

IMMIGRANT AND US-BORN MEXICAN-OWNED BUSINESSES: MOTIVATIONS AND MANAGEMENT

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Received March 2009

Revised June 2009

In this study, we seek to understand the key differences between the entrepreneurial experience for Mexican immigrant and US-born Mexican entrepreneurs. We focus on differences in motivation for start-up, reliance on ethnic enclaves and business management practices. Using data from the 2005 National Minority Business Owner Survey, our sample consisted of 156 Mexican American entrepreneurs (55 immigrants and 101 US-born). Results suggest that even within a particular minority group, there are key distinctions between immigrant and US-born entrepreneurs. For example, US-born Mexican entrepreneurs are more motivated by the individualistic financial benefits of being an entrepreneur, while Mexican immigrant entrepreneurs are more motivated by serving society and their co-ethnic community. Implications are discussed.

Keywords: Minority entrepreneurship; Mexican American; motivation; ethnic enclave; business financing.

1. Introduction

Immigrant and minority entrepreneurship are believed to serve as a source for economic mobility. Entrepreneurship is promoted by several states as well as the federal government as a means for rising above poverty and removing oneself from welfare and unemployment insurance rolls (Fairlie and Meyer, 1996; Zuiker, 1998). In addition, entrepreneurship within immigrant communities improves employment levels by creating entry level jobs for new arrivals (De Freitas, 1991). Research evidence also shows employment in a co-ethnic firm (i.e., a firm headed by individuals from the same ethnic group) increases one's likelihood of becoming self-employed because such employment functions as a "school for entrepreneurs" (Light *et al.*, 1994), by "providing opportunities for skill acquisition and importing knowledge about what it takes to start a business" (Rajiman and Tienda, 2000a). In this way, co-ethnic firms serve as a step ladder for aspiring minority entrepreneurs by offering informal training about business know-how and indirectly serving to increase the numbers of minority businesses (Rajiman and Tienda, 2000a).

As of July 2005, Hispanics^a have become the largest minority in the US (Bernstein, 2006) representing over 14 percent of the nation's population, with Mexicans — both those born in the United States and those who arrived as immigrants — representing close to 60 percent of this population. Yet, in spite of the significant growth (31 percent) in Hispanic owned businesses since 1997 (Bergman and Tolbert, 2005), these businesses still represent only 7 percent of the nation's businesses (Barth *et al.*, 2006). Put differently, the self-employment rate for male Mexican entrepreneurs is about 6.1 percent, whereas the total self-employment rate for the U.S. male population is 11.1 percent (Fairlie and Woodruff, 2006).

Given the growing demographic importance of Mexicans in the United States, research on minority entrepreneurship is giving more attention to Mexican American entrepreneurs. However, few studies have examined differences within this ethnic group, namely the differences between Mexican immigrants and US-born individuals of Mexican descent in their motivations to become entrepreneurs. One exception is Rajiman and Tienda's study of minority entrepreneurship in Chicago, which identified both groups as motivated primarily by intrinsic, noneconomic rewards, such as the desire for independence, but noted that US-born Hispanic business owners were less likely to cite financial motivators and more likely to indicate they started their own business because "the opportunity presented itself," compared to foreign born Hispanics (Rajiman and Tienda, 2000b). In another study of such within-group variation, Fairlie and Woodruff (2006) examined the differences between Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs and found their self-employment rates were similar. These authors stated that their results "are surprising because the native-born Mexican population in the United States is more educated and wealthier than the Mexican immigrant population."

However, the differences between US-born Mexicans and Mexican immigrants are not only demographic. Some attitudinal differences have been identified as well. For example,

^aThe Census defined Hispanic or Latino as "a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture of origin regardless of race" (Grieco and Cassidy, 2000).

researchers with the Pew Hispanic Center^b provided some evidence regarding the degree to which ethnic minorities identify with their co-ethnic group. They noted a significant difference in attitudes between US- and foreign-born Hispanics, with US-born children of immigrants expressing views closer to the American mainstream (Morales and Voris, 2002). In fact, close to two-thirds of Hispanics with US-born parents are likely to identify themselves as American first (rather than by their grandparents' country of origin). Additional research evidence further suggests that more highly acculturated Mexicans hold values that are more similar to those held by European Americans (Domino and Acosta, 1987). These studies point to significant within-group variability of the Hispanic population, because of differences in immigration background, age, education level and socioeconomic status — differences that warrant a focus on subgroup-level analysis (Marín and Marín, 1991; Porter and Washington, 1993).

We seek to contribute to this literature by investigating the extent to which the entrepreneurial experience differs for Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs, a variation that has yet to be examined in depth (for an exception, see Rajjman and Tienda, 2000b). We define Mexican immigrant entrepreneurs as individuals of Mexican origin, born outside the United States, but currently pursuing an entrepreneurial career in the United States. We define US-born Mexican entrepreneurs as individuals of Mexican descent who were born in the United States and are currently pursuing an entrepreneurial career in the country. We examine how existing theories on minority entrepreneurship should be extended given within-group diversity, namely the differences between immigrant and US-born Mexicans. This will also answer Cardon *et al.*'s (2008) call for research on minority entrepreneurs to extend beyond the traditional examinations that compare factors across the various ethnic groups toward investigations of the potential differences within each ethnic group.

More specifically, we examine several questions: First, do Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs differ in their motivations to start a business? Second, do they rely on the ethnic enclave in similar ways (e.g., choice of business location and focus on co-ethnic employees, suppliers and customers)? Finally, do they manage their businesses in similar ways (e.g., accessing financing sources and government assistance programs)? In the following section, we elaborate on the theoretical underpinnings of these questions. We then describe our data as well as our methodological approach. We conclude with a discussion of our findings and their implications for research and practice.

2. Framework

2.1. Motivations for entry

The motivations to enter business ownership are often grouped into two categories, referred to as pull versus push factors (Bates, 1997; Fairlie, 1996). Although both pull and push factors can influence the decision to become an entrepreneur, typically there is a predominant one. For example, Mora and Dávila (2006) found that Mexican immigrants residing in US border

^bA nonpartisan research organization supported by the Pew Charitable Trusts, <http://pewhispanic.org>.

cities have higher rates of self employment. The researchers suggest this is a result of both pull and push factors, namely the “existence of trade opportunities in US border cities as well as intense labor market competition that crowds a greater share of immigrants into self employment” (Mora and Dávila, 2006). However, earnings analysis “suggests that the ‘pull’ explanation has a *stronger* empirical backing in explaining self-employment selection” (emphasis added).

Pull factors focus on the positive aspects of self-employment, which turn it into an attractive endeavor, entered into by choice (De Freitas, 1991; Fairlie and Meyer, 1991). In this context, motivations for starting a business are a function of the goals one hopes to accomplish, which can include extrinsic and intrinsic motivators. Extrinsic motivators typically refer to obtaining monetary compensation, building equity in the firm (Langan-Fox and Roth, 1995), earning supplemental income after retirement (Aspaas, 2004), acquiring personal wealth, increasing personal income, and/or increasing income opportunities (Kuratko *et al.*, 1997). Intrinsic motivators, on the other hand, include psychological rewards such as self-fulfillment (Aspaas, 2004; Kuratko *et al.*, 1997; Robichaud *et al.*, 2001), an opportunity for creative expression (Aspaas, 2004), personal growth, recognition, challenge, excitement and satisfying a need for achievement (Kuratko *et al.*, 1997; Robichaud *et al.*, 2001). Other intrinsic motivators are having the independence, autonomy, freedom and control gained by being one’s own boss (Kuratko *et al.*, 1997; Robichaud *et al.*, 2001) as well as employment security for one’s self and family (Aronoff and Ward, 1995; Kuratko *et al.*, 1997; Robichaud *et al.*, 2001).

Push factors, on the other hand, explain entry into self-employment as a last resort, because of the individual’s exclusion from the primary job market (De Freitas, 1991; Feldman *et al.*, 1991). Disadvantage theory (Light, 1979) explains how chronic unemployment, low wages and labor market discrimination push religious and ethnic minorities into self-employment. Research findings suggest that among ethnic minorities, entrepreneurship is a way to cope with low prospective returns to salary work because of discrimination, language barriers, incompatible education and training, non-transferability of human capital and blocked promotional paths (Bates, 1997; De Freitas, 1991; Fairlie and Meyer, 1996; Light, 1984; Olson *et al.*, 2000).

For immigrants, human capital acquired in the home country is often not transferable to the primary job market within the United States, but can be applied toward self-employment. In particular, a lack of proficiency in English limits opportunities in the US job market and prevents immigrants from benefiting from their education, work or life experience to the fullest extent (Tienda and Raijman, 2004). Therefore, self-employment can appear more attractive than the wage and salary sector because it promises higher earnings, enhanced professional standing, a greater sense of independence and flexibility to accommodate family needs (Olson *et al.*, 2000; Raijman and Tienda, 2000b; Zuiker, 1998).

Demographic differences between Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs in educational attainment, English proficiency and US tenure have been shown to have direct implications on the likelihood of business ownership (e.g., Borjas, 1980; 1986; Butler and Herring, 1991; De Freitas, 1991; Fairlie and Meyer, 1996; Fairlie and Woodruff, 2006; Olson *et al.*, 2000; Raijman, 1996; Raijman and Tienda, 2000b; Zuiker,

1998). For example, individuals born in the United States typically do not have to overcome the challenges of migration, which often involve loss of human and social capital gained abroad such as foreign-earned credentials and an individual's "network of contacts and other business associates" (Mata and Pendakur, 1999).

Based on this literature and given these differences in demographic characteristics, we expect that Mexican immigrants and US-born Mexican entrepreneurs will have different experiences in the labor market and thus enter entrepreneurship for different reasons. More specifically, we expect US-born Mexican entrepreneurs to be less likely to cite push factors given that they are more likely to have gained their education in the United States, are more likely to be proficient in English and have US-based work experience. Census (2000) data support this, indicating that for the Mexican population residing in the United States, 34.6 percent of US-born Mexicans speak only English compared to only 5.4 percent of Mexican immigrants. In addition, among Spanish speaking US-born Mexicans, 59.2 percent reported speaking English "very well" or "well," compared to 44.2 percent of the Spanish-speaking Mexican immigrant population (Census, 2000). Therefore, we propose:

Hypothesis 1a: Mexican immigrant entrepreneurs will cite push factors as a more important reason for business startup compared to US-born Mexican entrepreneurs.

Hypothesis 1b: US-born Mexican entrepreneurs will cite pull factors as a more important reason for business startup compared to Mexican immigrant entrepreneurs.

Research evidence suggests the proportion of one's life lived in the United States or age at immigration may also influence one's acculturation and attitudes (Schaafsma and Sweetman, 2001; Wang and Li, 2007). Immigrants arriving later in life experience "low returns to both foreign labor market experience and foreign education" (Schaafsma and Sweetman, 2001). This is the reason researchers believe "age at immigration matters because the young acculturate more easily" (Schaafsma and Sweetman, 2001). In fact, "better English and longer stay in the destination society for the immigrants are all positively related to a greater opportunity of becoming ethnic entrepreneurs for Hispanics" (Wang and Li, 2007).

Based on this research, we believe those Mexican immigrants who have lived a larger proportion of their lives in the United States will be more acculturated, and hold values, attitudes, and perceptions more closely aligned with their counterparts born in the United States. We propose:

Hypothesis 1c: Among Mexican immigrant entrepreneurs, the longer the entrepreneur has been in the United States, the more likely he/she is to cite pull factors for business start-up.

2.2. *The ethnic enclave*

Prior research has identified the importance of the ethnic enclave for minority entrepreneurship (Borjas, 1980; Sequeira and Rasheed, 2006). An ethnic enclave is a metropolitan area in which businesses owned and operated by immigrants from the same country of origin or their direct descendants are concentrated. In fact, Hispanics are more likely to be self-employed in areas that have larger Hispanic populations (Borjas, 1980). In such areas, "co-ethnic

small business owners potentially have lower transaction costs than other entrepreneurs when engaging in trade because of the latter's need to hire 'cultural' translators" (Mora and Dávila, 2006). Furthermore, ethnic enclaves make entrepreneurship more appealing by offering a source of both low cost labor and spatially concentrated consumers. There are several reasons for this. First, the ethnic enclave provides the entrepreneur with a linguistically isolated labor pool with skills that can be tapped into more efficiently by co-ethnic rather than majority group entrepreneurs (Evans, 1989). Second, concentrations of a relatively homogeneous ethnic group create an increased demand for services and ethnic products catering to customers from the 'old country,' offering many opportunities for entrepreneurship (Bohon, 2001; Logan *et al.*, 1994; Mann, 2004; Tienda and Rajiman, 2004). Indeed, Shinnar and Young (2008) found that the ethnic enclave played an important role for their sample of Hispanic immigrant entrepreneurs, serving as a major source of customers and employees, and even, to some extent, as a source of suppliers.

Given the above mentioned differences between Mexican immigrants and US-born Mexican entrepreneurs identified in the literature in terms of identification with their co-ethnic group, it is possible that US-born Mexican entrepreneurs will place less importance on the ethnic enclave (as a source for labor, suppliers, and clients) compared to Mexican immigrant entrepreneurs. Therefore, we propose:

Hypothesis 2: US-born Mexican entrepreneurs will place less importance on (a) locating their business in the ethnic enclave, and on using the ethnic enclave, as a source of (b) labor, (c) suppliers, and (d) clients compared to Mexican immigrant entrepreneurs.

2.3. Business management

We want to examine whether growing up in the United States had an impact on financial savvy in terms of financial management of the business (i.e., obtaining financing and other financial support for the business). Research evidence suggests immigrants from Latin American countries have limited experience with, and trust in, mainstream financial institutions (Amuedo-Dorantes *et al.*, 2005; Campbell, 2004; Harrington, 2004), and are thus less likely to use them. For example, in a sample of 16,000 Mexican immigrant households, only 14 percent had a US bank account (Amuedo-Dorantes *et al.*, 2005). In a separate study, Shinnar and Young (2008) identified limited financial savvy in their sample of Hispanic immigrant entrepreneurs in that close to two-thirds of their sample paid suppliers cash-upon-delivery and financed their business using personal or family savings with only a small minority (6 percent) using bank financing as a source of startup capital. In Zarrugh's (2007) study, only 4 out of 31 Latino business owners had "obtained start-up money through a bank or small business loan and almost no one else attempted to get one." Similarly, in their study of ethnic minority entrepreneurs in the UK, Hussain and Matlay (2007) indicated that personal sources of finance were significant at the start-up stage with "two thirds of the ethnic minority owner/managers rat[ing] it as most important."

Based on this prior research, and because we expect US-born Mexican entrepreneurs to be more proficient in English, as explained above, and have a higher comfort level

with using mainstream financial institutions or other agencies to support their business, we propose:

Hypothesis 3: Mexican immigrant entrepreneurs will be less likely to use (a) government and other agencies for support or (b) mainstream financial institutions as a source of financing for their businesses compared to US-born Mexican entrepreneurs.

3. Method

3.1. Sample

Our data was collected as part of the 2005 National Minority Business Owner Survey (2005 NMBOS). Using nationwide samples, telephone interviews were completed with Mexican American small business owners. The survey instrument was based on the protocols developed by the *Family Business Research Group*, a 17-college and university research consortium (Winter *et al.*, 1998). To qualify for the survey, an owner-manager had to have been in business for at least one year, worked at least 320 hours per year in the business, been involved in the day-to-day management of the business, and resided with another family member. Further details on the sampling procedures are in Appendix A.

3.2. Telephone interviews

Using the methodologies described in Appendix A, 11,999 Mexican Americans were contacted, including 5,887 households and 6,112 businesses. After accounting for ineligible, refusals, language barriers, and unavailable/nonqualified respondents, a group of 619 Mexican American respondents were asked to complete the “in-language” screen questionnaires. The response rate (the number of completed interviews divided by the number of those eligible for interviews (8,955)) was 32.3 percent. This sampling frame relied on nationwide population listings of both households and businesses (Puryear *et al.*, 2008), and the efforts to attain completed interviews were extensive given the nature of such sampling lists. The number of sample records required to yield one completed interview was 60. Ultimately, there were 200 completed and usable interviews. Of these 200 completed interviews, several were omitted from our final sample because of missing variables, resulting in a final sample of 156 entrepreneurs.

3.3. Description of variables

Immigrant status was determined by subtracting the number of years entrepreneurs have resided in the US from their age. If they have resided in the United States for fewer years than their age, they were coded as Mexican immigrant entrepreneurs; otherwise, they were coded as US-born Mexican entrepreneurs. Other variables include the entrepreneur’s age, US tenure, tenure in the business, whether English is spoken at home and gender. Business variables included: the age of the business, the number of employees working in the business and whether the business is a family business. Non-demographic variables, described in greater detail below, were developed and validated by the *Family Business Research Group* (Winter *et al.*, 1998).

The following group of variables addressed the entrepreneur's motivations for entry into business ownership. Push factors were assessed by the following two questions: "Do you believe being Mexican American has ever been a factor in being rejected for a job?" and "Did this motivate you to start your own business?" These questions were answered with a yes/no response. Pull factor measures included (a) extrinsic motivations: earning lots of money and building financial security for my family and (b) intrinsic motivations: hiring someone from my own ethnic group, contributing to society, serving the Mexican American community in which I live, gaining maximum control over my life, living how and where I want, utilizing my skills and abilities, and gaining satisfaction from creating or building a business. These motivations were measured on a five-point Likert scale in which "1" was "least important" and "5" was "most important." The measures of push and pull factors are consistent with research on motivations for business entry/founding (see literature review above for citations).

The next group of variables pertains to aspects of managing the business in the context of an ethnic enclave. Specifically, respondents were asked whether their business was located within a co-ethnic community (to which they could respond "yes" or "no"). Other questions assessed (a) the importance given to hiring co-ethnic employees (measured on a five-point Likert scale, as described above), (b) whether entrepreneurs choose to work with co-ethnic suppliers and vendors (to which they could respond "yes" or "no"), and (c) entrepreneurs' reliance on a co-ethnic clientele, which was assessed in response to the question: "What percentage of your business comes from the Mexican American community?" (Possible responses included four categories: "0–24 percent," "25–49 percent," "50–74 percent," and "75–100 percent").

The final group of variables addressed dimensions of interacting with government agencies and mainstream financial institutions. Several yes/no questions were used: "Have you ever asked for help from: (a) the Small Business Administration or Small Business Development Centers, (b) state or local economic development offices or the local chamber of commerce, (c) your county or state extension office?"; and "Has your business received government aid or tax incentives?" Other questions measured the extent to which mainstream financial institutions were used: "Since the start of your business, what percentage of funding did you receive for your business from the following sources: (a) banks, saving institutions, or credit unions, (b) other institutions such as finance companies, brokerage firms, or leasing companies, (c) family members, (d) friends?"

3.4. Method of analysis

Data were analyzed using one way analysis of variance (ANOVA) to determine if there were significant differences between Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs on the variables of interest. In ANOVA, variance is partitioned into within group and between group variance to test for significant differences between the means of each group. ANOVA is an appropriate test for this study because the two groups being compared in our sample are independent. In addition to the ANOVA analysis to test Hypothesis 1c, the relationship between the length of time a Mexican immigrant entrepreneur has

Table 1. Business owner and business characteristics.

	US-Born Mexican Entrepreneurs		Mexican Immigrant Entrepreneurs		<i>F</i>
	Mean	SD	Mean	SD	
US tenure	—	—	13.29	8.20	266.91***
Age	45.49	10.56	45.91	10.27	0.06
Owner's tenure in the business	8.03	3.51	7.93	3.32	0.03
Age of the business	15.47	10.88	15.71	11.31	0.02
Number of employees	4.45	6.75	5.02	6.85	0.25
	<i>N</i>	%	<i>N</i>	%	<i>F</i>
English spoken at home	81	80%	31	56%	6.17**
Family business	90	89%	50	91%	0.12
Female owned business	45	45%	33	60%	3.43+
<i>N</i>	101		55		

+*p* < 0.10; **p* < 0.05; ***p* < 0.01; ****p* < 0.001.

been in the United States and their motivation for starting a business, we used ordinary least squares (OLS) multiple regression analysis.

4. Results

Table 1 shows the descriptive statistics and Tables 2–5 present the results from our hypothesis tests. Of our study's 156 Mexican American entrepreneurs, 101 were born in the United States and 55 were immigrants. Immigrants had been residing in the United States for an average of 13 years. Other than their country of birth and language spoken at home, entrepreneurs in our sample were quite similar. The average age of all entrepreneurs was 46, they had approximately eight years of tenure in their current businesses, and managed firms that were, on average, 15 years old. Business size was also quite similar, with US-born Mexican entrepreneurs managing an average firm size of 4.5 employees and Mexican immigrants managing an average labor pool of five employees. A key difference in our sample is that English was reported as the language spoken at home in 80 percent of the homes of the US-born Mexican entrepreneurs, but in only 56 percent of the homes of Mexican immigrant entrepreneurs. This difference was significant ($F = 6.17$, $p < 0.01$). Most of our sample consisted of family-owned firms (89 percent of US-born and 91 percent of immigrants) and approximately half were owned by women (45 percent of US-born and 60 percent of immigrants). The difference in the gender of the owner is marginally significant between US-born and immigrant-owned firms ($F = 3.43$, $p = 0.066$) with a higher proportion of female-owned business in the Mexican immigrant sample.

Hypothesis 1a, which argued that Mexican immigrant entrepreneurs would cite push factors as a greater motivator for entry into self-employment when compared to US-born Mexican entrepreneurs, was not supported. As shown in Table 2a, there were no significant differences between immigrant and US-born entrepreneurs in the percentage of those who cited push factors as the motivation to start their business ($F = 0.91$, n.s.). Nonetheless, findings do indicate about one-third of the entrepreneurs in our sample ($N = 54$) believed

Table 2a. Motivations for entry.

	US-Born Mexican Entrepreneurs		Mexican Immigrant Entrepreneurs		<i>F</i>
	<i>N</i>	%	<i>N</i>	%	
<i>Push Factors</i>					
Believe that being Mexican has ever been factor in being rejected for a job	38	38	16	29	1.37
This motivated them to start/own a business	26	26	13	24	0.91
	Mean	SD	Mean	SD	<i>F</i>
<i>Extrinsic Motivators</i>					
Earning lots of money	4.04	0.97	3.69	1.33	3.49+
Building financial security for my family	4.65	0.73	4.60	0.78	0.18
<i>Intrinsic Motivators</i>					
Hiring someone from my own ethnic group	2.42	1.52	2.49	1.54	0.07
Contributing to society	4.12	1.25	4.43	0.90	2.50
Serving the community in which I live	3.52	1.40	4.06	1.26	5.42*
Gaining maximum control over my life	4.61	0.78	4.27	1.24	4.33*
Living how and where I want	4.53	0.82	4.43	0.99	0.41
Utilizing my skills and abilities	4.63	0.72	4.49	0.94	1.06
Satisfaction in building a business	4.59	0.74	4.47	0.98	0.71

+*p* < 0.10; **p* < 0.05; ***p* < 0.01; ****p* < 0.001.

being of Mexican origin was a factor in being rejected for a job (*N* = 38, 38 percent of US-born and *N* = 16, 29 percent of immigrant). In addition, most of these respondents (*N* = 26, 68 percent of the US-born entrepreneurs and *N* = 13, 81 percent of the immigrant entrepreneurs) who perceived ethnicity as a basis for rejection reported this ethnic-based rejection motivated them to start their own business. The total percentage of our sample that felt a push toward entrepreneurship, rather than a pull, was 26 percent for US-born entrepreneurs and 24 percent for immigrant Mexican entrepreneurs, which is not significantly different.

Hypothesis 1b argued that US-born Mexican entrepreneurs would cite pull factors as a more important reason for business startup when compared to Mexican immigrant entrepreneurs. This hypothesis was partially supported (see Table 2a) because significant between-group differences were identified for three of the nine pull factors examined. First, for the extrinsic motivation of “earning lots of money,” we found US-born Mexican entrepreneurs gave this motivator significantly higher importance (Mean = 4.04, s.d. = 0.97) compared to the Mexican immigrant entrepreneurs (Mean = 3.69, s.d. = 1.33, *F* = 3.49, *p* < 0.010). Second, for the intrinsic motivation of “serving the Mexican American community in which I live,” we found a statistically significant difference between the groups, but the direction of this difference was contrary to our predictions. Specifically, Mexican immigrant entrepreneurs gave this motivator significantly higher importance (Mean = 4.06, s.d. = 1.26) compared to the US-born Mexican entrepreneurs (Mean = 3.52, s.d. = 1.40, *F* = 5.42, *p* = < 0.05). Third, for the intrinsic motivator of “gaining maximum control over my life”, our findings indicate this is a more powerful

Table 2b. Motivations for entry — Mexican immigrant sample only.

	% of life in US	
	<i>B</i>	Adj.
<i>Extrinsic Motivators</i>		
Earning lots of money	0.82	0.00
Building financial security for my family	0.13+	0.01
<i>Intrinsic Motivators</i>		
Hiring someone from my own ethnic group	0.00	0.01
Contributing to society	-0.06	0.00
Serving the community in which I live	-0.21**	0.04
Gaining maximum control over my life	0.21**	0.04
Living how and where I want	0.09	0.00
Utilizing my skills and abilities	0.10	0.00
Satisfaction in building a business	0.08	0.00

+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

motivator for US-born Mexican entrepreneurs (Mean = 4.61, s.d. = 0.78) than for Mexican immigrant entrepreneurs (Mean = 4.27, s.d. = 1.24, $F = 4.33$, $p < 0.05$). Taken together, these results suggest US-born Mexican entrepreneurs are significantly more motivated by the pull factors of earning a lot of money and gaining control over their lives, but significantly less motivated by serving the ethnic community in which they live.

To test Hypothesis 1c, we used only the Mexican immigrant sub-sample and regressed “proportion of life lived in the United States” onto each of five potential motivators (see Table 2b). We first created a variable for the proportion of life each immigrant entrepreneur lived in the United States, which was a simple ratio of their number of years lived in the United States divided by their age. We then explored the impact of this variable on the various potential motivations for starting a firm. Results from this analysis offered support for Hypothesis 1c showing statistically significant differences for “building financial security for my family” ($B = 0.013$, $p < 0.010$, $R^2 = 0.01$), “serving the ethnic community in which I live” ($B = -0.021$, $p < 0.001$, $R^2 = 0.04$), and for “gaining maximum control over my life” ($B = 0.021$, $p < 0.001$, $R^2 = 0.04$). These results indicate that the longer Mexican immigrants have been in the United States, the more motivated they are to start a business to build financial security for their families or to gain control over their lives. However, the longer Mexican immigrants have been in the United States, the less motivated they are by wanting to serve the Mexican American community in which they live. This suggests that the longer Mexican immigrant entrepreneurs are in the United States, the more their motivations are consistent with US-born Mexican entrepreneurs.

Our second hypothesis argued the ethnic enclave would play a more important role for Mexican immigrant entrepreneurs compared to their US-born counterparts. We examined this in the entrepreneurs’ decision to locate their businesses within the enclave, as well as use the enclave as a source of labor, suppliers and clients. This hypothesis was only partially supported. First, as seen in Table 3, both groups were almost equally likely to be located within the ethnic enclave, offering no support for Hypothesis 2a. Approximately 64 percent of US-born Mexicans and 58 percent of Mexican immigrant entrepreneurs chose

Table 3. Reliance on the ethnic enclave.

	US-Born Mexican Entrepreneurs		Mexican Immigrant Entrepreneurs		F
	N	%	N	%	
Location in a co-ethnic community	65	64	32	58	0.32
Use of co-ethnic suppliers	32	32	18	33	0.00
<i>Percentage of business coming from co-ethnic clients:</i>					
0–24	36	36	12	22	3.19+
25–49	20	20	9	16	
50–74	14	14	14	25	
75–100	31	31	20	36	
Total	101	100	55	100	

+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

to locate their business within the enclave ($F = 0.32$, n.s.). Second, for Hypothesis 2b, no significant differences were found in the importance placed on hiring someone from one's own ethnic group (see Table 2a, $F = 0.07$, n.s.). Moreover, this variable was ranked as only moderately important by both US-born Mexican entrepreneurs (Mean = 2.42, s.d. = 1.52) and Mexican immigrant entrepreneurs (Mean = 2.49, s.d. = 1.54). Third, Mexican immigrant and US-born Mexican entrepreneurs were equally likely to use co-ethnic suppliers, and approximately 32 percent of suppliers for both groups were reported to be co-ethnic, lending no support to Hypothesis 2c (see Table 3).

However, in support of Hypothesis 2d, findings indicated that US-born Mexican entrepreneurs gave less importance to focusing on a co-ethnic clientele when compared to their Mexican immigrant counterparts ($F = 3.19$, $p < 0.10$). Specifically, Mexican immigrant entrepreneurs reported a higher percentage of co-ethnic clients compared to US-born Mexican entrepreneurs. More than half of the US-born Mexican entrepreneurs (56 percent) reported that their co-ethnic clientele ranges from 0–49 percent, while most Mexican immigrant entrepreneurs (61 percent) indicated their clientele falls within the 50–100 percent range (see Table 3). This is consistent with findings discussed above that immigrant entrepreneurs place a higher importance on serving their Mexican American community compared to their US-born counterparts (see Table 2a).

Our third hypotheses addressed the question of whether being born in the US impacts financial savvy in terms of (a) taking advantage of support programs for entrepreneurs and (b) obtaining financing for the business. Both aspects of this hypothesis were not supported because there were no statistically significant differences in entrepreneurs' responses to questions about the agencies they approached for assistance or about the sources they used to obtain financing. Results indicate both groups were equally unlikely to use agencies such as the Small Business Administration or Small Business Development Centers, state or local economic development offices, local chambers of commerce, and county or state extension offices, and were equally unlikely to take advantage of government aid or tax incentives (see Table 4). Similarly, as shown in Table 5, both groups of entrepreneurs demonstrate a relatively low use of banks and other financial institutions. There appears to be some

Table 4. Government funding sources.

	US-Born Mexican Entrepreneurs		Mexican Immigrant Entrepreneurs		<i>F</i>
	<i>N</i>	%	<i>N</i>	%	
Have you ever asked for help from:					
Small Business Administration or Small Business Development Centers	22	22	8	15	1.19
State or local economic development offices or local chamber of commerce	15	15	4	7	1.91
County or state extension office	4	4	2	4	0.01
Government aid or tax incentives	1	1	0	0	0.54
Total Government funding sources	42	42	14	26	

+*p* < 0.10; **p* < 0.05; ***p* < 0.01; ****p* < 0.001.

Table 5. Non-government funding sources.

	US-Born Mexican Entrepreneurs		Mexican Immigrant Entrepreneurs		<i>F</i>
	Mean (%)	SD	Mean (%)	SD	
Since the start of your business, what percent of funding did you receive for your business from:					
Banks, saving institutions, or credit union	14	30.5	9	24.4	1.55
Other institutions such as finance companies, brokerage firms, or leasing companies	3	14.1	3	14.6	0.32
Total Financial Institutions	18		12		
Family members	13	29.7	13	29.6	0.01
Friends	1	5.4	2	13.6	0.38
Total Family and Friends	14		15		

+*p* < 0.10; **p* < 0.05; ***p* < 0.01; ****p* < 0.001.

indication that US-born Mexican entrepreneurs use these institutions to a greater degree (18 percent) than their reliance on family members and friends (14 percent), compared to Mexican immigrant entrepreneurs who use family and friends (15 percent) to a greater extent than they use financial institutions (12 percent). Although the differences for each category were not statistically significant, future work might further study why Mexican entrepreneurs, both US-born and immigrant, appear to have limited access to financial institutions and/or why they choose not to use these institutions.

5. Discussion and Conclusions

5.1. Motivations for entry

Overall, the results provide some support for our hypotheses. In our first hypothesis, we suggested Mexican immigrant entrepreneurs would face greater discrimination and hardship in the labor market compared to their US-born Mexican counterparts. As a result, we argued they would be more likely than US-born Mexican entrepreneurs to feel “pushed”

into self-employment. However, we found no statistically significant differences between Mexican immigrant and US-born Mexican entrepreneurs in this context. It is possible that individuals of Mexican descent who are born in the United States and have higher education levels and English proficiency compared to Mexican immigrants (Fairlie and Woodruff, 2006), have higher expectations regarding their employment opportunities and when those are lacking, they too feel discriminated against and pushed into self-employment. Nevertheless, it is important to note that our results, although not supportive of our hypothesis, do provide some reinforcement to disadvantage theory (Light, 1979), which suggests immigrants and ethnic minorities are pushed into entrepreneurship as a last resort because of chronic unemployment, low wages and labor market discrimination. Overall, a third of our population stated they perceived the labor market as discriminatory. The majority of these entrepreneurs responded that this discrimination prompted them to become self-employed (roughly two thirds of US-born Mexican entrepreneurs and four-fifths of the Mexican immigrant entrepreneurs). Less pessimistically, these same results can be evaluated as encouraging news about the American labor market and its ability to absorb diverse groups given that two-thirds of the population did not perceive the labor market as discriminatory.

We also suggest that because they are more assimilated in American culture and society, US-born Mexican entrepreneurs would cite pull factors as a more important reason for business startup compared to Mexican immigrant entrepreneurs. Indeed, this hypothesis was partially supported because significant between-group differences were identified for three pull factors. US-born Mexican entrepreneurs ranked the motivation of “earning lots of money” significantly higher than their Mexican immigrant counterparts. This is counter to Rajjman and Tienda’s (2000b) findings indicating native born Hispanic entrepreneurs were the only group not to cite the desire to make more money as a motivation to start a business compared to immigrant Hispanic, Korean, Middle Eastern/South Asian and White entrepreneurs in Chicago, leading the researchers to believe this group does not see entrepreneurship as an avenue for economic mobility. Surprisingly, in our study, “gaining maximum control over my life” was rated higher by US-born entrepreneurs, while “serving the Mexican American community in which I live” was rated higher by Mexican immigrant entrepreneurs.

One way to interpret this pattern is to suggest that both Mexican immigrant and US-born Mexican entrepreneurs are motivated by pull factors, but by different types of pull factors. The US-born Mexican entrepreneurs in our sample were more motivated by what can be considered individualistic values (i.e., personal financial advancement and gaining control over one’s own life). The Mexican immigrant entrepreneurs, on the other hand, were more motivated by a collectivist value system, in that higher importance is placed on serving society and the co-ethnic community. According to Hofstede’s (2001) classification, Mexico ranks significantly higher on collectivism compared to the United States. Consequently, we postulate that Mexican immigrants adhere more closely to the value system they grew up in rather than the one in which they currently live. This is also supported by the above mentioned PEW Hispanic center study which identified attitudinal differences between US and foreign-born Hispanics, with US-born children of immigrants

expressing views closer to the American mainstream (Morales and Voris, 2002). However, US-born Mexican entrepreneurs are more motivated by individualistic goals, which are aligned more closely with American individualistic values. This is also evident in our results showing that the longer Mexican immigrant entrepreneurs are in the US, the more consistent their motivations are with those of the US-born Mexican entrepreneurs' focus on making more money and having more control over one's own life, both individualistic motivations.

Another possibility is that many immigrants perceive the United States as the "land of opportunity" and are grateful to have had the opportunity to obtain economic gains. Consequently, they are likely to welcome the opportunity to "give back" to their communities some of these economic gains. For this reason, Mexican immigrants feel compelled to "give back" to their Mexican American community. It is also possible our immigrant entrepreneur sample started their own firms to satisfy some specific ethnic need in their local community to help them feel more at home, and it was this motivation to serve that ethnic community, rather than a strong economic motivation, that drove them to become entrepreneurs. Finally, our data seem to indicate that when these Mexican immigrants have lived in the United States for a greater proportion of their lives, they are more likely to value typically individualistic motivators and are less likely to be motivated by the desire to "serve the ethnic community in which [they] live."

Additionally, it is important to note that by and large, the non-significant intrinsic motivators ("contributing to society," "living how and where I want," "utilizing my skills and abilities" and "gaining satisfaction from building a business") were ranked as highly important for both groups. Interestingly, these findings suggest both Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs are intrinsically drawn to self-employment. This argument is in line with much of the literature on entrepreneurial motivation among minority populations (e.g., Basu, 2004; Bradley and Boles, 2003; Lee *et al.*, 1996; Shinnar and Young, 2008; Tienda and Rajman, 2000b; Wilson *et al.*, 2004). For example, Tienda and Rajman (2000b) indicated that US-born Hispanics in Chicago mentioned both the desire to make more money and the desire for independence as their motivations for business ownership. Shinnar and Young (2008) also identified pull factors (i.e., the desire for independence, flexibility, and financial motives) as most important among Hispanic immigrant entrepreneurs. Similarly, "being one's own boss" and "having freedom and independence" were identified as the main motivators for entrepreneurship among minority women (Bradley and Boles, 2003). Variables related to autonomy were also identified as the strongest motivators among Hispanic teens interested in entrepreneurship (Wilson *et al.*, 2004). As another example, Lee *et al.* (1996) found the top goals and/or motivations of aspiring African American business owners to be "using my skills and abilities," "creating a new venture," "gaining maximum control over my life" and "living how and where I want," with financial goals/motivations ranking seventh. Similar motivators were also identified among British minority entrepreneurs, (Bangladeshi, East-African, Asian, Indian, Pakistani, and Turkish-Cypriot) who cited "family tradition to be in business" and "independence: to be my own boss" (Basu, 2004). Our results are consistent with these findings that immigrant entrepreneurs are more often intrinsically than extrinsically motivated to become entrepreneurs.

5.2. The ethnic enclave

In our second hypothesis, we argued the ethnic enclave, as a choice of business location and as a source of labor, suppliers and clients would be more important to immigrant entrepreneurs than their US-born counterparts. However, we found few differences among the groups: (a) being located within the ethnic enclave was almost equally likely for both groups, (b) hiring co-ethnic employees was equally unimportant to both groups, and (c) the two groups were similar in their low use of co-ethnic suppliers (although this may simply be an issue of limited availability of co-ethnic suppliers). We also argued that US-born Mexican entrepreneurs would focus less on nourishing a co-ethnic clientele compared to their Mexican immigrant counterparts. This hypothesis was supported. What this finding suggests is that although both Mexican immigrant and US-born Mexican entrepreneurs are likely to be located within the ethnic enclave, Mexican immigrant entrepreneurs continue to keep relations with their co-ethnic clientele active whereas the US-born Mexican entrepreneurs are branching out of the ethnic enclave to attract more clients and thereby developing a broader based clientele rather than limiting their business to just serving the ethnic enclave. This is an important finding as the limited focus on co-ethnic clientele could impede business growth opportunities for Mexican immigrant entrepreneurs.

5.3. Business management

Our third hypotheses addressed the question of whether growing up in the United States had an impact on financial savvy in terms of financial business management, namely taking advantage of government programs as well as obtaining financing for the business. This hypothesis was not supported because results showed no statistically significant differences between the two groups of entrepreneurs. Nevertheless, our results are telling in that very few of our respondents took advantage of government programs. Similarly, the overall use of financial institutions in both groups was relatively low. This result is possibly due to the reported mistrust of financial institutions among Hispanics (Toussaint-Comeau, 2003). Research evidence suggests immigrants from Latin American countries have limited experience with, and low trust in financial institutions (Amuedo-Dorantes *et al.*, 2005) because of poor experiences with financial institutions in the immigrants' home countries (Campbell, 2004; Harrington, 2004). However, it could also be because of "loan bias" (Barth, Yago and Zeidman, 2006), namely the discrimination in the small-business credit market (Blanchard *et al.*, 2008). Indeed, researchers (Barth *et al.*, 2006; Blanchard *et al.*, 2008) found statistically significant evidence of substantial discrimination in loan approval against Hispanic-owned businesses.

Although not statistically significant, our findings indicate that US-born Mexican entrepreneurs appear to use mainstream institutions to a greater extent than they use family and friends-based financing while Mexican immigrant entrepreneurs use family and friends to a greater extent than they use financial institutions. These results point to a different allocation of financing. Perhaps, these differences suggest that more time in the United States is needed to develop the skills, comfort level and trust that enable entrepreneurs to more

actively utilize lending establishments. Further research is needed to see if this possibility is supported.

5.4. Limitations

This study was based on analysis of a unique dataset, the first national data set of its kind to provide detailed information about the business owner and the actual business characteristics, (Puryear *et al.*, 2008). By utilizing this data set, we were able to provide information on the business owner's motivation for entry into this labor market sector. However, using a data source not collected for the sole purpose of addressing this study's questions limits the types of research questions that can be answered. The interview questions and protocols were constructed by other authors and as such, might not exactly match the purpose of this study. Therefore, adjustments were needed when working with the variables. For example, although we argued cultural differences between the American individualistic and Mexican collectivistic tendencies may help explain our findings, we did not measure the degree of individualism or collectivism of the respondents in our study.

Second, the categorical nature of many of the variables and constructs included in the data set allowed us to use ANOVA, but limited our ability to apply more sophisticated and robust analysis, such as Ordinary Least-Square Regression. As indicated above, the data does, however, add to our existing knowledge regarding the so far unexamined within-group variances of Mexican American entrepreneurs.

Finally, given that our study was based on survey data, it has the limitation of both self-report and single-source data. All of the variables in our study were collected from the same source, the Mexican respondents, and thus could be skewed.

5.5. Implications

Overall, our research results provide some evidence that the entrepreneurial experiences of Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs are not so different from each other. Their similarities include demographic characteristics (e.g., age, size of business), intrinsic motivations to start a business, reliance on the ethnic enclave and business management (in terms of the limited use of government agencies and financial institutions). Some differences were identified in that US-born Mexican entrepreneurs appear to be more aligned with American individualistic values placing more importance on extrinsic motivators in starting their business, whereas Mexican immigrant entrepreneurs appear to remain more closely aligned with Mexican collectivistic values, in their emphasis on serving society and their co-ethnic community as a reason to start a business, as well as the significantly higher percentage of their clientele being co-ethnic. Agencies developing programs to support this growing segment of business owners need to be made aware of the similarities as well as the differences between the two groups and take those into consideration so as to ensure training programs are sensitive to cultural differences. Cultural sensitivity extends beyond simply offering bilingual materials (in English and Spanish), but ensuring the content and message is emotionally meaningful to the target audience. For

example, because serving or giving back to the co-ethnic community appears to be emotionally meaningful to Mexican immigrant entrepreneurs, this could be a message contained in culturally-sensitive materials targeting this population.

An additional finding of this study is the limited importance placed on hiring co-ethnic employees among both Mexican immigrant entrepreneurs and US-born Mexican entrepreneurs. Therefore, it appears that relatively few Mexican immigrants and US-born individuals of Mexican descent have the opportunity to take advantage of such informal training of business know-how. This is consistent with Rajiman and Tienda's (2000b) findings that Hispanic immigrant entrepreneurs in Chicago were less likely to benefit from training opportunities in co-ethnic firms compared to Korean and Middle Eastern/South Asian entrepreneurs in the city. This could possibly serve to explain lower rates of self-employment among Mexican Americans. Therefore, it is even more important for outside agencies to offer educational and training opportunities to aspiring entrepreneurs within this community to replace or supplement this co-ethnic mentoring process, which is lacking. An example of one such program is the Nevada Microenterprise Initiative,^c which offers various business management classes, assistance in preparing business plans, as well as microloans to low income and minority aspiring entrepreneurs. For an extended, nation-wide list of other such agencies and initiatives, visit Granier (2006).

A final and important finding of this study is that both Mexican immigrant and US-born Mexican entrepreneurs indicated low usage of government and other agencies that support small businesses as well as financial institutions. This finding suggests that these entrepreneurs are either unaware of existing programs and services, uncomfortable with approaching them, distrust the institutions that offer them, or unable to attain funds from these sources. The problematic aspects of businesses that are started using personal savings or loans from family and friends is that they need to generate income more quickly and have less ability to leverage their resources (Granier, 2006). Furthermore, liquidity constraints in small businesses may force business owners to postpone expansion or limit products and services, which is a factor that may be contributing to the relatively low (68 percent) survival rate of Hispanic owned businesses (Granier, 2006).

Creating outreach programs could serve to build relationships with Mexican business owners and potentially improve the success rate and survival of these businesses. Such programs could also serve to strengthen trust between government agencies, financial institutions and Mexican American entrepreneurs. The Arkansas based Arvest bank, for example, has spent more than a decade offering seminars to the local Hispanic community on financial topics such as building deposits and credit. Although slow, these efforts served to build strong relationships and trust (which also generated positive word-of-mouth) in Arvest bank, which now maintains the largest share of the local Hispanic market in its community (Giese and Snyder, 2009). Other outreach examples by financial institutions include opening mini-banks inside grocery stores in neighborhoods that lack financial institutions

^cNevada Microenterprise Initiative is a private non-profit community development financial institution providing business tools to assist aspiring entrepreneurs to overcome barriers in starting or expanding one's business. <http://www.4microbiz.org>

and turning community events into educational opportunities (Granier, 2006). For example, an event in Gainesville Georgia “provided financial literacy...information to more than 1500 attendees by including music, prizes and food at the [Hands Across the Border festival]” (Granier, 2006). Lenders and policy makers could develop outreach programs geared at increasing the access for Mexican American entrepreneurs to the range of services and funds government and financial institutions offer and bring the information into the community. However, as mentioned earlier, it is important to make these programs culturally sensitive and bilingual.

5.6. Theoretical contributions and implications for research

One of the primary implications of our research is that minority entrepreneurs are not a homogenous group. Although this is not a new argument (e.g., Cardon *et al.*, 2008), other researchers have not traditionally looked at differences within a specific minority group (aside from Tienda and Raijman, 2004). The main contribution of these findings then is that being a minority entrepreneur does not mean one specific thing nor is it a static condition. Being a Mexican entrepreneur in the United States does not imply homogeneity of attitudes, ideas, motivations, or business management practices. Static and categorical approaches to minority entrepreneurship are limited. Instead, we suggest a more nuanced and dynamic view of minority entrepreneurship is needed, and provide evidence supporting such a line of inquiry. In particular, our results highlight both the ways in which immigrants and US-born Mexican entrepreneurs are similar and different as well as how these differences vary over time. In particular, we show how attitudes shift the longer Mexican immigrant entrepreneurs have lived in the United States. Over time, the motivations of Mexican immigrant entrepreneurs align more closely with those of US-born Mexican entrepreneurs in our study. Although we do not test this issue directly, this result implies individual values and attitudes change over time. Additionally, it is likely society evolves regarding discrimination and cultural acceptance, an issue that has a profound effect on the concept of push motivators. Therefore, to advance research on minority entrepreneurship, scholars need to take a more nuanced and temporal perspective on how changes can evolve both at the individual and societal levels.

5.7. Areas for future research

In addition to several areas of research mentioned above, future research might compare motivations for entry across regions to examine whether regional differences exist in the motivations to start a business, for example between rural and metropolitan areas or between areas with large and small concentrations of Hispanic populations. It could also examine how these motivations change over time. Given that a large portion of our sample included family firms, additional research could investigate whether the family has an influence on the business owner’s motivations to start a business, reliance on ethnic enclaves, business management practices and succession planning. Finally, gender comparisons could further expand our understanding of motivations for entry for men and women within this ethnic group. This is especially interesting given the relatively high occurrence of female owned

businesses in both groups of entrepreneurs. More broadly, we encourage research into other groups of minority entrepreneurs that would continue to illuminate the differences within ethnic populations and sub-populations rather than assume minority entrepreneurs are a homogenous group. We believe this study makes an important early step in this direction.

Appendix A. Sampling Procedures

In 2005, TMR, Inc. of Cedar Knolls, New Jersey, completed the interviews with the Mexican American business owners. TMR generated two target samples for this group and paid respondents \$50 for completed interviews in an effort to maintain a reasonably broad nationwide representation. Accordingly, one Mexican American sample universe was targeted at households and the other targeted at Mexican American businesses. Households represented about one-half of the sampling frame throughout. Because each of these samples started with both residential and business listings, the resulting samples include both home-based businesses as well as storefronts with the latter being more frequently represented.

To derive a Mexican American sample, TMR used estimates of Hispanic households by country-of-origin within each state as the foundation to generate a targeted household sample. The sample universe was limited to those states where the Hispanic population is predominantly Mexican American, Chicano, or Mexican. The top 15 states (in terms of percentage of Mexican Americans among all Hispanics) throughout the United States were selected, covering about 85 percent of the target population (Mexican American households) throughout the United States. Additionally, a targeted universe of Hispanic businesses, again targeted at these same 15 states, was generated. This sample universe was generated and then compared to the household sample to avoid duplication. When dialing this targeted business sample, TMR only contracted those records that were not part of the household sample.

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