; Hammarstedt, 2004; Li, 2004; Teixeira, 1998). According to this literature, immigrants face numerous challenges and disadvantages when acclimatizing to their host country including obstacles that impede their entry into the host country job market (Aldrich & Waldinger, 1990; Chrysostome, 2010; Perera, Gomez, Weisinger, & Tobey, 2013). These obstacles include the lack of financial resources, limited knowledge of the language, inadequate education or qualifications that are unrecognized in the host country, and little to no relevant professional experience (Barrett, Jones, & McEvoy, 1996). Immigrants, scholars contend, engage in higher levels of entrepreneurial activity because these constraints impede their successful entry into the host country job market. As a part of this discourse, researchers also emphasize the role of social capital in explaining the prevalence and success of immigrant-founded enterprises.

Social capital is a very important element in the business creation process and in the overall success of immigrant founded enterprises. The social networks and relationship ties within co-ethnic communities provide immigrant entrepreneurs with benefits that enhance their ability to successfully start and maintain small businesses (Chrysostome, 2010; Kalnis & Chung, 2006; Ndofor & Priem, 2011). While the extant literature emphasizes the benefits of co-ethnic community social capital for immigrant-founded enterprise development, the literature also suggests, albeit to a much limited extent, that this social capital can also

impose demands on immigrant entrepreneurs. The entrepreneurs' level of embeddedness as well as the norms and expectations developed within co-ethnic communities are posited as factors that can be detrimental to business success as they may restrict innovation or constrain entrepreneurial drive (Light, Bhachu, & Karageorgis, 1993; Portes, 1998). To this end, despite the fact that the role of social capital in immigrant entrepreneurship has been studied for more than 30 years, the literature is largely focused on the structural and functional dimensions of immigrant community social capital.

The structural component focuses on the structure of social relations in co-ethnic communities while the functional dimension entails the benefits that immigrants can reap from the co-ethnic community social capital. Thus, scholars have largely neglected to study the experiential realm of social capital, which entails how the immigrant entrepreneurs *experience* the relationships they have with parties that are both internal and external to their co-ethnic community (Torche & Valenzuela, 2011). Within the scope of this understudied experiential realm, we note that scholars have not examined the immigrant entrepreneurs' motivations for using their co-ethnic communities' social capital nor their motivations for contributing to the building and maintaining of co-ethnic community social capital. This oversight is relevant in understanding immigrant entrepreneurship because, as community norms and expectations likely impact the activity of those businesses embedded in the community, entrepreneurs' motivations for abiding by these norms and expectations likely affect their business decisions and therefore businesses performance. This knowledge could be of value, particularly for organizations that provide support for start-ups and ethnic communities, to assist immigrant enterprises in finding the right balance between pursuing business-focused and community-focused strategies for their businesses. Thus, this theoretical article, framed by the research question, "How do immigrant entrepreneurs' motivations for utilizing and contributing to their co-ethnic communities' social capital affect their business decisions?" examines the business founders' motivations for complying with the norms and expectations of their co-ethnic communities, and the possible effect that these motivations for compliance may have on their business decisions and ultimately on their business success. In doing so, this article contributes to both the immigrant entrepreneurship and social capital literatures. Additionally, a better understanding of the motivations that underlie the exchange of resources between immigrant entrepreneurs and their co-ethnic communities may help elucidate factors that contribute to the success or failure of immigrant-

founded businesses. Thus, our analysis contributes to a growing interest in understanding the microfoundations of social and organizational behavior (Barney & Felin, 2013; Helfat & Peteraf, 2015).

In order to address the research question, we based the development of our propositions on Portes' and Sensenbrenner's (1993) model of social capital. Relative to other models in the extant literature, this model is unique in that it highlights the role of an individual's motivation in both the utilization of, and contribution to, community-based social capital. Thus, this model serves as the basis for our exploration of the connection between immigrant entrepreneurs' motivations that underpin their use of and contribution to their co-ethnic community social capital. In the following section, we discuss various facets of social capital that are relevant to our research.

## Social Capital and Immigrant Entrepreneurship

### *Social Capital as a Source of Benefits and Constraints*

Social capital is defined by Portes and Sensenbrenner (1993) as "those expectations for action within a collective that can affect the economic goals and goal-seeking behavior of its members" (pg. 1323). This definition differs from others that are more commonly used in the literature in that it focuses on the social structures that facilitate the individual's rational pursuits (Portes and Sensenbrenner, 1993). Indeed, in contrast to the assumption that an individual determines a desired economic action, such as the creation of a new business, and utilizes the available social capital to achieve his or her predetermined purpose, Portes and Sensenbrenner's (1993) definition suggests that the expectations of the collective group of which the individual is a member will influence the economic action pursued by the individual.

While both the individual and collective perspectives of social capital are relevant to the study of entrepreneurship, immigrant entrepreneurs may experience the effects of both forms more strongly relative to host-country entrepreneurs (Perera et al., 2013). Due to the constraints that immigrants experience when arriving in a host country, such as difficulty entering the job market (Aldrich & Waldinger, 1990; Chrysostome, 2010; Perera et al., 2013), language barriers, lack of accepted educational credentials, and limited financial resources (Barrett, Jones, & McEvoy, 1996), immigrant entrepreneurs rely heavily on their co-ethnic community for the resources and support needed to start up a business. The

shared experience of overcoming assimilation challenges leads immigrant communities to develop norms and expectations for its members as well as increased levels of trust and reciprocity (Coleman, 1988). The close ties between individuals of a collective, referenced as bonding social capital (Adler & Kwon, 2002; Burt, 1992; Kwon & Adler, 2014; Totskaya, 2013), makes immigrant entrepreneurs privy to their communities' resources including those that are relevant to the creation of a new business. These resources include access to capital, business opportunities, markets, and low-cost labor (Light, Bhachu, & Karageorgis, 1993; Portes, 1998). Indeed, many empirical studies such as those in New York's Chinatown (Zhou, 1992), Miami's Little Havana (Perez, 1992; Portes, 1987; Portes & Stepick, 1993), and Los Angeles' Koreatown (Light and Bonacich, 1991; Nee, Sanders, & Sernau, 1994) have indicated the value of co-ethnic community social capital in business creation.

However, despite the benefits acquired, immigrant entrepreneurs embedded within their co-ethnic communities may face obligations and social norms within immigrant groups that may limit their efforts to access distant networks and build new relationships. The connections that individuals of one collective may form with those of another, referenced as bridging social capital (Adler & Kwon, 2002; Burt, 1992; Totskaya, 2013), are important in that they allow individuals to access various resources including information. Thus, immigrant entrepreneurs, embedded in communities with norms that counter the creating of connections to those beyond their co-ethnic community, may have limited access to new ideas from "outside" their immigrant network (Light, Bhachu, & Karageorgis, 1993), thus limiting their ability to develop their businesses beyond their communities or consumer segments. Therefore, although the social capital available through a co-ethnic community can be advantageous in the start-up phase of immigrant enterprises, it may eventually limit the ability of entrepreneurs to adapt and expand their businesses into new markets.

In sum, while immigrant entrepreneurs may benefit from the collective elements of social capital derived from their co-ethnic communities, it may also impose expectations that may constrain these individuals' actions. While this community-based social capital provides access to resources, the norms and obligations may curtail entrepreneurs' desire to form connections outside of the co-ethnic community which, in turn, may restrict opportunities for business growth and expansion to new markets. However, other factors besides co-ethnic community-derived resources are important in the success of immigrant-

founded businesses. These include entrepreneurs' motivations, their beliefs on to what extent they should contribute to their co-ethnic community social capital, as well their actual contributions.

### ***Balancing Community Commitments and Self-interest***

As noted in the previous section, the benefits extended and the constraints imposed by co-ethnic communities on immigrant entrepreneurs are moderated by the entrepreneurs' motivations and perceptions of the role they play in maintaining the social capital of their co-ethnic community. To this end, Fukuyama (1986) discussed how individuals who are highly embedded in their communities have to balance their self-interests with those of their groups. Beugelsdijk & Smulders (2003), in turn, found that participants' degree of materialism affected whether or not they were willing to reach beyond their networks to form weak ties with those of other groups. Materialistic individuals engaged in socializing that led to direct benefits but those that were less materialistic tended to become embedded in social structures that did not yield direct advantages (Beugelsdijk & Smulders, 2003). Thus, despite being well embedded in a co-community with strong norms, based upon their differing motivations, it is conceivable that immigrant entrepreneurs may either expand beyond their communities and form weak ties for strategic purposes or choose to remain with the co-ethnic community and support community social capital.

Consistent with this idea, Fernandez and Nichols (2002) found that individuals could simultaneously maintain bonding ties within their co-ethnic communities while developing bridging ties with other groups. However, due to various issues such as segregation by ethnicity and social status in neighborhoods, there must be more systematic opportunities for individuals of different ethnic groups to form bridging ties. It is possible that entrepreneurs who take advantage of community and government organizations that foster entrepreneurship may be better able to establish weak ties beyond the immigrant community. However, their willingness to participate in such programs may be influenced by the degree to which such external resources are considered acceptable by the norms of the community.

### ***Motivations and Social Capital***

As indicated above, the success or failure of immigrant-founded enterprises and the role of social capital in such outcomes is not solely dependent on whether the entrepreneurs have developed bonding ties with their ethnic community members and abide

by the community norms of reciprocity and values. Similarly, nor is it dependent on the entrepreneurs' taking unfair advantage of their community's social capital. Indeed, how social capital is used, and the impact that this may have on the business as well as the community is also determined by the way in which the entrepreneur experiences social relations in the co-ethnic community as these experiences motivates the individual's decisions to use and contribute to the ethnic community's social capital in the business creation process (Torche & Valenzuela, 2011). Individuals' motivations will influence their expectations for exchange of resources based on social interactions (Portes & Sensenbrenner, 1993; Shoji, Haskins, Rangel, & Sorensen, 2014). We contend that these motivations will influence the business decisions undertaken by immigrant entrepreneurs that will ultimately affect business growth and success. In the following section, we discuss the immigrant entrepreneurs' motivations for exchanging resources with their co-ethnic communities and the implications of this exchange for business development.

### Immigrant Entrepreneurs' Motivations for Resource Exchange

Social capital is only available when individuals or members of a community are willing to make community resources, often at a lower or indirect cost, available to others (Etzioni, 2001; Kwon & Adler, 2014; Torche & Valenzuela, 2011). This motivation to share resources results from personal or collective efforts to develop social relations that are available in the short and long term to the members of such communities (Labrianidis & Sykas, 2013). In their landmark work, Portes and Sensenbrenner (1993) posit two underlying motivations for individuals to make collective social capital benefits available to others: principled motivation and instrumental motivation.

The term *principled motivation* refers to one's motivation to act due to a sense that it is the right thing to do (Torche & Valenzuela, 2011). Also known as altruistic motivation, principled motivation, leads to behaviors that benefit others, are voluntary, are intentionally performed, are perceived as the reward itself, and are performed without the expectation of any kind of external compensation or reward (e.g., Bar-Tal, 1986; Krebs, 1970; Leeds, 1963; Torche & Valenzuela, 2011). Principled motivation is guided by values learned through socialization or through the sense of belonging to a group. Thus, it can lead to group-oriented supportive behaviors as principled motivations are grounded in the internalization of values and norms of behavior that are shared by groups or communities. In contrast, *instrumental motivations* are those that motivate people to act because

doing so would lead to tangible outcomes or rewards (Barbuto & Scholl, 1998). This type of motivation is grounded on self-interest and is supported by the norm of reciprocity (Torche & Valenzuela, 2011). Reciprocity is defined as social interaction in which a gift is given, received, and returned (Mauss, 1967). Thus, individuals make their resources available to others based on the assumption that they will be reciprocated in some form in the future. The knowledge that repayment will occur is based on the level of knowledge of one another, and the development of trust between the giver and the recipient (Torche & Valenzuela, 2011). Reciprocity exchanges differ from purely economic exchanges in that the repayment time and form is not pre-determined and may indeed assume a different form from what was initially offered. As in the case of principled motivations, instrumental motivations can also influence the creation of social capital for ethnic communities.

Both principled and instrumental motivations are relevant for immigrant entrepreneurs since these individuals often experience a strong sense of community, created as result of shared experiences and challenges. Thus, this may lead to the perception that potential entrepreneurs can best access the resources necessary for business creation from fellow immigrants. The prominence of social capital within immigrant communities may be explained by fact that the immigrants are foreigners in the host country. It also suggests that these communities experience various sources of social capital that are unique to these groups (Portes & Sensenbrenner, 1993). In the following section, we discuss the various sources of social capital, its relationship with principled and instrumental motivations, and its impact on immigrant-founded businesses.

### *Social capital: Motivation and Impact on Immigrant Businesses*

According to Kwon & Adler (2014, p. 415), the literature points at "...norms, values, trust and community membership as the key sources of motivation for social capital." Portes (1998) suggests that four sources of social capital exist: value introjection, reciprocity exchanges, bounded solidarity, and enforceable trust. Bounded solidarity and enforceable trust are relevant for groups that have limited access to other communities or where community members have limited opportunities to exit a community. Under such circumstances, the community has the ability to enforce consequences upon those who do not comply with expected norms of behavior. Portes & Sensenbrenner (1993) argue that principled and instrumental motivations lead to different sources of social capital. These sources of social cap-

ital, whether bounded solidarity or enforceable trust, may lead to positive and negative consequences for immigrant-founded businesses.

### ***Social Capital and Its Positive Effects on Immigrant-Founded Businesses***

Principled motivations influence the creation of social capital for certain groups that share unique situations or conditions because the sense of a shared reality creates a feeling of solidarity (Portes & Sensenbrenner, 1993). This source of social capital is called bounded solidarity. Bounded solidarity as a source of social capital is available to members of a group that are affected by shared events that occur at a specific time and place. It is distinct from other sources of social capital in that though the level of enforceability is not significant, the individuals within the group behave a certain way due to perceived moral obligations (Portes & Sensenbrenner, 1993). The group members' actions are underpinned by principled motivations as a sense of membership and shared hardship motivates individuals to support each other and share resources for the benefit of the group without any expectations of return (Levanon, 2014). Thus, a sense of community is generated in situations in which shared experiences and challenges are present. In other words, what binds these immigrant groups together are difficulties within the host country that most members of the group face or have faced at some point. However, these struggles also create a community with a shared identity that seeks to support and take care of itself. Added to the shared hardships, the similarities in culture, language, and ethnic pride create a togetherness that would not have otherwise existed (McGrath, 2010; Portes & Sensenbrenner, 1993). As a result, these strong bonds within ethnic communities can lead to the creation of social capital that stems from bounded solidarity. Such situations where the immigrant group members are highly embedded facilitate and support the creation of ethnic businesses, especially those that provide goods and services to their ethnic community.

The ethnic group to which the immigrant entrepreneur belongs can provide a market for these goods, reliable labor at low cost, as well as potential start-up capital (Portes & Sensenbrenner, 1993). If immigrant entrepreneurs recruit employees through the co-ethnic community, they are not only likely to maintain low labor costs through offering other benefits such as training, apprenticeship, experience, and even assistance in starting their own business (Bian, 1997; Lee, 1992; Ooka, 2001), but they can also ensure a right job for the person fit by acquiring information about the prospective employees from oth-

ers within the ethnic community (Ooka, 2001). All these forms of support are often necessary for the success of a new business venture, especially in a new environment that may be unfamiliar and perhaps somewhat hostile. By engaging in exchanges with their co-ethnic community and benefiting through the community-based social capital, entrepreneurs access resources that allow them to be successful in the business world. These successes are not just beneficial to the entrepreneur, but to the entire co-ethnic community because a successful business owner gives back to the community through financial resources, goods, services, jobs, and other resources (McGrath, 2010; Portes, 1998). When immigrant entrepreneurs experience bounded solidarity with their co-ethnic community, they are more likely to make their business resources available to other community members therefore contributing to the maintenance of the collective social capital of their community. Such immigrant entrepreneurs have the principled motivation to "give back" to their community without any expectation of return or benefit to themselves or their business.

*Proposition 1: Business founders with principled motivations will benefit from their co-ethnic community social capital and will also extend benefits to their co-ethnic community due to the presence of bounded solidarity.*

Enforceable trust is a source of social capital that is derived from instrumental motivations (Portes & Sensenbrenner, 1993). Enforceable trust, as the name suggests, is built on the assumption that giver and receiver are trustworthy. This assumption of trust is based on a system in which group members share norms and values that regulate granting and receiving trust. Thus, trust emerges when communities have norms and values that create the expectation that members will meet the behaviors expected by the group (Fukuyama, 1986; Levanon, 2014). In contrast to reciprocity exchanges, enforceable trust as a source of social capital emerges as a result of a sense of community built out of a shared reality. However, this source of social capital is underpinned by an awareness of the possible consequences of non-compliance with the norms and expectations established by the community. In other words, resources are shared due to the anticipation of rewards or punishments. As such, the defining factor of enforceable trust is the ability of the community to create sanctions within the group itself such that people are willing to adhere to group norms and expectations in anticipation of benefits associated with being in good standing within the group (McGrath, 2010; Portes & Sensenbrenner, 1993).

In this situation, individuals expect to be reciprocated in some form for the resources they make available to others, however this expectation of reciprocation is not based on knowledge of the receiver or the development of trust between the parties involved but on the fact that both individuals are members of a social structure that oversees their actions (Portes & Sensenbrenner, 1993; Torche & Valenzuela, 2011). This source of social capital is also distinct from reciprocity exchanges in that the expectation of a return is not necessarily from the receiver but from the community itself in the form of increase in status or approval. Thus, in an informal capacity, the community regulates the exchanges, ensures that reciprocation will occur, and that any debts will be repaid to and by the collective in some form (Portes & Sensenbrenner, 1993).

As with bounded solidarity, enforceable trust bestows many benefits to the immigrant entrepreneur. The inherent trust among these groups (due to enforceability) alleviates the necessity of formal contracts, thus creating more malleability within economic transactions. Group membership may give individuals special access to the economic resources of others within the group. Therefore, a positive effect of enforceable trust is that group members can unconditionally expect that punishments will occur in response to deviance from accepted group norms and values. If a community member violates the group norms, he or she will most likely face public consequences in terms of reduced or eliminated group benefits, and even be ostracized from the group. While such consequences do not appear to be positive, being aware of the consequences as well as of their severity, encourages individuals to engage in behaviors that are consistent with group expectations (Portes & Sensenbrenner, 1993).

Unlike bounded solidarity, immigrant entrepreneurs with instrumental motivations are likely to engage in resource exchange with other community members or the community as a whole if such exchanges will benefit themselves and their business in some way. If an immigrant entrepreneur with instrumental motivation sees a co-ethnic community member in possession of, or with access to, something he or she finds of use, then the entrepreneur will seek to exchange resources in order to access this commodity. However, if it is not in the entrepreneur's best interest to engage in an exchange, he or she will choose not to do so because the individual does not feel a sense of obligation toward the co-ethnic group members and the community.

The most typical example of enforceable trust is the character loans. In such cases, bankers would grant loans to recently arrived immigrants who often have nothing to offer as proof of reliability to lend-

ers. However, co-ethnic community bankers may grant loans to these immigrants not because they knew the borrowers personally or because the borrowers had the means to prove their reliability but because the bankers trust that they would repay due to the consequences they might face from the community if they were to renege on their loan commitments. Character loans are therefore supported by the ability of the community to sanction, largely in form of exclusion from the community, those who do not pay, rather than from a sense of loyalty (Portes & Sensenbrenner, 1993).

Thus, an immigrant entrepreneur with instrumental motivation to engage in the exchange of resources with the community will primarily focus on developing a successful business as opposed to benefiting his or her co-ethnic community. Accordingly, an entrepreneur may choose to withhold benefits from his or her co-community. Indeed, if an immigrant entrepreneur can develop a more successful business by targeting markets and other constituencies outside of the ethnic community, he or she will choose to garner resources from the dominant market instead of from the co-ethnic community. This weakens the power of the co-ethnic community and lessens the amount of available resources for use within the group (Portes & Sensenbrenner, 1993).

*Proposition 2: Business founders with instrumental motivations will exchange resources with, and within, their co-ethnic community because this exchange will benefit their business and advance them economically through enforceable trust.*

### ***Social Capital and Its Negative Effects on Immigrant-Founded Businesses***

Portes & Sensenbrenner (1993) identified three negative effects of social capital: downward leveling norms, excessive claims on group members, and restrictions on individual freedoms and access to opportunities. Downward leveling norms emerge when the shared experiences of hardships and challenges associated with integrating into the dominant culture of the host country dominate the overall narrative of the co-ethnic community. As a result, the sense of solidarity developed is based on an opposition to the mainstream culture. Under such conditions, immigrant entrepreneurs that experience success beyond the co-ethnic community are perceived as being contrary to the self-definition of the co-ethnic community as being "outsiders." These immigrant entrepreneurs are thus perceived as weakening group cohesion because, according to the collective narrative, success should not be possible outside of the co-ethnic community. This may pressure individuals to remain within their co-ethnic groups and in the same situation as everyone

else in the ethnic group (Portes, 1998; Portes & Sensenbrenner, 1993).

Excessive claims on group members may appear in ethnic communities due to the heightened sense of community that allows for less diligent community members to seek and enforce demands on immigrant entrepreneurs. Successful immigrant entrepreneurs are frequently plagued by co-ethnics seeking employment or loans. The basis for this pressure is the belief that one must contribute to the good of the group. Thus, a successful group member is expected to provide capital (e.g., social, financial) to fellow group members. This results in added complications for the successful immigrant entrepreneur even to the point where any financial gain made may be dispersed (Portes, 1998; Portes & Sensenbrenner, 1993).

Restrictions on freedoms and access to opportunities (outside contacts) refer to the constraints that an ethnic community may impose on members with respect to their ability to act independently and be receptive to the mainstream culture. Granovetter (1985) noted that interpersonal connections that extend beyond rationality influence the behavior of both firms and individuals. Thus, the behaviors of individuals who are embedded within their networks may be influenced by the expectations of others within their network thereby constraining individual action. As a consequence, the immigrant entrepreneur may not develop social ties or bonds with members of the dominant market and will be unlikely to cater to 'outsiders' (Perera et al., 2013; Portes, 1998). This may also mean that the immigrant entrepreneur is unlikely to expand beyond his or her co-ethnic community and will also miss new ideas and innovative techniques that are prevalent outside of their closed network (Perera et al., 2013). This leads to the potential loss of revenue, loyal patrons, and resources (Li, 2004; Portes, 1998). Indeed, societies with strong social capital exhibit a powerful norm of selflessness that simultaneously allows for developing strong communities with limitations on actions that benefit the individual self over the community (Coleman, 1988). Therefore, growth into new markets might be limited by norms and obligations present within the entrepreneurs' co-ethnic community.

While the extant research on the negative effects of social capital has focused on immigrant community norms, values and expectations, entrepreneurs' motivations, which influence how they perceive their role within their co-ethnic community, may mediate the negative effects of co-ethnic community social capital by determining to what extent these individuals are willing to accept these negative effects as a consequence. For example, as noted earlier, highly embedded individuals have to balance their self-interests with the group's interests (Fukuyama,

1986). The stronger the social control of the community, the greater the restriction on the individual entrepreneur's personal freedom (Portes, 1998). Thus, it is conceivable that immigrant entrepreneurs who are driven by instrumental motivations and who have opportunistic world-views may choose to expand their businesses beyond their immigrant communities thereby limiting the communities' ability to enforce negative effects. By contrast individuals with principled motivations are likely to be more embedded within their co-ethnic communities thereby limiting their ability to resist the negative effect that the social capital of their co-ethnic community may impose on them.

*Proposition 3: Business founders with instrumental motivations are less likely to suffer the negative effects of social capital as they will seek other sources for advancement when exchanges with their co-ethnic communities do not provide the sought-after benefits.*

*Proposition 4: Business founders with principled motivations are more likely to suffer the negative effects of social capital due to abiding by the demands imposed by the co-ethnic community.*

In sum, we propose that co-ethnic social capital allows immigrant entrepreneurs to enjoy various benefits while simultaneously imposing certain costs. The entrepreneur, as a member of the co-ethnic community, is influenced by the community's norms and expectations. However, there is also a give and take between the entrepreneur and the community with respect to social capital. This exchange is influenced by the entrepreneur's motivations—whether principled or instrumental. To what extent is the entrepreneur willing to “pay” or absorb the cost of access to co-ethnic community social capital? What benefits stem from his or her business, and to what extent will the entrepreneur make these benefits available to other co-ethnic community members? These decisions are influenced by the entrepreneur's motivations, which ultimately also influence the entrepreneur's decisions about his or her business. The bottom line is that the entrepreneur's motivations moderate decisions to use and to contribute to the co-ethnic community's social capital as well as the decisions pertaining to how best to develop and expand the business. Figures 1 and 2 illustrate the previously stated propositions as well as the moderating role that entrepreneurs' motivations may play on the creation and sustenance of an ethnic community's social capital.

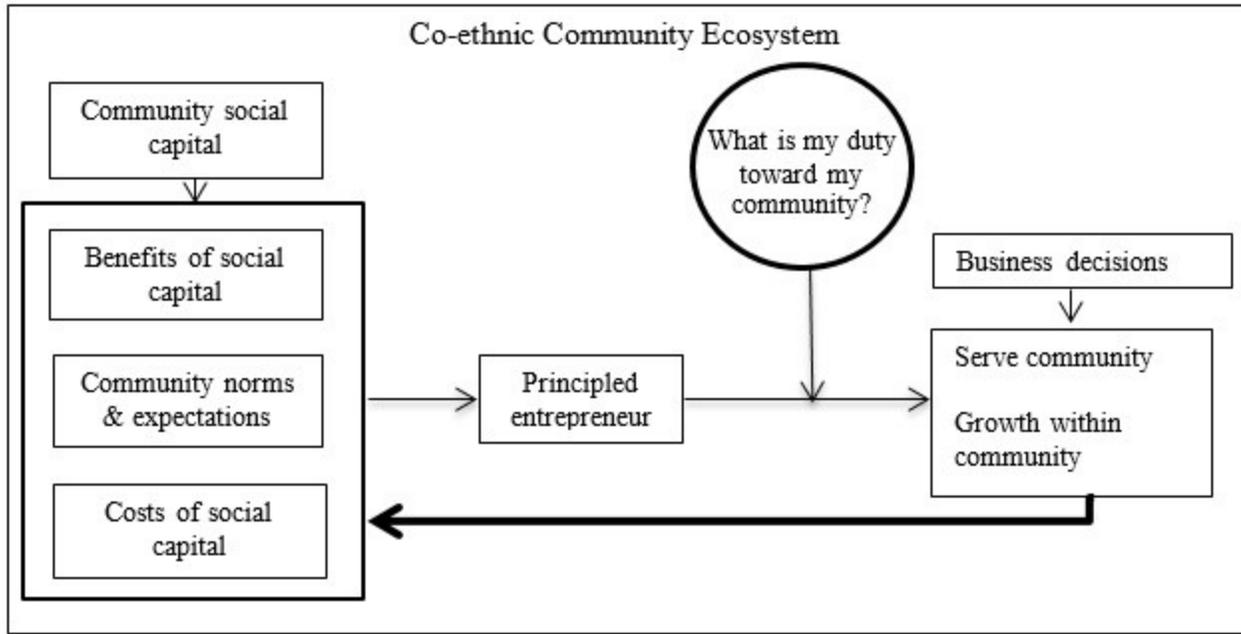


Figure. 1. Principled Entrepreneurs—Co-ethnic social capital and its impact on business

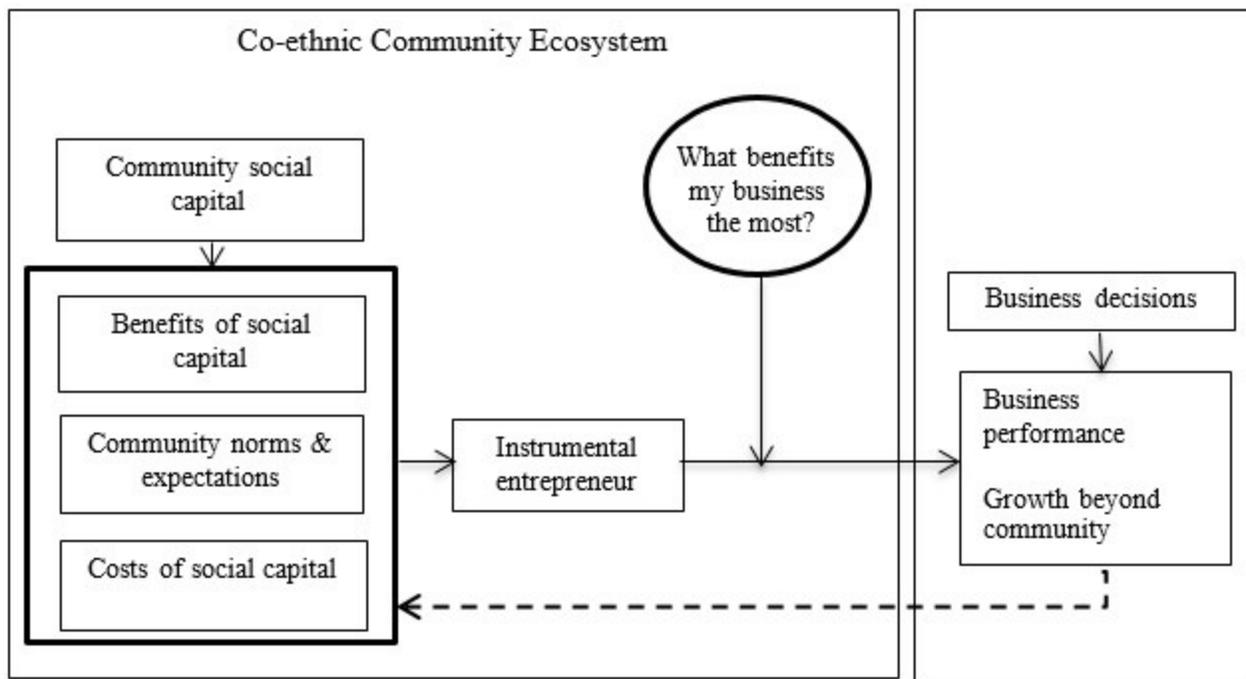


Figure 2. Instrumental Entrepreneurs—Co-ethnic social capital and its impact on business

**Conclusion**

The extant immigrant entrepreneurship research has consistently regarded social capital to be highly beneficial to immigrant entrepreneurs and their businesses. Although limited in empirical evidence, scholars have also acknowledged the limiting effects of social capital on immigrant enterprises.

While the research has focused on how the resources, norms, and expectations of the immigrant

communities in which entrepreneurs are embedded impact both the co-ethnic community and the immigrant businesses, to date no research has studied this phenomenon from the entrepreneurs' perspective. Little research has focused on how the immigrant entrepreneurs experience social relationships within their co-ethnic communities and how they respond to such social interactions. In response to this gap in the literature, we posit that the immigrant entrepreneur's

motivations play an important role in determining how these individuals use their co-ethnic communities' social capital, how they contribute to the maintenance of community social capital, and the positive and negative outcomes the co-ethnic communities' social capital on the immigrant-founded business.

We based the development of our propositions on the model developed by Portes and Sensenbrenner (1993) that explains the sources and types of social capital that exist in immigrant communities. We argued that founders with principled motivations are likely to consider the good of their co-ethnic community and abide by their norms and expectations when making business decisions. As a result, these businesses may enjoy long-term success within the ethnic community but may experience the negative outcomes and effects of social capital more so than the businesses of founders with instrumental motivations. In contrast, founders with instrumental motivations will make decisions that consider the good of their businesses over the good of their co-ethnic community. These entrepreneurs may choose to deviate from the norms and expectations of their co-ethnic communities if compliance does not benefit the businesses. As a result, while these businesses may enjoy the benefits of the co-ethnic community's social capital, they will not experience the negative outcomes and effects of social capital to the same degree as the businesses of founders with principled motivations. The formerly mentioned entrepreneurs may break away from the community, and the associated demands and expectations, when the costs of co-ethnic community social capital outweigh the benefits.

This article contributes to the immigrant entrepreneurship literature by examining entrepreneurs' motivations for capitalizing on, and contributing to, co-ethnic community social capital, and the influence of these motivations on business success. The article also contributes more broadly to the social capital and entrepreneurship by examining a variable that is often not considered in the relationship between these two areas: individual's motivations. Specifically, we argue that the immigrant entrepreneurs' motivations, whether instrumental or principled, play an important role on several fronts. First, it partially determines how immigrant entrepreneurs use the social capital extended by their co-ethnic communities to explore opportunities to develop their business; second, it plays a role in how immigrant entrepreneurs exploit their business opportunities to contribute to the maintenance of the co-ethnic community social capital; third, it influences whether the co-ethnic community social capital has a positive or negative effect on the immigrant entre-

preneur's businesses. Thus, besides expanding our understanding of immigrant-founded enterprises in general, this article posits various connections between the extent to which immigrant entrepreneurs utilize and contribute to the co-ethnic community social capital, their motivations for doing so, and the effect that these factors have on the businesses owned by these individuals.

## Limitations and Implications for Research and Practice

While this article offers theoretically developed propositions, empirical work is necessary in order to evaluate these propositions and to empirically determine the role that the immigrant entrepreneurs' motivations play both in business success and in the ability of the co-ethnic communities to provide support and resources to other members. Understanding the immigrant entrepreneurs' motivations may inform organizations that support these individuals in better serving their needs. Being aware of the entrepreneurs' motivations behind the use of co-ethnic community social capital allows the support organizations to provide proper tools and resources needed in order for the immigrant to succeed. For example, if an immigrant entrepreneur has principled motivations, providing the individual with resources and networks outside of the co-ethnic community can greatly benefit the entrepreneur and the business. Conversely, immigrant entrepreneurs with instrumental motivations may require less support from organizations to expand to new markets since they have a greater motivation to break out from their co-ethnic community and build networks outside it to support such efforts. However, organizations focused on serving ethnic communities should be encouraged to develop and maintain connections with this type of immigrant entrepreneurs and be able to make the business case for contributing to their co-ethnic community.

Understanding that immigrant entrepreneurs may have different motivations to use and contribute to their ethnic communities' social capital should encourage support organizations to provide information and resources as they relate to business planning and decision making so that both, principled and instrumentally motivated immigrant entrepreneurs, can develop business strategies that benefit both their business and contribute to the maintenance of the ethnic communities' social capital. The latter is especially important because co-ethnic community social capital is crucial in supporting other immigrants that may be engaged in the process of creating new businesses.

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