FOREIGNNESS AND NEWNESS AS ETHNIC ADVANTAGES: EVIDENCE FROM IMMIGRANT ENTREPRENEURSHIP IN NETWORK MARKETING ORGANIZATIONS (INTERACTIVE PAPER)

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FOREIGNNESS AND NEWNESS AS ETHNIC ADVANTAGES: EVIDENCE FROM IMMIGRANT ENTREPRENEURSHIP IN NETWORK MARKETING ORGANIZATIONS

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Principal Topic

Researchers have long theorized that firms in their early stages suffer from constraints of the liability of newness (Stinchcombe, 1965), and the liability of foreignness (Zaheer, 1995). We observe and examine this issue in the context of Canadian network marketing organizations where individual immigrant entrepreneurs from various ethnic groups use direct-selling methods to achieve substantial success. We argue that factors that are typically considered liabilities for early stage firms may be unique competitive advantages that facilitate startup success for ethnic minorities and immigrant entrepreneurs. Certain “cultural practices” have helped immigrant entrepreneurs overcome difficulties inherent in the network marketing business. We propose that ethnic networks, cultural practice, and other ethnic resources, the foreignness and newness of immigrant entrepreneurs enhance their performance in network marketing.

Method

This paper reports preliminary results from the interviews that formed the first stage of our research. We created semi-structured interview questions designed to understand why and how immigrants and ethnic groups in their companies achieved success. A total of 8 one-hour, in-depth interviews were conducted with top executives from Mary Kay Cosmetics, Nature’s Sunshine, Quixtar Canada (previously Amway), Partyline, Creative Memories, Tupperware, Cutco, and Pampered Chef. From the transcribed interviews, we derived response patterns that were linked to our developed theoretical model and propositions. In the next three-year, all firms have agreed to be interviewed each year, to have their network marketers complete our survey questionnaire, and to allow our research team to conduct participative observation in their companies.

Results and Implications

Our findings suggest that the constraints of the liability of newness and the liability of foreignness may be unique advantages that lead to success for immigrant entrepreneurs. Our paper contributes to entrepreneurship literature in several ways. First, we offer new insights to the received view on some key entrepreneur perspectives, which redefine the frontier of entrepreneurial theories. Second, our theoretical basis and empirical evidence will encourage more entrepreneurial activities and offer new insights to policy makers. Third, we open a new line for debate and basis for further research in immigrant entrepreneurship.

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