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ETHNIC ENTERPRISE START-UP STAGE: AN EMPIRICAL SURVEY AMONG THE CHINESE, ITALIAN AND SIKH ENTREPRENEURIAL COMMUNITIES

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ABSTRACT

This article deals with the start-up stage for Chinese, Italian and Indian/Sikh ethnic businesses. The data collected show that only a small proportion of the immigrant entrepreneurs surveyed in the sample came to Canada for entrepreneurial reasons, and that they started a business primarily for economic and independence-related reasons. The ethnic businesses surveyed are located mainly in areas where the ethnic group was dominant, operated chiefly in the services, retail, wholesale, and restaurant sectors. The entrepreneurs had taken roughly two years to launch their project. A large proportion of them had experienced financing problems, and had personally invested a majority share of the start-up capital, besides relying on family support and bank loans. They encountered problems in financing, marketing, human resources, the institutional environment and production. We also noted inter-ethnic differences connected with business start-ups. In the conclusion, we consider the implications of our results for future research and for government support policies for ethnic entrepreneurship.

INTRODUCTION

The start-up stage is a critical period in the development cycle of small and medium-sized businesses. It is estimated that, in Canada, the failure rate of businesses with less than five employees during the first five years of operation employees is 68%, while it is 48% for businesses with between five and 99 employees (Monk, 2000). Because of the isolated situation in which ethnic businesses evolve until integrated into the local economy (Waldinger et al. 1990; Iyer and Shapiro, 1999), the start-up stage may well be even more critical for them. However, despite increased recognition of the contribution they make, few systematic studies have been made of the start-up stage in ethnic businesses. In order to help advance knowledge in this and other areas of ethnic business creation and operation, we have undertaken a large-scale, pan-Canadian, multi-ethnic and multi-site research project.

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A better understanding of the approaches, issues and characteristic features of ethnic business start-ups will not only increase our knowledge of ethnic entrepreneurship, but will also allow improvements to be made to government and non-government support programs. More specifically, we want to examine the following basic questions: What pushes immigrants to launch a business? How do they proceed? What challenges do they face? The answers to these questions will help us identify actions and measures to support a spirit of enterprise within the ethnic communities, which are playing an increasingly important role in our society.

REVIEW OF THE LITERATURE AND FORMULATION OF RESEARCH HYPOTHESES

Ethnic entrepreneurs and ethnic businesses have attracted more attention from governments and researchers in recent years, mainly because of growing recognition for the important contribution they make to the host society. Various studies have looked at specific aspects of this contribution: the revitalization of trade (Lachman and Brett, 1996), the maintenance of small business vitality (Waldinger, 1989), business creation by women (Mesa and Boles, 1997), the increased pace of exports (Head and Ries, 1998) and job creation (Light and Rosenstein, 1995).

Our research into ethnic business start-ups has led us to examine more than 40 studies completed during the last twenty years. Most focus on the United States and the United Kingdom, and to a lesser extent on Canada. Reflecting the constraints inherent in the basically embryonic state of work in the field, many of the studies are part of an exploratory and descriptive process rather than an explanatory and theoretical process, as has been pointed out by other writers (Robichaud, 1999; Koolterman and Rath, 1999; Deakins, 1999; Dana et al, 1999; Waldinger and Aldrich, 1990). We are only just beginning to understand the causes and processes involved in the ethnic business creation dynamic. Our objective is to circumscribe the phenomenon, along with its visible manifestations and constraints.

We have identified just under a dozen studies that are particularly relevant to our objective (Iyer & Shapiro, 1999; Basu, 1998; Teixeira, 1998 ; Bates, 1997; Reynolds and White, 1997; Chu, 1996; Tseng, 1995; Peterson, 1995 Dana, 1993 ; Feldman et al., 1991; Marger, 1989). We will analyze them below from the standpoint of the three research questions raised in the introduction, in order to construct our research hypotheses.

The reasons why immigrants start businesses

The specific focus here is to understand the set of factors that lead immigrants to start a business. This is the area in which a genuine attempt at conceptualization has been made, and various theories have been put forward in the literature, especially concerning businesses launched by immigrants. Robichaud (1999) gives a relatively complete overview of the various approaches: the "structural" theories that place emphasis on the

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social, political and economic structures of the host society, the "cultural" theories that concern the role of the cultural, family and local environment and of the country of origin as a lever for entrepreneurial initiative, and lastly, the "situational" theories that deal with the relationships between immigrants and the host society. Our review of the literature will focus on empirical results, which will also allow us to gauge the empirical validity of the theories outlined above.

Some studies attribute ethnic entrepreneurship to a specific factor or group of factors, such as the conclusions reported by Min (1990), based on interviews, observations and documentary research. Min notes that a majority of the 577 Korean entrepreneurs studied turned to entrepreneurship as an alternative to a non-stimulating work environment and a lack of opportunity. Wang (1999) points out that not all Chinese immigrants are pushed towards entrepreneurship by a lack of opportunity, mentioning that many Asian immigrants launch businesses because they have the financial means to do so and also because the culture of their country of origin values enterprise. Basu (1998) draws a similar conclusion, based on interviews with 75 Indian, Pakistani and Bangladeshi immigrants, stating that the immigrants in the survey sample did not choose entrepreneurship to avoid unemployment. Dana (1993) states that certain ethnic groups in Montreal, such as Indians and Italians, consider entrepreneurship to be a desirable occupation while others, such as Haitians, are suspicious toward entrepreneurship as a valid career path. Hoffman and Marger (1991) observed the same situation after analyzing a database on ethnic businesses in New York, Los Angeles, Chicago, San Francisco, Miami and Detroit. Some ethnic groups, such as the Koreans, Chinese and Cubans, are more likely to launch businesses than other groups such as the Mexicans, Vietnamese and Filipinos. After studying a US database on the characteristics of 893 Korean entrepreneurs and 3,803 Afro-American entrepreneurs, Bates (1994a) concluded that the Korean entrepreneurs were predisposed to starting a business because of their education and the wealth they already possessed.

Other studies have helped highlight the interaction of several factors of various types. Yoon (1995) reports, on the basis of observations and interviews with 199 Korean entrepreneurs, that the growth of Korean entrepreneurship in the Chicago area results from the interaction between job opportunities, business opportunities and available resources, but that it can mainly be ascribed to the inadequate nature of education and the lack of opportunities in the job market. The conclusions reached by Gold (1988), who interviewed 17 Jewish entrepreneurs and 28 Vietnamese entrepreneurs established in California, tend to show the importance of the influence of personal predisposition, the disadvantages experienced in the community, access to local resources and previous experience as the factors that explain entrepreneurial initiative. In another study of 64 Chinese entrepreneurs in Vancouver, Wong and Ng (1998) report that structural constraints, limited mobility, the Canadian government requirement that immigrants set up a new business within two years, personal aspirations and human capital are the factors underlying the new businesses launched by Chinese immigrants. Walton-Roberts and Hiebert (1997), on the basis of interview results, distinguish between two categories of reasons for launching a business given by 24 Sikh entrepreneurs in Vancouver: positive reasons, which include structural opportunities and a spirit of enterprise, and

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negative reasons such as discrimination and reduced mobility in the host society. Teixeira (1998) concludes, on the basis of 23 surveys and interviews with independent Portuguese realtors in Toronto, that their reasons for starting a business are limited job opportunities, the desire for independence, previous entrepreneurial experience and family support. Lastly, an observation made by Razin and Langlois (1996) in a study carried out in 25 metropolitan areas in Canada shows that, first, the propensity for entrepreneurship is higher in outlying areas where opportunities are more limited, and second, that the presence of a large community does not increase the propensity for self-employment. Evans (1989) presents the opposite viewpoint, arguing that the size of the ethnic market increases the propensity for business creation.

The above research shows clearly that the factors underlying entrepreneurial initiative in various ethnic groups are multiple and vary from one ethnic group to another. This leads to our first research hypothesis:

> *Hypothesis 1*: The reasons explaining why immigrants launch a business vary from one ethnic group to another.

Approaches to ethnic business creation

The aspects considered under the heading "Approaches to ethnic business creation" cover various questions that are not generally part of the theoretical framework. They include the start-up process, the manner in which a business is acquired, business location, financing, business features, the use of community resources and the problems encountered (a theme that will be dealt with in the next section). The empirical results for the other aspects are discussed below.

There is little empirical data concerning the actual process by which ethnic enterprises are created. Marger (1989) reports that most of the Indian entrepreneurs in his study sample launched their business within 12 months of arriving in Canada. Tseng (1995) notes that most of the Taiwanese entrepreneurs he studied started their businesses within four years. The same result is reported by Dana (1993) concerning a sample of Italian entrepreneurs in Montreal, and by Ram et al. (2000) concerning a sample of Pakistani and Indian entrepreneurs in Birmingham. Ram et al. (2000) also reported that the businesses were launched with little formal preparation. The difficulties experienced by ethnic entrepreneurs in obtaining financing from formal sources apparently stem from their failure to draw up a business plan (Deakins et al., 1997).

The studies all point to the fact that the businesses are generally small and labour-intensive, mainly because of financing constraints (Lee, 1999; Basu, 1998). Kloosterman et al. (1999) found that Islamic entrepreneurs in the Netherlands generally invested in businesses requiring little capital and little education, such as wholesaling, retail sales and restaurant services.

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Two aspects of business location are generally discussed: geographical location, and sector location. Basu (1998) reports that the businesses set up by Indian, Pakistani and Bangladeshi entrepreneurs are often retail outlets, because they find it difficult to obtain access to formal sources of financing and retail businesses require low investment and skill levels. Bates (1994a) notes that Korean and Afro-American entrepreneurs tend to locate their businesses in neighbourhoods where their ethnic community is already present, and reports differences between the behaviour patterns of the two groups. Korean entrepreneurs invest more in retailing and food services, garment manufacture, food processing and printing. Lee (1999) indicates that Jewish entrepreneurs are dominant in the furniture, consumer durables and jewellery sectors, that Korean entrepreneurs are more likely to work in the grocery, fishmongery, beauty products and take-away restaurant sectors, and that Afro-American entrepreneurs are found mainly in the music and hairdressing sectors. Rafiq (1992) reports that Muslim Asian businesses are concentrated in ethnic markets or in sectors that are less profitable than those of non-Muslim businesses. With regard to Chinese entrepreneurs in Toronto, Wang (1999) notes that the range of sectors in which they invest has broadened over the last fifteen years. Formerly, Chinese businesses operated mainly in the services sector (groceries, restaurant services and laundries), but newer businesses are found in various sectors such as furnishing, medical services, services to businesses, services to individuals, and retailing. The author ascribes this change to the increased size of the ethnic market, stimulating the emergence of new ethnic businesses.

The amount of the initial investment and the source of financing are the two main topics covered in studies of financing methods. The amount of start-up capital invested varies from one study to another, although it is often below US $100,000. Basu (1998) reports that the capital invested by Indian, Pakistani and Sikh entrepreneurs in the United Kingdom is approximately US$ 90,000, 60% of which is contributed by the entrepreneur, the entrepreneur's family or informal sources. The authors point out that banks play an important role in later development stages. Bates (1984a) notes that the average capital invested by Korean entrepreneurs in the United States is roughly US$ 34,000, compared to a little over US$ 9,000 for Afro-American entrepreneurs, and that the money is mainly derived from personal wealth or bank loans. In another study of Korean and Chinese entrepreneurs, Bates (1997) reports that the major portion (45%) of the money borrowed came from banks. Dallafar (1994) mentions that the initial investment by female Iranian entrepreneurs is often low, around US$ 15,000, and that the money comes from family savings and loans from wealthier friends. The initial investment reported by Wong (1997) for Chinese entrepreneurs in Vancouver is far higher, averaging around US$ 140,000. In contrast to previous studies, Phizacklea and Ram (1996) report, on the basis of a survey in England and France of a sample of Pakistani, Indian, Algerian, Moroccan and Tunisian entrepreneurs, that they received major support from banks and business start-up assistance agencies.

Three ways in which ethnic entrepreneurs acquire businesses have been reported: the creation of a new business, the purchase of an existing business, and the inheritance of a family business. Bates (1994a) has observed that Korean entrepreneurs enter the business world by purchasing existing firms. Birley and Ghaie (1992) observed different

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behaviour patterns among the 50 Indian entrepreneurs they studied in the north of Ireland. Most of the entrepreneurs concerned set up their own businesses, whereas a smaller proportion purchased an existing firm. This matches the findings of Pessar (1995) following a study of 75 Latin American businessmen in the metropolitan Washington area – only one quarter of the businesses of the entrepreneurs concerned had been purchased.

Recent theoretical work on ethnic entrepreneurship has concentrated on the use of resources from the ethnic community, generally referred to as social capital. Menzies et al. (2002) provide an extensive review of the literature in this area. Iyer and Shapiro (1999) report that at the start-up stage, ethnic entrepreneurs tend not to look for assistance outside the ethnic group despite their need for financing, for various reasons: they are unaware of existing programs, they face a language barrier, and they are suspicious of financial institutions. For these reasons, they rely on ethnic solidarity to meet their needs, and also rely extensively on their families and on ethnic manpower. The results reported by Chu (1996) concerning Chinese entrepreneurs in British Columbia show that they rely on the ethnic community to recruit employees and to find customers and suppliers, and also to obtain moral and financial support and advice. Waldinger (1995) suggests that support from the ethnic network and various social structures is critical at the start-up stage. However, it appears that the importance of this support decreases as a business develops. As its activities and customer base gradually extend outside the ethnic community, the business begins to resemble other non-ethnic businesses in the way it operates and is managed. This is demonstrated, for example, in the studies by Bates and Dunham (1993), and Iyer and Shapiro (1999). We will discuss the question of social capital below.

Based on the preceding summary, our second research hypothesis is as follows:

> *Hypothesis 2*: The approaches used to set up an ethnic business vary from one ethnic group to another with regard to the manner of acquisition, location and sources of financing, but not with regard to the way the business is set up (creation or other aspects), the sector of activity and the amount of capital invested.

Problems encountered by ethnic businesses

The limited ability of entrepreneurs to face the challenges inherent in launching a business has been identified as the main factor in the high failure rate of new businesses. Research into the situation of ethnic businesses has led to the identification of a relatively broad range of problems.

Various studies have shown that the main problem faced by ethnic entrepreneurs when starting a business is financial in nature, and consists of a lack of capital and/or difficulty in obtaining bank financing. This is the situation reported by Basu (1998) in his research into Indian, Pakistani and Bangladeshi entrepreneurs, by Bates (1997) in a study of

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Chinese and Korean entrepreneurs, by Deakins et al. (1997) on the basis of interviews with Asian, Chinese and African entrepreneurs, and by Dallafar (1994) in a study of female Iranian entrepreneurs. Birley and Ghaie (1992) report that the lack of financing is compounded by social difficulties linked to discrimination, for Indian entrepreneurs. This is also a point raised by Dalaffar concerning female Iranian entrepreneurs, who must face sexism and the difficulty of obtaining bank loans. The problems identified by Chu (1996) in a study of Chinese entrepreneurs are more cognitive in nature. Overall, they involve a lack of knowledge of the business world, the economic and social environment, legislation and regulations, and the labour market. A study by Dadzie and Cho (1989) focusing on Afro-American, Spanish and Asian entrepreneurs shows that the most important problems are connected with marketing and ways of locating potential customers in a market about which little is known. Waldinger (1995) looked at Afro-American, Caribbean and Korean entrepreneurs and confirmed the importance of marketing problems. However, the problems did not centre on how to identify customers, but rather on how the entrepreneurs could make themselves known and develop a good reputation. In addition to difficulties relating to financing and knowledge, the results reported by Gold (1988) concerning Jewish and Vietnamese entrepreneurs highlighted other types of problems that were cultural (language barrier), personal (lack of credit rating), or social (limited contacts in the community) in nature. Teixeira (1998), in a study of Portuguese entrepreneurs, raised another personal-type problem connected with their relative youth (and implicitly their lack of experience and/or difficulty in developing a relationship of trust).

On the basis of these studies, our third research hypothesis is as follows:

> *Hypothesis 3*: The problems encountered vary by ethnic group, except in connection with financing.

RESEARCH METHODOLOGY

Various methodological approaches were combined for the purpose of this research. Although the method used to process the data was quantitative, the method used to collect the data was more qualitative in nature. It was applied in the field using a uniform questionnaire with various types of questions (closed, semi-closed and open). The decision to use a questionnaire was made because of the large size of the total sample initially targeted, which then included over 2,000 ethnic entrepreneurs and non-entrepreneurs located in the metropolitan areas of Montreal, Toronto and Vancouver.

Survey questionnaire

The survey questionnaire was based on an adapted and improved version of the methodology used by Toulouse and Brenner (1990) and by Brenner, Célas and Toulouse (1992). It was divided into two parts, and was designed to identify the social and demographic profile, business characteristics and entrepreneurial experience of the

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respondents. Where supported by the literature, we used closed and multiple-choice questions to collect the target information. This was the case, for example, for the questions concerning the level of education, usual language, sources of financing, business turnover, reasons for launching a business, and so on. In other cases, we asked open questions to obtain information, mainly because the literature did not give a sufficient indication of the possible range of the variables concerned. These questions covered, for example, the reason for immigrating to Canada, the problems encountered, the discovery of business opportunities, the perception of Canada, etc.

Operationalization of variables

For this study, we selected the questions that related directly to the three research hypotheses, in other words the questions that investigated the reasons for starting a business, the approaches to business creation, and the problems encountered. We will now briefly describe the relevant variables and their operationalization.

Two series of questions were selected to isolate the reasons for starting a business. The first was designed to identify the factors that caused the immigrant respondents to come to Canada. They were asked, in an open question, to state why they had decided to immigrate to Canada. In the second, closed, question, the respondents were asked to rank four possible reasons for their decision to start a business, these being to create a job, to make money, to be one's own employer, and family tradition. Several questions offer insight into the approaches used to set up a business: the time taken to complete the project, the means used to discover the business opportunity, location, the sector of activity, the manner in which the business was acquired, the amount invested and the sources of financing. An open question was used to identify the amount of the initial investment. Closed and semi-closed questions were used in other cases. For instance, the respondents were asked to indicate the relative proportion of personal wealth, bank loans, loans from family members, loans from friends within the ethnic group, loans from friends outside the ethnic group and government loans in the start-up capital. Two series of questions were used to identify the problems encountered. The first, closed, question was designed to gauge the extent of the problem faced when obtaining financing. The entrepreneurs were asked whether they had encountered any difficulty in obtaining the needed financing. The second, open, question was used to identify the range of specific problems encountered by asking the respondents to list the four main problems they had had to face.

Data collection and processing

One of the main challenges we faced was data collection. Several respondents spoke neither French nor English (especially among the Chinese respondents). In addition, it was essential that the questions were properly understood, to ensure that the answers given were reliable. To solve these difficulties, we used field workers from the same ethnic group as the entrepreneurs concerned to administer the questionnaire directly in

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the field, an approach that is often recommended in the literature. It avoids language barriers, instils a climate of trust, and facilitates the identification of other respondents. Some complementary, semi-structured interviews were conducted by the main researcher, accompanied by the field workers, to visualize and gain a better understanding of, but also to better direct, the themes examined as part of the research project. The results of these interviews are not, however, presented in this article, which is concerned exclusively with the results from the processing of the data collected using the questionnaires, even though the interviews allowed the researchers to give perspective to their use of the data from the questionnaire compilation.

The data collected went through a two-stage processing operation. First, we used descriptive methods to identify the general characteristics that explain the reason for starting a business, the approaches to business creation, and the problems faced by ethnic entrepreneurs. Next, we used independence or variance analysis (depending on whether the variables were dichotomous or continuous) to validate the three research hypotheses. For the open questions, the answers were analyzed and then classified by type.

Survey sample

The data used in this article came from a series of surveys of a total sample of 848 Chinese, Italian and Indian/Sikh entrepreneurs. Out of this sample, 422 responses came from entrepreneurs, and this study focuses exclusively on this portion of the database.

There was a stronger male (75.2%) than female (24.8%) representation among the respondents. Dhaliwall (1998) explains this by the fact that women often play a hidden role in ethnic businesses. They look after their families, and so seldom start a business themselves. However, they often work for their husband's business, or are their husband's co-entrepreneur.

PRESENTATION AND ANALYSIS OF RESULTS

The presentation and analysis of results from the study will be divided into three sections, looking in turn at the reasons for starting a business, the approaches to business creation, and the problems encountered.

REASONS FOR IMMIGRATING TO CANADA AND FOR STARTING A BUSINESS

We considered the reasons for immigrating given by the sub-sample of immigrants to ascertain the degree to which the entrepreneurial initiative of the respondents resulted from a process or desire that was planned before immigration took place. The descriptive results show that, overall, only a few of the sampled entrepreneurs came to Canada for entrepreneurial reasons. The results also show that the entrepreneurs decided to start a

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business mainly for reasons of autonomy and economy. Significant differences can be observed in the comparisons between the three ethnic groups for these variables.

Table 1: Reasons given by entrepreneurs for immigrating to Canada and for starting a business

Variables analyzed	Total sample N=350[a]		Comparison by ethnic group						
	Frequency[b]	%	Chinese n=151	%	Italian n=85	%	Sikh n =114	%	χ^2
Reason for immigrating to Canada:									
- Entrepreneurial	41	11.7	12	7.9	4	4.7	25	21.9	18.6***
- Family	106	30.3	35	23.2	41	48.2	30	26.3	2.9
- Political	42	12.0	33	21.9	1	1.2	8	7.0	39.2***
- Economical	142	40.6	49	32.5	37	43.5	56	49.1	5.9
- Other	28	8.0	20	13.2	1	1.2	7	5.1	18.7***
- No answer	10	6.3	6	4.0	3	3.5	1	0.9	N/A
Reason for starting a business:	2.28	1.07	2.18	1.18	2.34	1.01	2.35	0.98	1.0
- Create a job	1.98	0.96	2.04	0.97	1.92	0.99	1.94	0.91	0.6
- Make money	1.95	0.94	2.21	0.97	1.75	0.91	1.82	0.88	8.5***
- Be one's own boss	3.39	1.21	3.64	1.02	3.15	1.39	3.21	1.27	4.2*
- Tradition	2.93	1.68	3.50	1.52	2.27	1.66	2.68	1.70	5.8**
- Other									

*:p≤0.05 **:p≤0.01 ***:p≤0.001

[a]n=350 entrepreneurs born outside of Canada, 151 Chinese, 85 Italians and 114 Sikhs

[b]The frequencies and percentages add to more than n and 100% as some entrepreneurs have given more than one reason for their immigrating to Canada.

An analysis of the factors that led the entrepreneurs to come to Canada shows, overall, the predominance of economic and family-related reasons. Some 40.6% of the respondents said they came for economic reasons (in order to enjoy a better lifestyle or more economic stability, or to find a job), while 30.3% immigrated for family-related reasons (family reunification, marriage with a Canadian citizen). Only a small proportion (12%) immigrated for political reasons (to flee communism, or to enjoy democratic rights). It seems appropriate to note here that only 11.7% immigrated for entrepreneurial reasons (in order to invest, seek out business opportunities, or start a business in Canada). Interpreted in light of Canada's immigration policy, this latter result is not really surprising, given that the respondents in the survey were not "investor immigrants" within the meaning of Canadian immigration legislation. The result also reveals an interesting insight on the entrepreneurial approach of the respondents, since it tends to show that, in most cases, the respondents did not choose to embark on an entrepreneurial career (pull strategy), but were drawn to it by the circumstances and experiences they encountered in Canada (push strategy). This explanation also tends to support the relevance of structuralist theories. We will come back to this point in more details later, when we examine the reasons that encouraged the entrepreneurs to start a business and the ways in which they discovered their business opportunities. Three significant differences relating to the entrepreneurial, political and other reasons invoked by the respondents emerge from the inter-ethnic comparisons. With regard to entrepreneurial reasons, the difference involves, first, the Sikh and Chinese entrepreneurs (χ^2=6.4 and

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p≤0.05), and second, the Sikh and Italian entrepreneurs (χ^2=16,5 and p≤0.0001). This shows that the Sikh entrepreneurs were more likely to have immigrated to Canada for entrepreneurial reasons (21.9%) than the Chinese (7.9%) and Italian (4.7%). With regard to political reasons, the difference involved the Chinese and Italian entrepreneurs (χ^2=30.3 and p≤0.0001), the Chinese and Sikh entrepreneurs (χ^2=14.9 and p≤0.0001), and the Italian and Sikh entrepreneurs (χ^2=5.6 and p≤0.05). Thus, more Chinese entrepreneurs immigrated to Canada for political reasons (23.2%) than Sikh (7.0%) and Italian (1.2%) entrepreneurs. The other reasons for immigrating refer to factors such as a wish to continue studying, an appreciation of the climate, or multiculturalism. The significant differences obtained in relation to this group of factors involve the Chinese and Italian entrepreneurs (χ^2=16.4 and p≤0.000), the Chinese and Sikh entrepreneurs (χ^2=5.5 and p≤0.05), and the Italian and Sikh entrepreneurs (χ^2=4.6 and p≤0.05). They lead to the observation that more Chinese entrepreneurs immigrated to Canada for "other" reasons (13.2%) than Italian (1.2%) or Sikh (5.1%).

In order to isolate the reasons that led ethnic entrepreneurs to start a business, we used a multiple-choice question to ask them to rank five statements, from 1 (the most important) to 5 (the least important). The lower the average scored by a reason, the more important it was in the entrepreneurs' decision scale. After processing the data, the five statements were ranked as follows: to be one's own boss (average score 1.95), to make money (1.98), to create a job (2.28), other reasons (2.93), and tradition (3.39). These overall results highlight the importance of the quest for autonomy and of economic motivations, and the limited influence of family reasons in the decision to start a business. The results of the inter-ethnic comparisons reveal three significant differences. The difference concerning the desire to be one's own boss relates, first, to the Chinese and Italian entrepreneurs (F=13.2 and p≤0.0001) and, second, to the Chinese and Sikh entrepreneurs (F=10.4 and p≤0.001). It shows that the Chinese entrepreneurs ascribed less importance to autonomy (average score of 2.2) than the Italian (1.7) and Sikh (1.8) entrepreneurs. The difference concerning the role played by tradition in the decision to start a business also involved, the Chinese and Italian entrepreneurs (F=6.9 and p≤0.01), and the Chinese and Sikh entrepreneurs (F=5.6 and p≤0.05). It demonstrates that tradition is less important for the Chinese entrepreneurs (average score of 3.6) than for the Italian (3.1) and Sikh (3.2) entrepreneurs. The difference obtained for the "other" reasons for starting a business also involves the Chinese and Italian entrepreneurs (F=11.1 and p≤0.001), and the Chinese and Sikh entrepreneurs (F=4.3 and p≤0.05). It shows that the Chinese entrepreneurs ascribed less importance to the "other" reasons (average score 3.5) than the Italian (2.3) and Sikh (2.7) entrepreneurs.

The above results lead to the observation that only a small proportion of our sample of immigrant entrepreneurs came to Canada for entrepreneurial reasons. The reasons for starting a business given by these immigrant entrepreneurs were primarily connected with autonomy (being one's own boss) and economics (making money). The inter-ethnic comparisons relating to these variables produced significant results, tending to confirm the probability of the first research hypothesis, namely that the reasons for starting a business differ from one ethnic group to another. In this connection, we observed that the

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Chinese entrepreneurs ascribed more importance to business tradition and less to the quest for autonomy than the Italian and Sikh entrepreneurs.

CHARACTERISTICS OF BUSINESS START-UPS

As mentioned above, we examined location, approaches to business creation and financing, in order to isolate the start-up characteristics of the ethnic businesses in the sample.

Business location

We asked the entrepreneurs to identify the sector of activity of their business from among twelve possible responses. The results show a strong concentration of businesses in four sectors: retail sales (32.7% of businesses), services (29.4%), restaurant services (11.4%) and wholesale sales (7.3%). Also noteworthy is the low proportion of businesses operating in the manufacturing (4.3%) and information technology (2.6%) sectors. Overall, a majority of businesses were low capital, low technology businesses. The lack of significant differences obtained in the inter-ethnic comparisons tends to consolidate the general observations made above.

Table 2: Business location and sector of activity

Variables analysed	Total sample n=422		Comparison by ethnic group						
	Frequency	%	Chinese n=151	%	Italians n=135	%	Sikh n=136	%	χ^2
Location in area where ethnic group is dominant:	236	55.9	97	64.2	78	57.8	61	44.9	11.5**
Sector of activity:									
- Services	124	29.4	44	29.1	40	29.6	40	29.5	0.03
- Real estate	7	1.7	2	1.3	4	3.0	1	0.7	2.3
- Financial services	10	2.4	2	1.3	4	3.0	4	2.9	1.1
- Retail sales	138	32.7	45	29.8	51	37.7	42	30.9	2.7
- Wholesale sales	31	7.3	14	9.3	7	5.2	10	7.5	1.7
- Construction	12	2.8	2	1.3	6	4.4	4	2.9	2.6
- Transportation	6	1.4	3	2.0	-	0.0	3	2.2	2.8
- Restaurant services	48	11.4	22	14.6	8	6.0	18	13.2	5.8
- Manufacturing	18	4.3	5	3.3	9	6.7	4	2.9	2.9
- Teaching	3	0.7	3	2.0	-	0.0	-	0.0	5.4
- Information technology	11	2.6	6	4.0	1	0.7	4	2.9	2.9
- Other sectors	9	2.1	2	1.3	2	1.5	5	3.7	2.3
- Omissions	5	1.2	1	0.7	3	2.2	1	0.7	-

*:p≤0.05 **:p≤0.01 ***:p≤0.001 ***:p≤0.001

We examined whether the entrepreneurs had located their business in an area where their ethnic group was dominant, which would have allowed them to benefit from the proximity of a known market and to gain easier access to community resources (manpower, capital, contacts, information, moral support, etc.). Access to these resources

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is obviously more critical at start-up than at later stages, given the relative fragility of the conditions in which a business must operate. The results obtained show that a little more than half of the businesses sampled (55.9%) had taken this route. At first sight, these results do not seem to indicate a strong dependency on the ethnic group of the entrepreneur concerned. However, the hypothesis of limited dependency cannot be applied universally since, with regard to business location, differences exist between the ethnic groups studied, involving, first, the Chinese and Sikhs entrepreneurs (χ^2=10.1 and p≤0.001) and, second, the Italian and Sikh entrepreneurs (χ^2=5.1 and p≤0.02). The results show that more Italian entrepreneurs established their businesses in areas where the Italian community was dominant (59.3% of all cases) than was the case for the Chinese (40.4%) and Sikh (41.2%) entrepreneurs. These results run contrary to our expectations, in that we expected to observe a stronger degree of dependency among the Chinese entrepreneurs, who are relative newcomers to Canada.

No significant difference was obtained from the comparison tests concerning the sector-by-sector distribution of the businesses of the three ethnic groups. This result tends to consolidate the general observation noted above concerning the strong concentration of businesses in the retail sales, services, restaurant services and wholesale sales sectors, and their low representation in other sectors.

Business start-up

In order to isolate the approaches used by the entrepreneurs to start up their businesses, we decided to investigate the time they took to complete their projects, the manner in which they acquired their businesses, the total investment and their personal investment in the business, and the sources of financing.

Using an open question, we asked the entrepreneurs to state how many months had elapsed between the time they began to think about their idea and the time they launched their business. The results show that, on average, they had taken an average of roughly two years (23.7 months) to start their business, a moderate length of time compared to what has been reported in the literature. This can be explained either by the difficulties encountered during the pre-start-up stage or by the relative stability of the unmet needs connected with the business opportunities identified by the entrepreneurs. The comparisons between the three ethnic groups showed a significant difference between, first, the Italian and Sikh entrepreneurs (F=4.5 and p≤0.05). The results show that the Sikh entrepreneurs had taken more time (26.8 months on average) than the Chinese (20.5 months) and Italian (21.7 months) entrepreneurs. The results concerning the Chinese entrepreneurs run counter to our expectations, given that we have observed elsewhere that they were more recent arrivals in Canada, that they had less work experience before emigrating, and that they often had difficulty obtaining the financing they needed (see below in this section). One possible explanation is that the Chinese entrepreneurs have a stronger propensity for entrepreneurship, but we have no data to back this up. The results obtained concerning the amount and sources of financing offer another possible explanation.

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The results concerning the manner of acquiring a business show that a large majority of the entrepreneurs surveyed (74.75%) started their own businesses. A smaller but not insignificant group (20.6%) bought an existing business, while only 2.8% of the respondents had inherited their businesses. No significant difference was observed in the comparisons between the three ethnic groups.

Table 3: Manner of acquiring a business

Variable analysed	Total sample n=422		Comparison by ethnic group						
	Average frequency$_a$	% σ_b	Chinese n=151	% σ	Italians n=135	% σ	Sikh n=136	% σ	χ^2 F anova$_c$
Time taken to apply business idea (months):	23.73	26.7	20.50	23.31	21.74	29.28	29.64	26.80	4.2*
Manner of acquiring a business:									
- Purchase	87	20.6	38	25.2	27	20.0	22	16.2	3.5
- Creation	315	74.7	106	70.2	99	73.3	110	80.8	4.7
- Inheritance	12	2.8	5	3.3	5	3.7	2	1.5	1.4
- Other	-	0.0	-	0.0	-	0.0	-	0.0	-
- Omission	8	1.9	2	1.3	4	3.0	2	1.5	-
Initial investment:									
- Total amount (10^3)	159.2	543.2	116.5	288.5	150.9	500.9	210.4	743.1	1.0
- Personal share (%)	78.3	28.9	85.1	26.5	78.2	29.5	71.7	29.4	7.2***
Sources of financing (%):									
- Personal savings	65.4	35.9	70.5	33.8	62.3	39.9	62.7	33.6	2.3
- Bank loan	15.3	26.8	10.4	22.2	22.3	33.8	14.0	22.2	6.9***
- Family loan	12.1	23.2	17.1	27.0	9.8	22.3	8.8	17.8	5.4**
- Government loan	4.7	15.6	-	0.0	0.7	5.3	8.8	20.8	9.1***
- Loan from within ethnic group[1]	0.3	3.2	0.6	4.7	0.2	1.8	0.2	1.8	0.1
- Loan from outside ethnic group[2]	1.85	11.5	1.9	12.1	2.2	12.4	1.4	9.96	0.8
- Other sources	0.33	2.6	-	0.0	0.00	0.00	0.7	3.64	2.2

*:p≤0.05 **:p≤0.01 ***:p≤0.001

[1,2] These two possibilities were not submitted to the Chinese respondents.

To isolate the types of start-up financing obtained, we asked three series of questions, successively focusing on the total amount of the initial investment, the proportion invested personally, and the proportion obtained from various sources (banks, family, governments, ethnic group and other sources). The descriptive results show that the entrepreneurs invested roughly $160,000 on average as initial financing, 78% of which was their personal contribution. It is interesting to note that this proportion is clearly higher than what is generally reported in the literature. The size of the personal contribution made by the entrepreneurs implicitly suggests either a limited dependency on, or limited access to, ethnic and classic sources of financing. No difference was observed following the comparisons between the three ethnic groups concerning the amount of the initial investment. On the other hand, significant differences were observed

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in the comparisons concerning the proportion of the personal investment made by the entrepreneurs. These differences related to the Chinese and Sikh entrepreneurs ($F=14.9$ and $p\leq0.000$), and indicated that the Chinese entrepreneurs made a larger contribution to the initial investment (85.1%) than the Sikh entrepreneurs (71.6%). The fact that the Chinese entrepreneurs invested, on average, the lowest amount ($116,520) and that they were also the least dependent on non-personal sources of financing (meaning that they were already more financially independent) could perhaps explain why they took less time to start their business. The descriptive results concerning the respective amounts received from other sources of financing show that banks, and the family, play a not insignificant role, contributing respectively slightly over 15% and 12% of the initial financing. Government sources seem to play only a minor role, contributing less than 5% of the total investment. In contrast to the prevailing view in the literature concerning the importance of social capital, we observed here that the ethnic group does not seem to play an important role in financial terms, since its contribution to the start-up capital was less than 1%. It is important to note the discrepancy of around 13% between the personal contribution declared by the entrepreneurs in response to the second question and the contribution declared in response to the third question, a discrepancy that we cannot explain. However, we believe the responses to the third question are more reliable, given that the respondents were asked to assess the relative contribution received from various sources. In others words, we believe the respondents over-estimated their own contribution when responding to the second question.

Significant differences were observed between the three ethnic groups concerning the respective contribution made by banks, the family, and governments. With regard to banks, the difference involved, first, the Chinese and Italian entrepreneurs ($F=11.8$ and $p\leq0.001$), and second, the Italian and Sikh entrepreneurs ($F=5.1$ and $p\leq0.05$). The difference indicates that the Italian entrepreneurs relied more on bank loans (22.3% on average) than the Chinese (10.4%) and Sikh (14.0%) entrepreneurs. As to family contributions, the difference observed involved the Chinese and Italian entrepreneurs ($F=5.8$ and $p\leq0,05$), and the Chinese and Sikh entrepreneurs ($F=8.5$ and $p\leq0.005$), showing that the Chinese entrepreneurs relied more on financial support from their families (17.1% on average) than the Italian (9.8%) and Sikh (8.8%) entrepreneurs. Lastly, with regard to government assistance, the difference involved the Italian and Sikh entrepreneurs ($F=18.4$ and $p\leq0.000$). It appears that the Sikh entrepreneurs relied more on government loans (8.8%) than the Italian entrepreneurs (0.6%). The Chinese entrepreneurs on their part did not rely at all on government assistance. In contrast to the results obtained for the second question, no significant difference was observed concerning the personal contribution made by the entrepreneurs.

The results of the analysis of data concerning the approaches used to start a business show, overall, that the entrepreneurs took a relatively long time to launch their projects, that a majority acquired their businesses either by setting up a new business or by purchasing an existing business, and that they relied mainly on their personal assets and bank and family loans to assemble their financing. The results of the tests carried out on these variables reveal differences between the ethnic groups concerning the time taken to implement their projects, the geographical location of their businesses, and the use of

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sources of financing. On the other hand, no significant difference was observed concerning the sector of activity, the manner of acquiring a business, and the amount invested on start-up. These results tend to partially confirm the second research hypothesis, namely that the approaches used to start an ethnic business vary from one ethnic group to another with regard to the manner of acquisition, the location and the sources of financing, but not with regard to the way the business is set up, the sector of activity and the amount of capital invested. We noted that the Chinese entrepreneurs relied more on analysis and less on planning and their own experience, and that the Sikh entrepreneurs relied more on their contacts. Second, we noted that the Chinese entrepreneurs took less time to implement their projects, and made a larger contribution to the start-up capital. Lastly, the Italian entrepreneurs relied more on bank loans, the Chinese entrepreneurs on family loans, and the Sikh entrepreneurs on government assistance.

PROBLEMS ENCOUNTERED BY ENTREPRENEURS WHEN STARTING THEIR BUSINESSES

Just under half the respondents (44.5%) reported difficulty in obtaining the financing they needed. Although this proportion seems high, it still means that a majority did not have difficulty in obtaining financing. The comparison tests between the three groups did not produce any significant results, and tend to support the overall statement that we have just made.

The compilation of the responses to the open question concerning specific problems allowed us to list around 150 specific problems that we divided into 11 categories, using an adapted version of the grid developed by Tepstra and Olson (1993). The 11 categories relate to financing (finding and assembling the capital required, paying invoices, increasing turnover), marketing (building up a customer base, making a name, gaining credibility, providing customer service), human resources (finding qualified manpower, training personnel, developing skills), production (ensuring regular supplies, obtaining equipment, dealing with suppliers), strategic management (locating the business, dealing with paperwork, finding insurance, managing stock), networking (developing contacts, getting to know business networks, finding and cooperating with partners), the institutional environment (understanding legislation and standards, dealing with high taxation, dealing with insufficient government support), the social environment (becoming part of the community, understanding the culture, developing a relationship with the community, facing discrimination), the economic environment (stagnating economy, restricted market size, intense competition, high rental costs), and other types of problems that fall outside the other categories (finding help, managing time, gaining experience).

The analysis of the responses sorted into the above categories reveals the predominance of problems relating to financing (reported by 53.3% of respondents) and marketing (45.5%). Other types of financial problems, besides obtaining capital, were mentioned. Next, six categories of problems were reported by a smaller, but still significant,

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proportion of entrepreneurs. They related to human resources (26.1%), production (20.6%), the institutional environment (20.4%), strategic management (19.2%), general administration (17.5%) and the social environment (14.9%). The results suggest that the range of problems encountered at start-up by the ethnic businesses sampled is quite broad. Less than 10% of the respondents reported problems connected with networking (9.7%) and the economic environment (8.3%). The low proportion of respondents who declared problems that did not fall into the main categories tends to indicate that the classification grid we used covered most of the problems encountered by the ethnic businesses sampled. The comparison tests between the ethnic groups gave four significant results, indicating differences in the frequency of the problems reported in the financing, institutional environment, social environment and "other" categories, but similar results between ethnic groups for the seven other problem categories. The significant difference obtained for financial problems involved the Italian and Sikh entrepreneurs (χ^2=5.6 and p≤0.05), showing that the Sikh entrepreneurs were more likely to face financial problems (61.8%) than the Italian entrepreneurs (47.4%). The significant difference obtained for problems relating to the institutional environment involved, first, the Chinese and Italian entrepreneurs (χ^2=9.7 and p≤0.01), and second, the Chinese and Sikh entrepreneurs (χ^2=4.0 and p≤0.05), showing that the Chinese entrepreneurs were more likely to face problems relating to the institutional environment (28.5% of all cases) than the Italian (13.3%) and Sikh (18.4%) entrepreneurs. The difference observed for problems relating to the social environment also involved the Chinese and Italian entrepreneurs (χ^2=14.3 and p≤0.000), and the Chinese and Sikh entrepreneurs (χ^2=6.1 and p≤05), showing that Chinese entrepreneurs were more likely to face problems connected with the institutional environment (23.8% of all cases) than Italian (7.4%) and Sikh (12.5%) entrepreneurs. Lastly, the difference obtained for the "other" problem category involved the Italian and Sikh entrepreneurs (χ^2=5.1 and p≤0.05), indicating that the Italian entrepreneurs were more likely to face other problems (3.7% of all cases) than the Sikh entrepreneurs (0%).

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Table 4: Problems encountered at start-up

Variable analysed	Total sample n=422		Comparison by ethnic group						
	Frequency	%	Chinese n=151	%	Italians n=135	%	Sikh n=136	%	χ^2
Difficulty obtaining financing:	188	44.5	75	49.7	57	42.2	56	41.2	3.4
Type of problem encountered:									
- Financing									
- Marketing	225	53.3	77	51.0	64	47.4	84	61.8	6.*
- Human resources	192	45.5	72	47.7	68	50.4	52	38.2	4.5
- Production	110	26.1	35	23.2	37	27.4	38	27.9	1.0
- Strategic management	87	20.6	34	22.5	24	17.8	29	21.3	1.0
- Administration	81	19.2	31	20.5	30	22.2	20	14.7	2.7
- Networking	74	17.5	30	19.9	26	19.3	18	13.2	2.6
- Institutional	41	9.7	19	12.6	11	8.1	11	8.1	2.2
environment	86	20.4	43	28.5	18	13.3	25	18.4	10.5**
- Social environment	63	14.9	36	23.8	10	7.4	17	12.5	16.1***
- Economic environment	35	8.3	10	6.6	10	7.4	15	11.0	2.0
- Other factors	6	1.4	1	0.7	5	3.7	-	0.0	7.6 *

*:p≤0.05 **:p≤0.01 ***:p≤0.001

In short, the results of the analyses show that, overall, problems relating to financing and marketing predominate and that the businesses encountered a relatively broad range of problems. We also noted differences between the ethnic groups. The Italian entrepreneurs were more likely to face financial difficulties, while the Chinese entrepreneurs were more concerned by problems relating to the institutional environment and the social environment. These results tend to disprove the third research hypothesis, namely that the problems encountered vary by ethnic group, except financing.

In the conclusion, we will look at the implications of these results for future research and support policies for ethnic entrepreneurship.

CONCLUSION

The objective of this paper was to contribute to the advancement of knowledge about the start-up stage of ethnic businesses given the increasingly important role they play in society, and the limited number of studies in this area. We suggest that a better understanding of the approaches, issues and characteristics involved in ethnic business start-ups will not only increase our knowledge of the characteristics and features of ethnic entrepreneurship, but will also allow improvements to be made to government and non-government support programs. We accordingly drew up three research hypotheses connected to three key concerns relating to ethnic business start-ups: (1) What pushes immigrants to launch a business? (2) How do ethnic entrepreneurs proceed with launching a business? And (3) What challenges do ethnic entrepreneurs face? We will analyze the implications of the results here. It is important to note, though, that we can only discuss the implications within the scope of the data available to us, since we are not in a position to rule on the representativeness of our survey sample.

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First, we have observed that only a small proportion of the immigrants in our sample came to Canada in order to start a business[1]; a large majority started a business after arriving in Canada without having expressed this intention previously. These results implicitly suggest that the three Canadian cities where our research was carried out, namely Montreal, Toronto and Vancouver, offer an overall environment that stimulated (positively and/or negatively) the entrepreneurial initiatives of the members of the ethnic communities examined. Regardless of the type and scope of the activities generated by those initiatives, this provides us with an objective argument concerning the positive impact of Canadian immigration policy. The results at our disposal do not allow us to express a clear opinion concerning the relative weight of the "positive" and "negative" factors in the decisions made by the respondents to start a business, since we did not specifically ask questions relating to this issue. However, we were able to observe that the entrepreneurs had experienced relatively long periods of professional inactivity, and that only a small proportion of them started a business by tradition (in other words, through a family culture of entrepreneurship). These observations lead us to suggest that negative factors connected with professional integration played a not insignificant role in the decisions made by the entrepreneurs in the sample. The question raised by this finding is as follows: Would the development of a more positive environment, for example by improving the visibility of and access to support programs by different levels of government, provide more stimulation for entrepreneurial initiatives within the ethnic communities? Our data seem to indicate that the answer is not necessarily affirmative. However, a not insignificant proportion of our respondents used government assistance to help finance their business start-ups, and we recognize that governments play a genuine role, one whose impact cannot be ignored if ethnic entrepreneurship is to be stimulated. The results we obtained concerning the specific reasons for starting a business highlight the need for autonomy and self-realization in economic terms. These observations show that ethnic entrepreneurs are not fundamentally different, in some important aspects of their psychological profile, from entrepreneurs in general, an observation that matches the conclusions of the literature in this area (Filion, 1998). We can state that the results achieved so far offer a sufficient and reliable empirical basis for the conceptualization and modelling of the entrepreneurial phenomenon in the ethnic communities. We believe that conceptualization and modelling should constitute a priority for research work in the future.

We observed that the businesses, once established, operated mainly in the sales and services sectors, and that manufacturing and technology firms were poorly represented in our sample. Was this the result of a sampling bias? We cannot answer this question objectively, but we can at least mention that the sector-based distribution we observed was similar to that found in our review of the literature. In addition, we found no evidence of the observation made by Engardio and Burrows (1997) concerning the fact that the strong representation of ethnic businesses was one source of the competitive advantage of Silicon Valley. In our view, it would be in the governments' interest to support ethnic entrepreneurship in high-technology sectors, in particular for highly educated immigrants with strong financial resources. We also noted the relatively long

[1] . It is important to recall here that we did not study what is called Immigrants investors according to Canadian immigration Law, that is immigrants who commit formally to invest in an existing business order to start a new after their arrival in Canada .

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period of time it took to implement each project. Some authors have reported that immigrant entrepreneurs often neglect to draw up a business plan, which creates a major obstacle when applying for bank financing. The governments, in collaboration with entrepreneurship support organizations and educational institutions, should make a greater effort to publicize business start-up training programs with business associations in the ethnic communities. Lastly, we noted that, in contrast to the prevailing view in the literature on social capital, the ethnic group seems to play a relatively limited role in start-up financing. Do the facts that we observed call into question the validity of the theories put forward in the literature on social capital? As pointed out by Menzies et al. (2002), more empirical research is required in this area in the future.

Our study of the problems encountered by the entrepreneurs when starting up their businesses showed the predominance of a broad range of problems relating to financing, marketing, human resources, the institutional environment and production. Our observations do not differ fundamentally from what is generally reported concerning the start-up stage of small and medium-sized businesses in general (Huang and Brown, 1999; Tepstra and Olson, 1993). In other words, with regard to the start-up stage, ethnic businesses have the same needs as other small businesses in general. From this, we deduct that it is not necessary for governments to develop new support programs to target ethnic businesses. On the other hand, the effectiveness of existing programs will depend on the ability of local governments to develop true business partnerships with ethnic organizations. These results also highlight the existence of a potentially important market for management training, a niche that training providers seem to have neglected or of which they are perhaps unaware. In terms of research, our review of the literature demonstrated the rarity and, in some cases, non-existence of studies dealing specifically with the management skills, management practices and development dynamics of ethnic businesses. These themes should be given priority as potential avenues for future research into ethnic entrepreneurship.

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