18 Non-economic effects of ethnic entrepreneurship

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Introduction
The growth of contemporary entrepreneurial activities among ethnic and immigrant groups in the United States has produced desirable social mobility outcomes for group members. Ethnic entrepreneurship as a social phenomenon has long fascinated many social scientists and stimulated considerable research and debate. In the past few decades, many relevant concepts and theories have been developed, challenged, and revised. However, existing literature tends to emphasize direct economic effects of entrepreneurship to the neglect of its non-economic effects. Since ethnic entrepreneurs often embed their economic decisions and actions in specific social structures, variations in ethnic social structures may be conceptualized as both causes and outcomes of entrepreneurship. In this chapter, I focus on highlighting some significant ways in which ethnic entrepreneurship affects community building, based on my ethnographic case study of Koreatown in Los Angeles, USA. I argue that it is the social embeddedness of ethnic economic activities, rather than the ethnic economy per se, that affects a unique social environment facilitating or constraining group mobility. I begin with a brief conceptual discussion.

Middleman-minority entrepreneurs v. ethnic-enclave entrepreneurs
Ethnic entrepreneurs are often referred to as simultaneously owners and managers (or operators) of their own businesses, whose group membership is tied to a common cultural heritage or origin and is known to out-group members as having such traits; more importantly, they are intrinsically intertwined in particular social structures in which individual behavior, social relations, and economic transactions are constrained (Yinger, 1985; Aldrich and Waldinger, 1990). Existing literature analytically distinguishes two main types of ethnic entrepreneurs: middleman-minority entrepreneurs and ethnic-enclave entrepreneurs. Middleman-minority entrepreneurs are those who trade in between a society's elite and the masses. In the past, they were sojourners, interested in making a quick profit from their portable and liquefiable businesses and then reinvesting their money elsewhere, often implying a return home (Bonacich, 1973). Therefore, they most commonly established business niches in poor minority neighborhoods or immigrant ghettos in urban areas deserted by mainstream retail and service industries or by business owners of a society's dominant group. But, in recent years, they have been found to open up businesses in affluent urban neighborhoods and middle-class suburbs and have shown up, not only in the secondary sector, but also in the primary sector of the host society's mainstream economy. Because middleman-minority entrepreneurs locate and conduct economic activities in non-coethnic communities, they tend to have few intrinsic ties to the social structures and social relations of these local communities.

Ethnic-enclave entrepreneurs, in contrast, include mainly those who are bounded by ethnicity, an ethnic community's social structures, and a geographic location. In the past, they typically operated businesses in immigrant neighborhoods where their own ethnic
group members dominated, and they themselves were also intertwined in an intricate system of ethnic social networks within a self-sustaining ethnic enclave. In present times, as many ethnic enclaves evolve into multiethnic neighborhoods and new ones develop in affluent middle-class suburbs, those who run businesses in a particular location may simultaneously play double roles — as middleman minorities and as enclave entrepreneurs. For example, a Chinese immigrant who runs a fast food takeout restaurant in a Latino-dominant neighborhood is a middleman-minority entrepreneur, but he will become an enclave entrepreneur when he comes back to his other fast-food takeout in Chinatown. Similarly, a Korean immigrant who opens up his business in Los Angeles' Koreatown may be an ethnic-enclave entrepreneur to his Korean coethnics who live there. Yet, simultaneously to his Latino residents who make up the majority of that neighborhood, he is perceived as just one of many middleman-minority entrepreneurs.

The analytical distinction thus becomes sociologically meaningful as economic transactions of these two types of ethnic entrepreneurs are conditioned by different social structures and social relations. For example, the stony face of a Korean shop owner in a black neighborhood is often interpreted as hostile and even racist, and the effect of that facial expression can be exacerbated by a lack of English proficiency. But the same face is taken matter-of-factly by Koreans in Koreatown where a common language often eases potential anxiety.

The ethnic economy v. the enclave economy

Sociologists Bonacich, Modell, and Light were among the first to theoretically develop the ethnic economy concept which broadly includes any immigrant or ethnic group’s self-employed, employers, and coethnic employees (Light, 1972, 1994; Bonacich and Modell, 1980). Light and his colleagues later rearticulated the concept to a higher level of generality (Light et al., 1994; Light and Karageorgis, 1994; Light and Gold, 2000). The reconceptualized ethnic economy includes two key aspects: one is the ethnic group’s maintenance of ‘a controlling ownership stake’ and its coethnic labor force or unpaid family labor; and the other is the ethnic group’s control over the employment network, which allows the channeling of coethnics into non-coethnic firms and even into the public sector of the larger labor market (Light and Karageorgis, 1994: 648). The ethnic economy concept, with its dual aspects of coethnic ownership and employment network, is thus a neutral designation for every enterprise that is either owned, or supervised, or staffed by racial/ethnic minority group members regardless of size, type, and locational clustering. It is also agnostic about the intensity of ethnicity, neither requiring nor assuming ‘an ethnic cultural ambience within the firm or among sellers and buyers’ (Light and Karageorgis, 1994: 649).

The ethnic economy concept thus encompasses businesses owned by middleman-minorities, businesses owned by coethnics in ethnic enclaves, as well as all other ethnic-owned or ethnic-controlled enterprises in the general economy. Under this conception, the groups that are known to have higher than average rates of self-employment, such as Jews, Japanese, Koreans, Chinese, Iranians, and Cubans, have their respective ethnic economies; the groups that are known to have low self-employment rates but have control over recruitment networks in certain industries in non-coethnic firms and even in the public sector, such as blacks, Mexicans, and Salvadorans, would also have their own ethnic economies. Such conception allows for two types of analyses: one is to account for variations in mobility outcomes among ethnic group members who create employment opportunities for
themselves and their coethnic workers, and the other is to account for variations in the level of economic integration of group members who enter the general economy via coethnic employment networks. However, when a concept is too broad, it risks weakening its explanatory power because substantive internal differences are so large. For example, coethnic businesses concentrated in an ethnic enclave are very different from those dispersed in other non-coethnic neighborhoods serving primarily non-coethnics, a situation more appropriately referred to as the middleman minority. Similarly, businesses that are owned and staffed by coethnics are very different from those that are owned by non-coethnics but staffed by supervisors and coworkers of the same ethnicity, a situation more appropriately referred to as ethnic niching, or ethnic occupational concentration/segregation (Waldinger, 1996). Furthermore, by extending ethnic economies beyond bounded ethnicity, the ethnic economy concept is decontextualized. Such a broad concept may be useful when examining individual outcomes, such as earnings outcomes or employment opportunities of the disadvantaged; but it is not of much use when examining processes of community building in immigrant or ethnic minority neighborhoods.

The enclave economy is a special case of the ethnic economy, one that is bounded by coethnicty and location. Not every group's ethnic economy can be called an enclave economy. Likewise, not every ethnic economy betokens a middleman minority (Light and Karageorgis, 1994). Portes and his colleagues were among the first to develop the enclave economy concept, drawing on the dual labor market theory (Wilson and Portes, 1980). In its original conceptualization, the enclave economy had a structural and a cultural component. As a distinct type of the ethnic economy, it consisted of a wide range and diversity of economies' activities that exceeded the limits of small businesses trade and commerce and traditional mom-and-pop stores, as well as ethnic institutions that mediated economic action, such as merchant associations, chambers of commerce, informal credit associations, and family/hometown associations. To a varying degree, it resembled some of the key characteristics of both primary and secondary sectors of the mainstream economy.

Unlike the ethnic economy concept that includes almost every business under an ethnic umbrella, the enclave economy has several unique characteristics. First, the group involved has a sizeable entrepreneurial class. Second, economic activities are not exclusively commercial, but include productive activities directed toward the general consumer market. Third, the business clustering entails a high level of diversity including, not just niches shunned by natives, but also a wide variety of economic activities common in the general economy, such as professional services and production. Fourth, coethnicty epitomizes the relationships between owners and workers and, to a lesser extent, between patrons and clients. Last, and perhaps most importantly, the enclave economy requires a physical concentration within an ethnically identifiable neighborhood with a minimum level of institutional completeness. Especially in their early stages of development, ethnic businesses have a need for proximity to a coethnic clientele which they initially serve, a need for proximity to ethnic resources, including access to credit, information and other sources of support, and a need for ethnic labor supplies (Portes and Manning, 1986).

The enclave economy also has an integrated cultural component. Economic activities are governed by bounded solidarity and enforceable trust – mechanisms of support and control necessary for economic life in the community and for reinforcement of norms and values and sanctioning of socially disapproved behavior (Portes and Zhou, 1992). Relationships
between coethnic owners and workers, as well as customers, generally transcend a contractual monetary bond and are based on a commonly accepted norm of reciprocity. My own study of the garment workers in New York’s Chinatown offers a concrete example. Immigrant Chinese women with little English and few job skills often find working in Chinatown a better option despite low wages, because the enclave enables them to fulfill their multiple roles more effectively as wage earners, wives, and mothers. In Chinatown, jobs are easier to find, working hours are more flexible, employers are more tolerant of the presence of children, and private child-care within close walking distance from work is more accessible and affordable (Zhou, 1992). Such tangible and intangible benefits associated with the ethnic enclave are absent in the general secondary labor market, where coethnicty is atypical of owner–worker relationships and reciprocity is not an enforceable norm. Likewise, ethnic employers who run businesses in non-coethnic neighborhoods or who employ non-coethnic workers can effectively evade the social control of the ethnic community while causing unintended consequences of heavier social costs such as interethnic conflicts.

In sum, the enclave economy is not any type of ethnic economy. The word ‘enclave’ is not just there to invoke the concept of ‘ethnic economy’, but refers to a specific phenomenon, one that is bounded by an identifiable ethnic community and embedded in a system of community-based coethnic social relations and observable institutions. The central idea of the enclave economy concept is that the enclave is more than just a shelter for the disadvantaged who are forced to take on either self-employment or marginal wage work in small business. Rather, the ethnic enclave possesses the potential to develop a distinct structure of economic opportunities as well as opportunities of rebuilding social networks which are disrupted by international migration.

A focused look at the enclave economy through the case of Koreatown

The burgeoning research on ethnic entrepreneurship has been more concerned with the causes and effects of entrepreneurship on economic integration among immigrant and ethnic minorities than with its influence on the social contexts mediating ethnic economic life, and has largely overlooked its non-economic effects. Some non-economic effects, such as serving as an alternative means to social status recognition, nurturing entrepreneurial spirit, providing role modeling that inspire others to follow suit, and strengthening social networks locally and internationally, are noted in the existing literature but lack further investigation. Just through what mechanisms and under what conditions these non-economic effects are produced is unclear, leaving a substantial conceptual gap. I think that examining how a particular ethnic community may be affected by entrepreneurship can help fill this gap.

Before illustrating the relationship between ethnic entrepreneurship and community building, I shall once again reiterate the conceptual distinction between the ethnic economy and the enclave economy, even though the latter is a type included in, and often mistaken for, the former. As I have just discussed, the ethnic economy is an umbrella concept that takes into consideration, not simply job creation by ethnic entrepreneurs, but also access to existing jobs in the general economy by ethnic networks. Such an inclusive concept runs the risk of decontextualization and a loss of analytical rigor when examining group-level processes, particularly variations in ethnic social structures and social capital formation among disadvantaged immigrant and ethnic minorities. For example,
Korean entrepreneurs running businesses as middleman minorities in non-Korean neighborhoods do not tend to invest in the social structures of the neighborhoods they are serving, because they are not bounded by social relationships with local residents and because their businesses serve a singular function (trade or commerce) with little attachment to any significant social structures there (Min, 1996). Quite the contrary, Korean entrepreneurs running businesses in Koreatown have a 'stake' in the community and are intertwined in multiple social relationships with coethnic residents and multiple ethnic social structures there. Therefore, I argue that it is the social embeddedness of ethnic economic activities, rather than the ethnic economy per se, that affects a unique social environment facilitating or constraining group mobility. The enclave economy concept is useful for us to examine the non-economic effects of entrepreneurship and to explain why social environments affecting group mobility vary by national origins or race/ethnicity and why ethnic communities vary in their capacities to protect group members from disadvantages and move them up the ladder in society.

Koreatown in Los Angeles

Koreatown is located west of downtown Los Angeles. Perhaps more than other ethnic enclaves, there is much ambiguity as to what constitutes the 'boundaries' of Koreatown and there is much discrepancy between what the residents identify as Koreatown and what is officially demarcated as Koreatown. Nonetheless, Koreatown is a typical inner-city neighborhood that has a concentration of racial minorities, recent immigrants, and the poor. But this neighborhood is an unusual immigrant enclave since it is multiethnic, shared by Koreans, Mexicans, Salvadorans, Guatemalans, and other Asians (mostly Filipinos, along with some Chinese and Southeast Asians). Although Koreans are the fastest growing group, at a growth rate of 164 per cent between 1980 and 1990, they make up only one-fifth of the neighborhood's population. In contrast, more than half of the residents are Latinos, among whom 28 per cent are Salvadorans, 16 per cent Guatemalans, and 40 per cent Mexicans. No single national-origin group constitutes a numerical majority.

Koreatown is known not for its ethnic residential concentration but for its high density of Korean-owned businesses, churches, and other cultural and social institutions. The most distinctive feature of Koreatown's economic activities is its wide variety of ethnic retail combined with a Korean-flavor recreational entertainment industry, featuring a colorful nightlife and a focus on golf. The Korean-owned businesses encompass both traditional mom-and-pop stores serving local residents and upscale retail and professional establishments catering to the tastes and needs of suburban middle-class Korean families and, to a lesser extent, tourists. Two major shopping malls in Koreatown – Koreatown Plaza and Koreatown Galleria – resemble some of the trendiest shopping centers in Asia. Upscale restaurants cater to a predominantly middle class clientele: a multi-ethnic lunch crowd and an ethnic evening and weekend crowd. There are three indoor golf ranges in Koreatown, feeding the golf craze that has become fashionable in Asian countries since the early 1990s. There are also quite a few trendy, stylish, and neon-lit nightclubs, karaoke bars, pool halls, and video game stores catering to Korean men and young people from the suburbs and nearby colleges. With numerous large and small retail shops and restaurants, numerous large and small professional services, social services, religious organizations, and a complex system of supplementary education, all owned by Koreans, have also sprung up to form the core of the Korean enclave. This particular combination of ethnic economic,
sociocultural, and religious activities is turning Koreatown into a magnet, attracting suburban Korean immigrants and their families to come to Koreatown to shop, entertain, socialize, and conduct various aspects of their ethnic life on a regular basis. The return of the middle class, in turn, promotes further coethnic business investment and the proliferation of a wide range of cultural, religious, and social institutions.

The enclave economy and the ethnic social environment

The dominance of Korean-owned businesses and Korean social and religious institutions in Koreatown suggests that Koreans and Latinos who live in this inner-city neighborhood are actually living in two very different social worlds. Korean residents who are poor, and mostly recent immigrants, are in a social environment in which they have convenient access to a wide variety of jobs, ethnic goods and services, and neighborhood-based organizations. They are able to re-establish and maintain frequent contact with their suburban middle class coethnics, who return to the ethnic enclave to participate in the economic and social life there, and benefit tremendously from such contact. Latino residents living in the same neighborhood, in contrast, are unlikely to share the tangible and intangible benefits arising from the Korean social environment. To Latino residents, Koreatown is nothing more than the name of a place where they live, and Korean entrepreneurs and other ethnic (including some Latino) entrepreneurs are merely middleman-minority entrepreneurs.

It is apparent that the ethnic social environment should not simply be defined by the neighborhood’s characteristics, nor by residents’ socioeconomic status, nor by institutions that are located there, but by a complicated set of interrelated social relationships between various institutions and residents bounded by ethnicity, which has significant consequences facilitating or constraining possibilities for social mobility. Koreatown’s unique social context for Koreans is a direct outcome of the enclave economy. Let me elaborate further on the way Korean entrepreneurship shapes an ethnic environment conducive to education, that benefits Korean immigrant children to the exclusion of Latino children sharing the same neighborhood.

In Koreatown’s enclave economy, there is a visibly high concentration of Korean-owned and Korean-run businesses targeting children and youth, most noticeably the hagwons (after-school tutoring), college preparation schools, Korean language centers, pre-school daycare centers, businesses offering music, dance, karate classes, and vocational training, and recreational facilities. These private businesses constitute an effective system of supplementary education (Bhattacharyya, 2003), functioning as any other for-profit businesses to meet a particular demand, but serving important social functions as well. First, the concentration of educational enterprises in Koreatown gives suburban middle-class Korean immigrants a reason to go to Koreatown other than shopping because they believe that the ethnic system of education is best for their children. When the middle-class suburbanites come to Koreatown, they come for multiple purposes: sending their children to hagwons, going to church, playing golf, eating real Korean food, shopping, and even for a facial, massage or haircut. The presence of the middle class, in turn, stimulates not only more entrepreneurial investment in businesses of varying scales, but also the development of religious and cultural institutions.

Second, the ethnic system of supplemental education reinforces the overriding importance of education and facilitates educationally relevant information flows among the children of Korean immigrants. We noticed in our interviews that Korean adolescents in
Koreatown have a more sophisticated understanding of the educational system and are more informed about college options than their Latino peers. They seem to know what the specific paths to higher education are, such as which middle school is a feeder school to a better high school, which high school offers sufficient Advanced Placement (AP) and Scholastic Aptitude Test (SAT) courses, how to prepare for AP and SAT tests, and when to take these standardized tests. Many mentioned that they had to take SAT tests early so that they had time to retake them if necessary. They also mentioned a lot the names of prestigious colleges, such as Harvard, Princeton, Caltech, and Stanford, and made concrete remarks about the way colleges were ranked; the seniors reported that they had visited the web sites of many colleges. With regard to structured after-school academic or recreational activities, our Korean teenage respondents would say that taking more AP exams, having higher SAT scores, or playing a musical instrument made them 'look good on college applications', that participating in after-school activities could connect them to those who 'know about college admission and financial aid stuff', or those who 'can write you recommendation letters for college'. They also would say that voluntary work in the community could help them 'make up for bad grades in school'. A Korean low-achiever told us why he got involved in a service club: ‘Well, I like to help people, but mostly it’s for college, because my grades aren’t too good. They [colleges] like to see some of that extra stuff.’

Third, multiple purposes for community participation lead to the involvement in multiple institutions, hence broadening the basis for social interaction between local Korean residents and their suburban coethnics. Such relationships, though more secondary and instrumental than primary and intimate, create channels for information exchange and thus ease the negative consequences of social isolation associated with inner-city living. For example, Korean parents, often non-English speaking, are able to obtain detailed information about high school and college requirements, school and college rankings, scholarship and financial aid, and other education-related matters through their casual contacts with a more informed group of coethnics in churches, restaurants, beauty salons, and other ethnic institutions, and also through the Korean language media. They can find tutors and afterschool programs from a range of options offered by for-profit businesses which are advertised in Korean language newspapers. The ethnic media routinely announce and honor Korean children and youths who win national or regional awards and competitive fellowships, get accepted into prestigious colleges, and score exceptionally well on SAT and other scholastic standardized tests. However, while the Korean social environment accrues ample tangible or intangible benefits within the easy reach of Korean residents, it is not equally accessible to Latino residents living in Koreatown.

The enclave economy and community building
The case of Koreatown offers insights into the understanding of the role of the enclave economy in community building. I argue that social structures in an ethnic community require the support of an enclave economy, not just any type of ethnic economy. For Latinos, Koreatown's ethnic businesses are not connected to the social structures of their ethnic community, be it Mexican, Salvadoran, or Guatemalan. Korean business owners are merely middleman-minority entrepreneurs. Even Latino business owners tend to be middleman-minority entrepreneurs of their own ethnic groups because of the lack of development of diversity and scale of Latino-owned businesses that can stimulate the
development of other social structures in the Latino community. When local businesses are intertwined with the social structures of the locality, the community becomes greatly strengthened as it achieves a high level of institutional completeness, which refers to the degree to which an ethnic community's formal institutions sufficiently satisfy all the needs required by members (Breton, 1964).

The development of the enclave economy increases the level of institutional completeness in an ethnic community by stimulating more diverse economic investment and community-based social, cultural, and religious organizations. A high level of institutional completeness, intertwined with the enclave economy, in turn creates a physical site where coethnics of diverse class backgrounds meet one another face-to-face and rebuild social networks that have been disrupted through the process of immigration. New ties may not be as intimate as those based on family and kin, but they are nonetheless bridge ties centering on the enclave while having many outlets branching out of it. Mixed-class interactions among coethnics tend to generate more beneficial social relations and more valuable social capital arising from these social relations, which in turn effectively reduces the level of social isolation in the inner city and leads to effective and practical means to social mobility. Koreatown's enclave economy apparently helps make Koreatown institutionally complete for Koreans who live there and for other Koreans who live elsewhere. But it does not help build an ethnic community for Latino residents who live and work there. To Latinos, many Korean-owned businesses are not even accessible to them because of cultural and language barriers.

Los Angeles' Koreatown demonstrates that ethnic entrepreneurship has social consequences that go well beyond the economic success of individual entrepreneurs, and that an enclave economy, rather than a mere concentration of ethnic businesses, provides a critical material base for the ethnic community to function effectively. In inner-city minority neighborhoods, many viable social institutions are gone with the out-migration of the middle-class to suburbs, leaving the 'truly disadvantaged' trapped in social and economic isolation (Wilson, 1987). Urban public schools, churches, non-profit organizations, and other publicly funded agencies are not, by themselves, up to the task of protecting children from descending into the underclass. Despite multiple risks, however, not all poor inner-city neighborhoods are predestined to ghettoization.

Conclusion
My analysis of the Koreatown case contributes to the literature on ethnic entrepreneurship by shifting the focal point from ultimate mobility outcomes (earnings or employment opportunities) to intermediate social processes: the creating of an ethic social environment conducive to upward social mobility. Social organization in immigrant neighborhoods varies by ethnicity and the presence of an enclave economy, not just the concentration of a variety of local ethnic businesses, influences not only the economic life but also the social environment of coethnic group members. The vitality of the ethnic community and its ability to generate resources conducive to the acquisition of skills and information necessary for social mobility depends largely on the development of the enclave economy.

Varied levels of enclave economic development among different immigrant groups affect community building, which in turn creates differences in the availability of and access to neighborhood-based resources, especially those pertaining to socioeconomic integration.
of adult immigrants and to the education of immigrant children. Social capital formed in different ethnic social environments appears to have different values, and what appears to be social capital for one ethnic group may not equally benefit another sharing the same neighborhood. In this respect, the enclave economy concept is superior for investigating specific ethnic social environments and processes of group mobility. It allows for a more focused and detailed examination of varied social contexts and their effects on mobility outcomes, hence unpacking the black box of ethnicity. A fuller account of the variations in ethnic social environments, in turn, can offer a better explanation for the ethnicity variable having a positive effect on outcome for some groups and a negative effect for others in the same model. It also allows for the development of a theoretical conception to understand more precisely how social resources are produced and reproduced in the ethnic community.

Notes
1. This chapter is based on my article, 'Revisiting ethnic entrepreneurship: convergencies, controversies, and conceptual advancements', in International Migration Review, 38(3), 1040–74, 2004. I thank Nancy Foner, Riva Kastoryano, and Alejandro Portes for their insightful comments and Chiaki Imutake and Angela Sung for their research assistance.
2. The study of Koreatown in Los Angeles is part of my comparative ethnographic study of three immigrant neighborhoods in Los Angeles, based on intensive one-on-one interviews and extensive field observations conducted in 1998 to 2000. The other two neighborhoods are Chinatown and Pico-Union (A Mexican/Central American neighborhood). See Zhou et al., (2000) for more detail.
3. Despite the lack of a consistent definition, the neighborhood under study refers to the area bounded by Vermont Street to the east, San Marino to the south, Western Avenue to the west, and Beverly Boulevard to the north.

References


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