

6-11-2011

IMPACT OF EMBEDDEDNESS IN ETHNIC NETWORKS ON BUSINESS GROWTH: EVIDENCE FROM CHINESE IMMIGRANT ENTREPRENEURS IN AUSTRALIA (INTERACTIVE PAPER)

Roxanne Zolin

Queensland University of Technology, r.zolin@qut.edu.au

Artemis Change

Queensland University of Technology

Xiaohua Yang

Queensland University of Technology

Elly Yi-Hsuan Ho

Queensland University of Technology

Recommended Citation

Zolin, Roxanne; Change, Artemis; Yang, Xiaohua; and Ho, Elly Yi-Hsuan (2011) "IMPACT OF EMBEDDEDNESS IN ETHNIC NETWORKS ON BUSINESS GROWTH: EVIDENCE FROM CHINESE IMMIGRANT ENTREPRENEURS IN AUSTRALIA (INTERACTIVE PAPER)," *Frontiers of Entrepreneurship Research*: Vol. 31: Iss. 16, Article 12.

Available at: <http://digitalknowledge.babson.edu/fer/vol31/iss16/12>

This Interactive Paper is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.

≈ INTERACTIVE PAPER ≈

**IMPACT OF EMBEDDEDNESS IN ETHNIC NETWORKS
ON BUSINESS GROWTH: EVIDENCE FROM CHINESE
IMMIGRANT ENTREPRENEURS IN AUSTRALIA**

Roxanne Zolin, Queensland University of Technology, Australia

Artemis Chang, Queensland University of Technology, Australia

Xiaohua Yang, University of San Francisco, USA

Elly Yi-Hsuan Ho, Queensland University of Technology, Australia

Principal Topic

Immigrant entrepreneurs tend to start business within their ethnic enclave, as it is an integral part of their social and cultural context and the location where ethnic resources reside. Wu and Choi (2004) observe that Chinese immigrant entrepreneurs organize economic activities based on trust embedded in social networks. Tilly (1990) explains that migrants' reliance on such networks for business or other information minimizes the socioeconomic hardships they would experience because they acquire jobs in ethnic enterprises and establish ethnic related businesses in ethnic enclaves (Raijman & Tienda, 2000). But some are concerned that immigrant entrepreneurs who focus on their business efforts on their co-ethnic enclaves do not integrate with the host country society and culture. Although an ethnic enclave has distinct economic advantages, Sequeir and Rasheed (2006, 367) propose "Exclusive reliance on strong ties within the immigrant enclave has a negative effect on growth outside the enclave community. Similarly, Drori, Honig and Ginsberg (2010, 20) propose "The greater the reliance of transnational entrepreneurs on ethnic (versus societal) embedded resources and network structure, the narrower their possibilities of expanding the scope of their business." We ask what is the effect of co-ethnic and non co-ethnic networking on business performance in immigrant businesses?

Method

We tested our hypotheses through a face-to-face survey of 100 Chinese restaurants (the entire population) in southeast Queensland, Australia and use hierarchical linear regressions to analyse the results.

Results and Implications

The study shows that the embeddedness of the Chinese immigrant entrepreneur in his or her co-ethnic network is positively related to the entrepreneur's business growth. The embeddedness of the Chinese immigrant entrepreneur in a non co-ethnic network was also positively related to the immigrant entrepreneur's business growth. Although we did not find limits to growth, possibly due to the young age of businesses surveyed and large size of the co-ethnic market, embeddedness in the co-ethnic network and business growth increased with the entrepreneur's years in operation. Future research is needed in a greater variety of immigrant communities and industries.

CONTACT: Roxanne Zolin, r.zolin@qut.edu.au; (T): 617-3034-5306 (F): 617-3138-1313; Faculty of Business, GPO Box 2434, Queensland University of Technology, Brisbane, Queensland Australia, 4001.