

Assisting Minority Micro-Entrepreneurship: Evaluation of a Proposed Model
for Brazilians in Massachusetts

by

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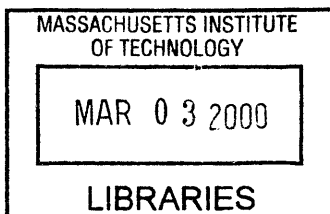
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ABSTRACT

Assessment of an economic development plan, based on entrepreneurship assistance, for a newcomer ethnic group in Massachusetts, U.S. Approached as a consulting project, recommendations for improvement are offered at the end. After a survey of current literature on entrepreneurship, a summary and analysis of factors relevant to self-employment motivation and success of immigrant ethnic minorities is presented. Data on the characteristics of Brazilians in Massachusetts is analyzed and related to the above findings, and the proposed plan by the Brazilian Business Network (BBN) is then critiqued. BBN was found to have many strengths, and the basis for its plan was sound, but the plan itself needed substantial development. The final recommendations include: further specific research on the target population to confirm this paper's preliminary findings, expansion of several underdeveloped aspects of BBN's plan, and the utilization of "ethnic business techniques" developed by older immigrant groups, and of recent methods devised by Brazilian newcomers and proven useful in defeating their multiple barriers to enter business.

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Ya en el tercer milenio, pero aún sin saber a donde diablos vamos,

Rubén Morfín Ramírez

PREFACE

Multidisciplinary research in the last few decades has not been able to pinpoint personal characteristics that may explain why some entrepreneurs succeed while others fail. Studies of small ethnic business have not done much better in identifying "successful" cultural traits. The promotion of entrepreneurship itself has not been proven to be an effective tool for economic development of disadvantaged groups. As Bates (1991) asserts, "quantitative studies of entrepreneurship ignore problems that cannot be measured" —such as the role of the business owners' personality, or the effects of racial discrimination. These and other research limitations generated some criticism about the practicality, and potential contributions, of this project. At times, I had similar doubts myself. Memories of first-hand experiences, however, constantly reminded me of why I believe understanding immigrant entrepreneurship is important and potentially useful.

Before I was old enough to attend school, I occasionally peddled fruit or similar items with older relatives in my native Mexico. At six, I had an "internship" with a local grocer. My mother, my aunt, and other women in the neighborhood attached ornaments on dresses for local merchants, to contribute to their households' incomes. My father, who had hated his experiences as a laborer in California, was self-employed in every recollection I have of his occupations. He once built a brick oven to bake bread and retail it in our neighborhood —but as with other attempts, it was short-lived. Ultimately, however, most of my family worked for many years in our own tiny sundry store in the center of town. The financial returns were low, and my siblings and I had to work at a young age; but capturing our labor's value in our own business, I believe, afforded us the opportunity to continue school beyond what our parents were able to —and under better conditions. When I migrated to the US, as a young adult, entrepreneurial activities supplemented my income as I upgraded my job skills and learned to deal with the US system. In part, at least, I owe to entrepreneurship my eventual management career.

Similar stories could be repeated today by thousands, maybe millions of individuals in most countries around the globe. The numbers are simply too large to ignore. Whether other means to foster development are more efficient is not such a relevant issue when so many individuals choose entrepreneurship. It may very well be their best alternative in a society that undervalues, or cannot employ their skills. Even in very authoritarian systems we can expect that many individuals and families will continue to employ their drive to start businesses. Their personal success or failure may become a social contribution to job creation and economic growth, or a drain on the system in the form of welfare dependence or perhaps crime. Entrepreneurship cannot possibly benefit everyone dramatically, but it has helped many improve their employable skills, and eventually their communities' socioeconomic conditions. That was a point of consensus in the literature reviewed here.

My focus on Brazilian immigrants drew well-intended criticism as well from some who thought I should have focused on Mexicans. While I feel a strong obligation towards my narrower community, limiting my work to issues of my own ethnicity (or age group, or gender, etc.) would also limit the scope of my learning. This was a timely opportunity to look at a population at an interesting developmental stage--and within commuting distance to MIT. My future endeavors and clients (whether Mexican or not) will benefit more if my professional skills include broader experiences.

I have other philosophical reasons to pursue broader immigrant issues in the US. I believe this country is going through a xenophobic backlash, to its own detriment, but particularly affecting immigrants and other people of color. Ethnic stereotypes still play a role in policy-making and enforcement, as they do in social interactions. Ironically, as we evolve into a more interdependent global community with growing demands for multicultural skills, substantial segments of this society prefer to force a retreat to a seemingly safer national "homogeneity" —irrationally undervaluing and wasting multiethnic resources. Perhaps it is a fear of losing white control, more than

xenophobia, what has generated official attacks on immigrants¹ —but the agenda is racist. The movements to deny immigrant children a bilingual education, for example, thinly veiled as concern for their future, ignore evidence of the great benefits of well-designed and well-implemented programs —because its agenda is to de-fund, not to improve.

The treatment of the "immigrant problem" in the US is a very broad issue, and beyond the scope of this paper. It was an important factor in my choice of topic, however. I agree with the goal of expecting full self-sufficiency from immigrants (and of everybody who is able, for that matter) but I also believe it would be cheaper, economically and morally, to assist them to achieve it than to oppress them into it. Contrary to some prevalent uninformed beliefs, the great majority of immigrants have a strong interest in improving their lives and participating as contributing members of society. From first-hand experience, however, I know well that this is not always achievable without some assistance. Policies failing to acknowledge this fact may appear to be penny-wise, but are profoundly pound-foolish —and often racist.

¹ New legislation and administrative mechanisms bar undocumented immigrants from the most basic public services such as medical care and elementary education; but in early 1997, legal immigrants were also excluded from some benefits—even disabled elders who had worked most of their lives and paid taxes in the US. During that period, non-naturalized immigrant workers were "legally" forced to contribute to the SS fund, but ineligible to receive retirement services. The law is now amended to grant retirement benefits to immigrants who have contributed for over ten years.

CHAPTER 1

INTRODUCTION

This paper explores the potential of assisting the entrepreneurship of newcomer ethnic groups in the US. The concrete subject, a plan of small business support for the economic development of Brazilian immigrants in Massachusetts, is studied and critiqued. This project is approached as a consulting assignment, drawing on lessons from older immigrant communities in the US. The Brazilian Business Network (BBN), a non-profit organization under development² in Boston, will be the "surrogate client"³.

BBN's mission includes the broader goal of assisting the community development, through job creation, of Brazilian immigrants in the US and in Brazil. This project, however, will consider only BBN's plan for developing Brazilian small businesses in Massachusetts. Their plan involves strengthening Brazilian entrepreneur networks, and assisting the creation and growth of their small businesses by offering them exclusively guidance and referrals to business advice and services provided by third parties — supported through donations from private corporations, who would become BBN's "partners". BBN will not provide loans, business advice, or technical assistance. It describes its function solely as the creation of "pipelines" to the business assistance needed by their entrepreneurial clients —and not as the "duplication" of those business services available elsewhere.

² BBN was incorporated as a non-profit organization in June, 1997, and I was working on its business plan in the later part of that year. This project is based on their concept plan at the time (which may have changed since) and on some interviews and research conducted by myself or others at the time and later.

³ I do not have a consultancy agreement with BBN. I selected their design for my thesis topic after learning about it in detail through a practicum-type assignment for an MIT course I took in the fall of 1997. The then President of BBN's Board of Directors, Alvaro Lima, agreed verbally to my using their information in this exercise. Personal reasons disabled me from continuing my work with BBN in early 1998. This project has been isolated from any developments in BBN since then, and was written independently.

The premises that economic development is an important and necessary factor in community development, and that job creation via entrepreneurship support is an efficient dynamo for community economic improvement, are accepted as facts here. Bates (1991) has demonstrated that minorities are more frequently employed by entrepreneurs of their own ethnicity⁴. It follows, then, that by assisting entrepreneurs of targeted ethnic groups effectively, substantial and direct benefits would be brought to their communities. BBN's plan to foster entrepreneurship within a disadvantaged ethnic group as a means to promote its development, therefore, is not questioned. The objective of this paper is to assess the potential of BBN's method to assist Brazilian entrepreneurs, given their community's circumstances, and based on proven techniques used by other minority immigrants. The questions to be addressed are: What barriers an ethnic immigrant group, such as the Brazilian, can expect to encounter in their small entrepreneurial activities in the US? How have other immigrant groups have dealt with those barriers? Can an organization like BBN (small, low-budget, offering mainly referrals) successfully assist an immigrant community by tapping already-available resources and services? Can such a model leverage the strengths⁵ of the Brazilian entrepreneurs and community?

This paper's methodology includes the study of current literature on small entrepreneurship, particularly that addressing ethnic minority issues, and interviews of key actors in BBN's organization, and of some of their actual and potential clients. The author's direct experience in over two decades as an immigrant, and in more than ten years of micro-entrepreneurship and professional administration of support services for multicultural populations in the US, will also be used to offer a broader critical feedback.

This project started with the appearance of being a much narrower problem. The task of assessing a specific aspect of a plan to assist a clearly identified population in its

⁴ Black-owned businesses hire more minorities than white owned ones regardless of location (Bates, 1991, p. 54-55).

⁵ For this purpose, strengths can be skills, knowledge, networks, contacts, etc. that may give individuals a competitive advantage as entrepreneurs in the US.

development process sounded very concrete and concise. It soon became clear, however, that BBN's plan included various assumptions, some of which were accurate, but not all. Critiquing it, therefore, became a problem of understanding better its rationale and finding precedents that would justify it. This involved as well a search for more in-depth information about the population to be served. The literature available on entrepreneurship was not always conclusive. It turns out, for example, that there is no such thing as proven profiles or individual characteristics defining the ideal entrepreneur—Appendix A briefly summarizes the results of this research. Only a few statistical findings helped understand somewhat the potential of the Brazilian American population to start businesses.

There was more information available, perhaps too much and too diverse, about the precedents set by the many previous waves of immigrants to the U.S. Sifting through it forced the broadening of the project some more. It appeared that, to a degree, any process to assess and critique BBN's plan had to distinguish better the forest from the trees, to understand why some ethnic entrepreneurial methods may be very effective in some contexts, but detrimental in others. For example, a paradox in the experience of immigrant entrepreneurs is that some of their most effective "ethnic business methods" are useful in only some stages of a group's development. After that, the same techniques may become liabilities in their need to expand. This is because at the beginning, as they try to survive, newcomers may have to turn inward and build their communities, for which "ethnic tools" are an advantage. Later, however, the path to prosperity leads outward towards the larger economy, where the tools required for success are different. The more knowledgeable and effective the group becomes in its ethnic methods of entrepreneurship, the more dependent on them it becomes, and thus, the more this efficiency may become a trap. It is important, therefore, to keep in mind the developmental stage of the group in question, and the likely long-term goals of achieving prosperity beyond mere survival, as a development strategy is developed—but BBN did not seem to consider this. A good strategy would include reasons for using, or not, some "ethnic resources", acknowledge when it believes the ethnic techniques are no longer optimal tools, and plan ahead for a transition at the right time,

by developing alternative techniques, skills, or businesses that can be applied to the broader market.

Chapter 2 explores the theoretical basis for the above, and will describe why high numbers of immigrants start small businesses, their measures of success, and the means they employ to achieve it. It will include two general patterns of ethnic immigrant communities with blocked mobility in the US, to ultimately reach some degree of socioeconomic integration. The first involves the creation of ethnic niches and enclaves, ethnic markets controlled through the use of ethnic resources, with an eventual need of the ethnic businesses to expand to the mainstream. The second path is to start businesses that from the onset begin to serve mainstream markets. The challenges of this method may be greater, but ultimately allows an easier exit from the “survival entrepreneurship” of the ethnic niche, and perhaps a more rapid growth as well. Possible reasons for this will be offered, based on recent literature findings.

Chapter 3 describes Brazilians in Massachusetts, based on limited data, as mainly temporary migrants uninterested in long-term investments, and with legal barriers to accessing government assistance and most private loans. It also presents evidence of substantial strengths and enough diversity to doubt these same data findings, and recommends that they be confirmed with further research. This chapter also offers anecdotal evidence of Brazilian entrepreneurship in various areas of the Boston region, seemingly indicating that there are sufficient numbers of potential entrepreneurs willing and able to mobilize resources to fulfill BBN’s economic development plan —something that also has to be confirmed.

The last chapter will analyze and critique BBN’s plan and its potential to fulfill its goals, in view of the above findings, and will offer recommendations for improvement. BBN’s plan is found to have a sound rationale, but also based on rather superficial research, unclear about its intended modus operandi, and incomplete in addressing the needs of Brazilians in Massachusetts. Among its strengths, BBN appears to have plenty of (non-financial) support from the Brazilian community, the Brazilian government, and from

some corporations in the region —apparently interested in the potential Brazilian markets. Its proposed "pipelines" to connect clients to business-assistance services is an innovative approach but ignores what appear to be the characteristics of the majority of Brazilians in Massachusetts and would leave them out. BBN does not seem to have a good understanding of its potential clientele, or it is intentionally targeting only individuals of relatively functional levels of education, business skills, or knowledge of the US system, culture, and language. In either case, it is doubtful that its "pipeline system" will have enough clients to drive a community development effort.

The recommendations to BBN do not involve radical departures from its plan's conceptual basis, but include a more rigorous assessment of the size and entrepreneurial characteristics of its client population, and several other aspects that seem to have been left out. They also propose that it quantifies somewhat the size of the problem it will tackle, and the expected results with a long-term timetable, and that it acknowledges that without a substantial investment in Brazilian-specific technical services, it may have to settle for very modest goals. Regardless of the magnitude of its intervention, however, any development plan must include some of the methods proven successful by others, and some of these are recommended.

A. Some Relevant Definitions.

"Immigrants", officially, are individuals born outside the US (to non-US citizens) who have migrated to this country. The interest of this paper, however, is the subset of immigrants whose entrepreneurial experiences may compare to what underprivileged ethnic groups in the US may expect. The search for appropriate literature may appear as a simple narrowing of its focus to "ethnic minorities" with limited resources, able only to start "small businesses". Unfortunately, ideal comparisons are very limited. Many of the sources reviewed differ on their perspectives of entrepreneurship, as they balance specific interests with available data, and include wide ranges of business sizes and of racial and ethnic groups, etc. The broadest perspectives, attempting to understand

entrepreneurship itself present helpful data unavailable otherwise, but obscure specific facts about micro-entrepreneurs, immigrants, or minority immigrants⁶.

The term "ethnic minority" itself (or "minority", as shortened in practice) is not a standard and can lead to confusion. Some parties consider it as defining only non-white⁷ ethnic groups with a long-term presence in the US, and who have been subjected to discrimination and other barriers for generations (and thus, "domestic minorities"). This may include some immigrants--although this depends on each individual's self-definition as a "minority" (based on race, or culture, as in the case of Hispanics). Some official and private entities may have an even narrower definition, and in agreement with "affirmative action" programs based on federal legislation that emanated from the civil rights movement of the 1960s, may include only "African-Americans, Asians, Mexican-Americans, Native-Americans, and Puerto Ricans"—excluding, therefore, individuals of many other ethnicities, US-born or not, who share all of the disadvantages. In the last couple of decades, "Latinos" have self-defined ourselves in the US with this term that includes all Latin Americans, in the US or not. Broader definitions, however, are also used broadly and include ethnic groups perceived as potentially facing similar social and personal barriers not affecting white Americans. Haitians, Cape Verdeans, and Moroccans, for example, would be included only in this broader definition, but not in many governmental or official programs of assistance or monitoring of social issues. Only this last and very informal definition would consistently include Brazilians; but because of their Latin American origin, are often associated with Hispanics —Latinos do not usually see the language and cultural differences between us as very important. This paper uses the broadest and most practical definition of ethnicity described below.

⁶ Appendix B summarizes the development and perspectives of the literature on entrepreneurship up to the 1990s, describing somewhat the limitations encountered in this research.

⁷ Just like the term "minority", "non-white" is somewhat of a misnomer. "Hispanic", for example, is not a race but a multiracial ethnicity, which may include any race to be found in its 20-odd countries of origin, including racially white individuals. In fact, in its literal and broadest sense, "Hispanic" would include Spaniards. Most other racial/ethnic groups also considered minorities in the US, have white racial influences in their populations as well, in some cases making individuals white in appearance, if not always in culture --as is the case with some Native American tribes.

"Small business" is also a loosely used term. Melanie Archer (1991) defined three levels of entrepreneurship in her study of the industrialization of Detroit in 1880: the "industrial/merchant elite" representing 21% of all self-employed, "general merchants and proprietors" representing 51%, and "petty merchants and proprietors" representing 28%. She does not include an objective definition of these categories, in capital size or number of employees, for example. On another extreme, the U.S. Small Business Administration, "the nation's largest single financial backer of small businesses", has a long and complicated set of criteria defining a "small business" as having up to 1,500 employees (for manufacturing) and annual receipts higher than \$20 million (SBA web page, Fall of 1999). Business size definitions cannot be easily standardized, however. For example, while many retailers, such as neighborhood food stores, can get by with a couple of employees, small service or manufacturing businesses may need to employ several times that number to start functioning—but those employing hi-tech machines can do it with fewer. Comparing these three businesses by number of employees may make the second group appear as the larger, and the other two as similar—when they are not.

The search for ideal comparisons for purposes of this project was elusive beyond definitions. It can be argued, for example, that a working-class Brazilian immigrant may face similar barriers to entrepreneurship as a non-immigrant black American of similar means, and have much less in common with better-educated or wealthier immigrants of any national origin or race. On the other hand, it could be argued as well that, because many Brazilians can be very apparently of white European descent, they would not face the same barriers as immigrants of color. It was also impractical, if not totally impossible, to segregate available data on immigrants from that of domestic "ethnic minorities", or even to distinguish low-income entrepreneurs from others. I found that to be a general problem with many sources of potentially very useful data. As an example, the US Census "self-employed" category is not limited to "small entrepreneurs" with small incomes, but it includes owner/operators of large stores and factories, landlords, self-employed lawyers and medical professionals, etc.

This paper will not attempt to question or endorse any particular definition of "minority" or "small business". Its objectives are served by utilizing a broad range of experiences "comparable" to those that Brazilians may go through in the US. In this paper, a "minority ethnic group" is one whose majority members, because of their race or culture, are definable and distinguishable from the majority white Anglo-Saxon—and who may face or have faced in the past barriers such as discrimination. For practical purposes as well, the definition of "small business" will not be questioned or defined any further in this project. The assumption is that unincorporated businesses are small enough to contribute to understanding even smaller ones. Likewise, the comparisons sought will not be limited to any "minority immigrant" definition, but will include any experiences or lessons that help in the understanding of the issues to be addressed. For example, one of many barriers to economic opportunities in the US is racism, and the fact that many Brazilians are racially black or dark-skinned may make some comparisons with black Americans very relevant in this context. The intended research subject is that bottom layer of small or micro-entrepreneurs defined by Archer, which includes the majority of the ethnic immigrant business owners in the US. The data found only sometimes matched this focus.

A complication in the problem of understanding micro-entrepreneurship and its potential is the "discovery", just over a decade ago, of the informal sector. It includes economic activities illicit by definition (such as gambling and prostitution) but also a myriad of formal and informal non-criminal entrepreneurial activities hidden to the IRS, such as house cleaning and babysitting, street peddling, etc. This sector of the economy in the US is estimated at about 9% of the GNP, and its nature is a mystery to researchers -- there is little documented data that could be used in the objectives of this paper. Although this sector includes a large portion of the micro-entrepreneurs subject of this project, and the absence of that data is a serious limitation, it must be ignored for practical reasons.

CHAPTER 2

BEST PRACTICES OF MINORITY ENTREPRENEURS IN THE U.S.

This chapter will summarize recent findings of small business literature and explore what it takes to succeed as an ethnic minority entrepreneur. It will also analyze the motivations of immigrants to enter business in greater proportions than the US-born, when they face more barriers than the latter, and in spite of rather low returns. Possible explanations for these disadvantages and barriers, and of their effects on minority entrepreneurship, will be presented. The writing will then move on to rationalizations of the entrepreneurial experiences of immigrants in the US, the benefits of the occupation, and its limitations. An emphasis will be made on the means through which disadvantaged immigrants overcome the obstacles to their businesses' success.

Two general paths to the economic development of ethnic immigrant communities in the US will be described. The first involves the creation of "ethnic niches", in a gradual growth of the immigrant group that leads to the creation of a larger "enclave"—an ethnic market under the control of the ethnic community through the use of "ethnic resources". We will see that ethnic businesses must seek the mainstream markets to expand; why the ethnic methods that built the enclave can become liabilities very difficult to overcome; and why effective planning, advice, and technical assistance to the ethnic entrepreneur can be very useful in this process. A second path to development for a newcomer disadvantaged ethnic group, such as the Brazilian, is the creation of businesses serving mainstream markets from their start. The challenges in this "hybrid" method of ethnic development are greater in the short-run, but the long-term benefits may include a lower dependence on ethnic resources, the development of skills for an easier exit from the "survival entrepreneurship" of the ethnic niche, and perhaps a more rapid business growth. In this "model", however, planning from the onset is more

relevant, as is the assistance to individual entrepreneurs in accessing business training and professional business services.

The research producing the above was necessary to understand and assess the Brazilian immigrant population's potential in entrepreneurship; to analyze BBN's development plan and support arguments in its critique; and as a basis for the recommendations at the conclusion of the last chapter. For unclear reasons, BBN seems to have skipped the necessary analysis of the above aspects to present a rational comprehensive plan to fulfill its goals. Part of that would have been a study of the target population, attempted in the following chapter, but limited by a lack of sufficient data. What follows can be improved with additional and more precise information that would allow addressing issues more specific to Brazilians in Massachusetts.

A. Entrepreneurial Advantages and Barriers to Success.

What accounts for the significant numbers of individuals who successfully run businesses every year? Social science has not been able to determine if successful entrepreneurs have any personality traits that make them so—appendix A briefly documents this. There is some scholarly consensus, however, short of innate personality traits, about socioeconomic backgrounds that make some entrepreneurs more successful than others. For example, Bates (1991, p.68) summarizes the known "measurable factors that accurately predict the incidence of self-employment among non-minority males" as: age, sex, education, and net asset holdings. He believes that "college graduates are the group most likely to pursue self-employment in our society" because a college degree enhances earning power, the accumulation of equity investment, and thus, borrowing power. He describes age as another important factor, as the rates of self-employment increase with it, until the 40s —when it remains constant before dropping after retirement age. He believes that the younger the workforce of a group, the lower the incidence of business creation that can be expected.

Swinton and Handy (1983) agree that education and training has explained small business success among blacks as well. They found that growth of black entrepreneurship, measured by their firms' growth at the SMSA level from 1972-77, was due to: growth in the available pool of professional and managerial labor force participants, number of people in professional and managerial occupations in 1972, and the level of black education within the SMSA. Bates (1991, p.32) studied black firms also, and found they had lower sales volumes than whites ones because they invested less capital, worked fewer hours, and had less managerial experience and lower educational levels. Particularly the first cause, however, explained their lower sales, which kept their businesses smaller and more prone to failures.

Other factors come into play in immigrant and minority business activity, however, as compared with the majority US mainstream entrepreneurs. One is that minorities face stronger barriers, and additional ones, discouraging their entry into business and preventing their success. Another one is that they also face stronger barriers to employment which, ironically, push them more into entrepreneurship —this will be explored in the next section.

Some of the entrepreneurial barriers faced by immigrants are the same as those faced by anyone interested in self-employment, but often exacerbated by their lower resources and skills. For example, Bates (1991, p.68) believes that an absence of "education, and net asset holdings" explain in part the lower rates of self-employment among minorities⁸. He also thinks, however, that the major barriers to minority emerging lines of business are in capitalization. The larger the equity investment of an entrepreneur, the larger the loans possible from banks. Lack of personal wealth and discrimination in lending obstruct firm formation, survival and growth. This is particularly true for blacks, and to a lesser degree, for Hispanics and Asians, says Bates (1991,

⁸ "Minority" here is undoubtedly referring to the not-perfectly-defined term for US ethnic/racial minorities, traditionally including African-Americans, Asians, Hispanics, and Native Americans. This may include, or not, immigrants self-defined as belonging to any of those groups; and would most likely exclude the majority of immigrants of other ethnicity.

p.38), who adds that commercial banks are the single largest source of capital for small businesses, and they lend less to businesses that are located in minority communities. Chen and Cole (1988) agree, and state that the ethnic communities' lesser financial resources and low willingness to invest in, and support ethnic businesses, exacerbate their capitalization problem.

The above obstacles are usually compounded with other barriers imposed primarily on racial and ethnic minorities. Discriminatory practices, and its strong detrimental effects, are not limited to banking. It is a society-wide problem affecting individuals and groups at many levels: in entry to occupations that may prepare them for business (were they could gain technical skills, networks, etc.), in the granting of business permits, in access to capital and other financial services, in the renting of facilities to establish business, in getting credit from suppliers, etc., etc. Bates (1991) gives the example of the construction field, where "actual work experience...provides the skills (human capital)" necessary to enter, and questions whether women and minorities with comparable skills and capital have the same opportunities as white males. He adds that gender is a factor that, together with race, may increase the potential barriers to self-employment.

Discriminatory practices that exclude ethnic minorities from opportunities do not have to be obvious or based on racial hatred or xenophobia. That is perhaps what makes this problem so insidious. Blatantly racist policies may not be so difficult to detect and address these days; but practices that are borderline, especially if based on subjective criteria, may appear fair when they are not. For example, banking officers and other decision-makers important to a business must consider the risk associated with any potential venture—and price their loans accordingly. If the individuals making such decisions are unfamiliar with an applicant's ethnic group, culture, language, market and preferences, etc., would naturally consider her business plans riskier than more familiar opportunities—even if in reality they are not. Even a sympathetic decision-maker may cautiously prefer other applicants—rather than embarking in an unknown and "riskier" enterprise. Even if potentially higher returns appealed to their greed, if unable to assess

the business potential and risks, they may choose to pass. Changing that pattern requires an investment of effort and resources to acquire the necessary knowledge and expertise to understand the new markets. Costs would be involved, and scarcity of cultural knowledge and of ethnic professionals may drive these too high to be attractive as an investment. If the loan requests (and thus, the potential earnings) are small, the initial investment costs and the cost to research each individual applicant may make such an operation unprofitable in the long run as well. In other arenas, such in the job market or in educational opportunities, similar issues exist. Entry tests that are English-based or culturally ethnocentric, selection processes that are heavily subjective and conducted by ethnocentric individuals, etc., can pose unfair barriers to qualified minorities even in the absence of intentional racial discrimination. Legal or community pressures to serve a particular group with a greater degree of fairness may not necessary help. If these pressures are strong, and if the costs to respond positively are high, rather than investing in the necessary personnel and processes that would make ethnic services possible, the preferred option may be to fight the pressures or exit that market.

A reality, however, is that the problem of discrimination is larger than an inability to include minorities. Few people are impartial or objective in all circumstances; and cultural preferences exist in most societies and in most of us. These do not have to reach the extremes of fear or hatred of what is "different". They can simply result from a natural tendency to enjoy, and thus prefer, the tastes, appearances, products, activities, etc., that we are used to. It is as natural as finding affinity with people of our own generation, religion, hometown, or gender. Although our increasingly global societies are gradually exposed to other peoples, their ways of life, and their products, these start as alien to us. Exposure to what is different may ultimately make it familiar, even preferred; but until then, we usually have biases against it. And then again, there is also racism and hatred. The point here, however, is that even the milder of the biases can sway selection processes in favor of those projects, individuals, products, locations, etc., which the decision-makers understand better, feel more affinity with, or simply prefer. Usually, this works against the minorities.

Immigrants face yet additional barriers as foreigners unfamiliar with the language, culture, government rules and regulations, local business practices, etc. Waldinger et al (1990, p 195) identify, among others, difficulties with licensing requirements, documentation requirements in running a business, documenting employees legal status. While these barriers may not be insurmountable with the assistance of professionals or public programs, they can certainly delay, discourage, and add costs — and seriously affect a small business. Waldinger et al (1990, p 195) believe that immigrants cannot easily, if at all, be incorporated into government assistance programs as they are very informal entrepreneurs and cannot easily meet lending and technical requirements. An example of what this may mean in the real world is not difficult to find. As a long time resident and twice temporary assistant in economic development non-profits in Boston neighborhoods, I witnessed several cases of surviving minority businesses that could not make effective use of free offers of assistance. A common problem was that the owner/operator lacked very basic business skills, or the means to buy them from professionals —because the cost exceeded the possible benefits. In Jamaica Plain, for example, a small taxi and inter-city transportation business, fulfilling all pre-requirements for a subsidized loan program, could not provide the accounting documentation and business plan required to start an application —even though it was likely to be approved. His records were extremely informal, and his literacy level, particularly in English, very low. The cost of an accounting service would have been at least in the hundreds of dollars —not so easy to assess without detail he never gave. Given the small size of the loan he needed, intended to buy a second vehicle, such cost plus the cost of his time may have approached or even exceeded the higher interests of credit cards or financing from a car dealer. More important, his was one of many cases, perhaps the rule for disadvantaged immigrant small entrepreneurs, whose ability to take advantage of assistance programs was seriously limited —in spite of available bilingual assistance, and their ability to otherwise sustain their own business. The assistance available to revise and polish required documentation was usually sufficient for English-speaking applicants, or those with more income or literacy and business skills. The

entrepreneur in our example would have needed much more hand-holding than most assistance programs could possibly offer.

According to all of the above, in the US the most likely to succeed in their own businesses are white male college graduates in their 40s, with sufficient credit or capital to invest. Any deviation from this profile is a drawback. Other factors of success are educational level, managerial skills, and business experience; personal characteristics that may be discriminated against; and knowledge of US business practices, culture and English language. At the lowest extreme of potential are non-white ethnic minorities, particularly newcomer immigrants who may be young, under-educated, non-English-speaking, inexperienced in business, and short on capital. These are important barriers to the plan of BBN in assisting a recent and disadvantaged newcomer group such as the Brazilian.

B. Motivation to Enter Business and Ethnic Definition of Success.

Immigrants enter self-employment in spite of many barriers and limitations to their success. Some ethnic groups start small enterprises at higher rates than the US-born—who have more advantages. The old stereotype attributing immigrants a higher degree of entrepreneurship than to the US-born is given some validity by the literature. Light and Sanches (1987) found that in 1980 these figures were, respectively, 9.2% and 7.1%. There is plenty historical evidence, in the US and Europe, of the relevance of small entrepreneurship in the upward mobility of Jews, Italians, and Greeks. These and other immigrants have been initially assigned the stereotype of petty merchants, and later that of *novo rich*, until achieving fuller social integration (Waldinger et al, 1990). There is also plenty of known literature on the experiences of more recent arrivals, leaving little need here to fully describe “success stories” such as that of the Chinese garment manufacturing in New York City or the Cuban enclaves of Miami, analyzed by Waldinger et al (1990, p 72-77) and Waldinger (1986), among very many others.

The experiences of individual immigrants of any ethnicity in the US are diverse, however. Some immigrants come well educated or with the background and means to gain that here. Others may bring financial resources, business or technical expertise, and or networks with the country of origin—which may supply them with cheap marketable goods or inputs, for example. Any ethnic group may have examples of such individuals, but their characteristics and performance as groups is the focus here—specifically, disadvantaged immigrant groups who may be fairly comparable to Brazilians in the US. In that context, the experiences of US-born disadvantaged groups, such as Afro-Americans, are more applicable and relevant here than those of other immigrants with lesser barriers, such as northern Europeans.

Using 1980 census data, Fratoe and Meeks (1988) studied the rates of self-employment and incomes of individuals self-described⁹ as of a single ancestry—accounting for 52% of the US population. They found that their national average rate of self-employment was 4.9%, varying from a low of 1.1% for Puerto Ricans to a high of 11.7% for Russians. Their national mean income was \$18,630, ranging from \$11,260 for Sub-Saharan Africans (which includes Afro-Americans) to \$31,370 for Iranians. Some of these differences can be explained by differences in resources brought by different immigrant groups and the timing of their different waves of migration. Also, those arriving generations ago may be now at different developmental stages than newcomers of similar means otherwise. Many Russians for example, still came to U.S. with advanced degrees; and many Cubans escaping Castro's regime early after the revolution came with substantial resources unmatched by more recent immigrants from the island (“boat people” or “Marielitos”) or other Latin American groups identified by Fratoe and Meeks.

Portes (1987) attributes the Cuban success in South Florida to well-educated individuals with their own capital and business experience, and connected through

⁹ Excluded those who did not specify one, or who named more than one ethnic or racial origin. The rest included about 52% of the total US population, and racial minorities as well as whites. The fifty largest single ancestry groups comprised about 97% of all individuals reporting a single ancestry.

various social organizations, who mobilized their resources and who also leveraged the capital of other Latin Americans seeking a safer investment environment in the U.S. He also asserts that second waves of lesser-educated refugees provided a cheap source of labor in exchange for on-the-job training in business. Today, the newcomers to South Florida are primarily non-Cuban and disadvantaged. Table 2.1 summarizes the entrepreneurship rates and income levels of the Latin American groups identified by Fratoe and Meeks, including Cubans, and compares them with the average for the total group of 50 studied.

Table 2.1 Self-employment and Income Rates for Selected Latin American Groups in the US.

ANCESTRY	RATE OF SELF-EMPLOYMENT*	AVER. TOT. INCOME*	AVER. NON-FARM INCOME*
All 50 Largest US Ethnic Groups			
Cuban	4.9%	\$18,630	\$13,960
Colombian	4.8%	\$17,310	\$14,150
Ecuadorian	3.0%	\$18,170	\$12,550
Mexican	2.3%	\$14,160	\$13,030
Dominican	1.9%	\$13,850	\$11,530
Puerto Rican	1.5%	\$13,870	\$10,480
	1.1%	\$11,490	\$10,190

* Their national average

Source: 1980 US Census Sample. Adapted from Fratoe and Meeks (1988).

The data and methods used in the above study limit somewhat its possible conclusions¹⁰ for our purposes. For one, the definition of "ethnicity" does not include the number of generations the individuals have been removed from their country of origin. If the fifty groups included comprise 52% of the population at the time, it is safe

¹⁰ It is based on the 1980 Census sample, which is likely to contain some errors vs. a complete database. Also, since 17% of the US population did not specify any ancestry, and some northern and western European groups in the US do not express a strong ancestry affiliation, the data may contain these biases.

to assume that the majority was not newcomers; and since the source is the 1980 US Census, it is also safe to assume that not all immigrants were included. Another limitation of this study is that it only presents a snapshot in time, and cannot show us the failure rates over any period of time, and thus, hides the attempts of these groups to enter business.

A more significant problem with the data, is that it includes all "self-employed" (i.e., those working for profit or fees in their own unincorporated business) aggregating independent professionals (doctors, lawyers, etc.), landlords, owner-operators of large stores or farms, etc., with very small entrepreneurs. The above numbers are averages, so that the differences in entrepreneurship rates and earnings between first-wave Cubans and their lesser-endowed co-nationals, for instance, is not shown. This problem affects also more homogeneous groups without obviously extreme class differences. Individuals reporting farm income is supposed to be an "insignificant" number in the data; yet, the inclusion of their income increases the national averages substantially—meaning that their income is much greater than co-nationals in urban areas, where most newcomers and disadvantaged entrepreneurs concentrate. It is safe to assume that most professionals also concentrate in urban areas, which means that the income of the disadvantaged self-employed is much lower than what the table seems to indicate at first glance. The incomes for the disadvantaged entrepreneurs, therefore, must be considerable lower than the average shown, unless their group is very homogeneous in the urban areas—an unlikely case.

Nonetheless, Fratoe and Meeks's findings help understand ethnic entrepreneurship at various levels. For instance, they give some measure of relative entrepreneurship inclination, and success in this endeavor, by ethnic group. We can see that while Cubans enter business and stay at about the national average, Puerto Ricans appear to participate much less—or fail more frequently. It also shows that individuals of Brazilian origin in the US, at least in 1980, had a relatively small representation in the US population and were not included in this study of the largest fifty ethnic groups.

The above table, and the larger data that generated it, do show a consistent correlation between the incidence of entrepreneurship and income derived from it. Several interpretations are possible—all requiring further research to prove. One could interpret the table as a possible measure of class differences between the groups, so that those with more resources, such as Cubans on the average, would have more participation and higher income due to lesser barriers. Another interpretation may be that the table is evidence of the effectiveness of the enclave as a method of development for these groups—and thus explain in part the noted success of Cubans. A third possibility, consistent with Bates’s “measurable factors” as a predictor of business inclination, is that the table presents evidence of the rational process and the practical criteria employed in selecting entrepreneurship as an occupation—the lower the return, the least entrants. These ideas could define the factors of entrepreneurship motivation among minorities. On the one hand, if disadvantaged immigrants are rational, and still willing to start businesses against their very low odds of success, to endure the high demands of an activity with such low returns, they must have lesser expectations from the job market—which may not be able to employ them or discriminates against them. In such an environment, the pressures to pursue self-employment, on those with more difficulties in securing jobs, may indeed be greater; but on the face of also strong barriers in business, and with their low resources, they cannot start businesses or fail more frequently. That is, their weaknesses as barriers in the job market push them into entrepreneurship, where these same barriers keep them or drive them out more often—than better-endowed groups.

This last dynamic is in fact what other literature reviewed seems to indicate. While some motivators to start a business may be similar for all entrepreneurs; that is, the expectation of financial rewards, a possible preference for independence, the confidence in one’s abilities to earn more than possible salaries, etc., underprivileged entrepreneurs may have these at a lower “scale”. Self-employment among disadvantaged immigrants does not seem to be necessarily the result of an unusually high desire for independence or wealth, or of special personal attributes or resources that may make these entrepreneurs more self-confident on their business skills than the

average person. Rather, entrepreneurship for ethnic immigrants appears to be in great part the result of a push out of the job market. Their disadvantages in employment possibilities, often exacerbated by “environmental” conditions, such as a bad economy or anti-immigrant sentiment and discrimination, is what may force them to create their own opportunities in self-employment. When more rewarding opportunities are perceived in the labor market, they exit self-employment to pursue them.

In other words, business creation is not necessarily what many immigrant entrepreneurs would choose to do, but only their most practical choice in the absence of better ones; and those who become entrepreneurs are not all exceptionally endowed with the necessary financial or personal resources. The definition of “success”, therefore, is relative to the entrepreneurs’ endowments and expectations. That is, for those with sufficient resources, it may mean wealth; but for those with low resources, it may mean mere survival. All the descriptions of ethnic entrepreneurial success in the literature employ a relative standard for “business success”—not the same standard that would be applied to a corporation, for example. This is, perhaps, a fair method to assess any group’s achievements and understand its potential. After all, ethnic entrepreneurship at this level is proven to be a feasible way out of disadvantage (Waldinger et al, 1990)—even if sometimes it takes generations. When success stories are examined critically, however, and when the small-business development stage of any ethnic group is placed on the larger context of socioeconomic mobility in the US, the picture of a survival occupation is clearer.

Bates (1991, p. 44) asserts that “success” in micro-entrepreneurship must be defined in a “survival” context, because small business ownership is not a very lucrative occupation, and those who “make it” go through great sacrifices. A striking observation in Table 2.1 is that the lower incomes of the self-employed, even ignoring the high demands of entrepreneurship, is at best comparable to salaries in low-skilled low-paid occupations. Mexicans, for example, even with the far-fetched assumption that their business requires only 40 hours per week, and using the table averages mixing large with small, have average returns equivalent to only \$5.54 per hour in urban areas. A

more realistic 60-hour week, and considering the absence of paid vacations, sick leave, health insurance, and other common employee benefits, drop the average returns for this group to under \$4 per hour. If one includes the likely unpaid labor contributions of family members, and considers lesser-endowed entrepreneurs who perceive the lower incomes hidden in the averages listed above, the returns of self-employment can be literally meager.

Competition for the markets and business opportunities entered by immigrants in their initial stages of development does not come from the US-born —primarily because those not as disadvantaged do not want them. These are often barely-profitable businesses made viable by immigrants through hard work and great sacrifices, and often by employing their “ethnic resources”— ability to capture low-cost labor, ethnic markets, etc., as described in the next section. The lines of business are usually small-scale traditional ones, such as retail, food stores, restaurants, and personal services such as beauty salons, etc. Bates (1991, p. 37) believes that immigrants enter these because their lack of marketable skills and capital force them; and that Asians are still over-represented here, but are leaving as their individual opportunities improve. He describes that after the 1960s, particularly in recent years, there have been larger minority firms oriented toward corporate and government clientele; and that they have diversified in response to an influx of talent and capital—but continuing to lag behind whites because of the barriers mentioned above. Waldinger et al (1990) report that ethnic newcomers are also over-represented in industries most affected by economic stagnation, declining demand, losses to high tech developments, and international competition—these would include small manufacturing such as the garment industry.

All of the above begs the question: “Why enter business, and associated risks, when the returns are likely to be so low?” The answer is: “Because the alternatives are worse”. Immigrants often arrive to their host countries with a variety of disadvantages, starting with cultural and language limitations and lack of connections into the mainstream society, and more often that not, with minimal educational and financial resources or easily marketable job skills. Discrimination against immigrants and ethnic minorities,

and a general lack of multi-cultural skills in the US society to identify and utilize transferable skills, exacerbate their problems. Entrepreneurship in such circumstances may be the better option, even if not necessarily a good one.

One brief but telling example should suffice to illustrate the ethnic entrepreneurial pattern of motivation to overcome great social barriers, starting businesses even at a high sacrifices for rather modest successes, and the natural progression to exiting small-business. Bonacich and Modell (1980) described the Japanese immigrants' success in micro-entrepreneurship just before WWII in the US. Strong general discrimination against them, exacerbating the usual blocked mobility of immigrants, created a powerful ethnic solidarity, which facilitated their employment of co-ethnics, who provided a cheap and loyal labor force. By forming rotating credit associations, they overcame their lack of individual resources and discrimination in lending; and avoided the effects of competition through cartel agreements among their (usually) neighborhood grocery stores—but wealth was not the expected goal or the outcome. After WWII, as discrimination in the western US diminished, the Japanese-Americans' alternatives to self employment increased; and as their young became better educated, they left self-employment—ultimately achieving a degree of economic and social assimilation.

The above pattern usually extends over several generations, and the rewards to the entrepreneurs are relatively slow for the demands on their time and efforts. Waldinger et al (1990, p.125-7) summarize the usual stages of immigrant economic development in the US in five steps. They are listed below, modified or expanded based on my own first-hand experience:

- 1) Temporary migrants. Immigrants whose objective is generally to work for a finite term, optimize their short-term earnings, and return home. Their total numbers are relatively small to form sizable communities, and the individuals are often more interested in working long hours than in forming networks. As with other immigrants facing uncertainties about their future status (the undocumented, temporary

refugees, “guest workers”, etc.), they have little incentive to build roots in their host country. In choosing their places of residence, short-term convenience and cost are more important than investing in forming ethnic pockets—but these are still likely to happen. Not all ethnic groups go through this stage, as the conditions of departure from their country may vary from flexible to permanent—this is explored below and in the next chapter. Also, while most newcomers experience homesickness and practical losses in their change of culture and country, even temporary migrants become accustomed to the very advantages they seek in their host country—and some change their plans of returning. Brazilians in the US, from anecdotal accounts, appear to be mostly at this level of development. Without more rigorous research, however, it will not be clear how many are beginning to grow roots.

- 2) Ethnic replacement. Old immigrant neighborhoods develop vacancies when less-recent ethnic groups begin to prosper and move to better ones. As the groups acquire a higher status and more marketable skills, they also develop higher expectations and interests away from the family small shop—and may dispose of these easily. Newcomers may purchase these businesses, or take over their abandoned customers with new startups, and begin to build their own co-ethnic markets—or “niches”. Concurrently, their co-nationals may take advantage of the vacancies in housing, attracted by the area’s familiar signs, products, etc. These are gradual developments during which long-term immigrants may take advantage of opportunities to buy inexpensive homes, move closer to one another, and in general invest to build ethnic communities. As the ethnic pocket grows, newcomers may start arriving directly to settle in the area, accelerating the process. Waldinger et al (1990, p 108) have described how some old New York City communities changed from Jewish to Chinese majority through this process. Brazilians in Massachusetts show some signs of moving in this direction—but again, more research is needed to measure this.
- 3) Ethnic enclave. According to Waldinger et al (1990, p.113-115) this marks the dynamics of growth. Successful industries are “ethnic niches” such as ethnic

consumer products (Foods, non-English newspapers, etc.) and cultural-assimilation services (travel services, realtors, legal services, etc.). Ethnic niches succeed based on common languages and cultural abilities, a solidarity or trust between co-nationals or co-ethnics, and “culturally comfortable” environments—for clients, workers, and the entrepreneurs themselves (Waldinger et al, 1990). The numbers of co-ethnics is large enough to sustain their ethnic businesses, and their market slowly develops into larger networks of co-ethnic businesses supplying each other, etc. This is possible because ethnic markets and populations are more accessible and open to co-ethnics (Waldinger et al, 1990). This may be the desirable stage BBN would like to quickly move their Brazilian clients to.

- 4) The middleman class. Waldinger et al (1990, p 120) see this as the tool to expand beyond the enclave. The “middlemen” expand their markets for goods and services to the mainstream population. Chinese restaurants or pizzerias, for example, become popular, and are increasingly found outside the ethnic communities that brought or developed such products in the US. Other middlemen as well, tie the ethnic community to “outside” businesses that start to hire ethnic personnel to catch the business of the prospering new community.
- 5) Economic assimilation. What Jews, Irish, Japanese, and other immigrant groups have achieved in the past. This is not the same as total social assimilation and acceptance, but members of the ethnic group are no longer dependent on their co-ethnics for business or networking, can avoid discrimination without great losses, and can be found in varied occupations, neighborhoods, economic levels, etc.

The above sequential order is not a rule. Some ethnic groups may go from a middleman form to an enclave and vice versa, and in general can evolve without a particular pattern —Waldinger et al (1990, p.122-3) give concrete examples. One obvious and common deviation from a linear pattern, however, is the skipping of the first stage. For instance, individuals escaping political or religious persecution from a country with little to no hope of radical change may consider their move to another

country as permanent. Others migrating more freely may live in a “permanent flow” between two countries—this seems to be the present case for Brazilians in the US. In any case, this status would affect the individuals attitude towards investment and other long-term involvement in the second country—as Table 3.6 in the next chapter illustrates—and likely delay their progression to subsequent stages. Waldinger et al (1990) assert that the later stages are possible all at once, and that the speed of progress in whichever direction depends on the group’s resources, and on the environmental conditions in the country at the time.

The danger of such flexibility in the stages of development is that micro-entrepreneurship can become a trap, prolonging a not-very-comfortable situation, if progress is not maintained collectively—something that may require intervention efforts. A particular problem is that newcomers often overestimate the potential of entrepreneurship (Waldinger et al, 1990) by underestimating the stronger competition in the US and or overvaluing the potential returns of owning a small business. They use as a benchmark the less developed areas and lower incomes they come from, where competition may be lesser; and may underestimate as well the higher resources employed by other successful entrepreneurs—their “class resources”. Class resources are the collection of capabilities of a group, that may determine its competitive advantages in business, social mobility, etc.—its levels of education, business experience and networks, accumulated wealth, access to credit, etc. Even when the newcomers’ businesses are “successful” and survive in the US, their disadvantaged condition, employable skills, and mobility potential may not improve without specific actions to do so—such as seeking training or education, developing sources of finance to invest and grow their businesses, etc. These may not be possible to pursue individually, or may be much more effective to do it with collective efforts or intervention programs.

In summary, entrepreneurship is a common strategy for upward mobility, and often the best option for the most blocked groups. However, “success stories” notwithstanding, the higher incidence of self-employment among disadvantaged immigrants is the result

of social barriers and disadvantages that push them in; and the low income they derive from it, as compared with the majority of other entrepreneurs, is evidence of the poorer alternatives available to them—and of the barriers and lack of skills that continue as they run their small businesses. Moreover, while ethnic entrepreneurship is a feasible way out of disadvantage, as proven by many previous waves of immigrants, success is proportional to the group's endowments, or "class resources". Newcomers often overestimate the potential of self-employment, or of their class resources, and small entrepreneurship can become their trap as an underclass. "Perpetual survival" is not a rule, but socioeconomic integration is a long-term development, with several possible stages that affect the group's attitude and practices—with consequences to their potential progress. Understanding this dynamic is essential in any attempts for intervention programs, such as BBN's, since the client group's attitudes can be major sources of barriers. It appears that while Brazilians immigrants in the US have some strengths, one of the major barriers in assisting them will be their "temporary migrant" status and attitude. More research will be necessary, however, to fully assess their immigrant status, attitudes, and their class resources.

The next two sections summarize immigrant uses of some advantages they have in their ethnic communities ("ethnic resources") and other techniques to make their small businesses viable, and the limitations of relying on these as a model for development.

C. Ethnic Techniques to Succeed in Entrepreneurship.

Ethnic entrepreneurship has increased in the US and in Europe in spite of the above barriers to start and sustain their businesses (Waldinger et al, 1990). Evidence of the various traditional and creative techniques that immigrants use to overcome those obstacles is as abundant as the literature documenting the excessive constraints they face. "Ethnic resources", "ethnic niches", "enclaves", are some of the various concepts that encapsulate a myriad of alternative skills and strategies for development. This

section looks briefly at these, attempting to generalize their applications. The next section will explore their limitations.

Several authors have presented the notion of “ethnic resources”, which literally may mean the abilities, skills, capital, and other resources of an ethnic group. In this paper, however, an alternative more specific meaning is used, also introduced in the available literature. In this context, ethnic resources are also the abilities of ethnic entrepreneurs to use their deep practical knowledge of their own culture in the development of marketable ethnic products or markets, or in the tapping of resources such as co-ethnic labor, otherwise underutilized by the mainstream society, etc. Ethnic resources are employed when a newcomer seeks employment with a co-ethnic entrepreneur to acquire business skills, knowledge of an industry, networks, etc. —in exchange for extra hard work at low wages. The entrepreneur in need of cost-saving labor also uses these resources when she hires co-ethnics willing to work hard and be loyal for low wages—with an informal arrangement to teach or mentor them. Ethnic resources also help a new entrepreneur increase market share when he uses his understanding of co-ethnic tastes to identify good offerings; of their own language, to express effective courtesy; and of what is culturally acceptable or expected, to provide special services such as home deliveries and credit. Ethnic resources, thus, are made possible by knowledge of the ethnic language, protocol, networks, and an affinity based on common values and other cultural traits.

An “ethnic niche” is a small and somewhat self-contained ethnic market, with ethnic-specific demands usually met by co-ethnic entrepreneurs. An excellent example would be the rental of video-tapped movies in a particular ethnic language. Initially, when an ethnic group first arrives, no such offering may be available. The demand may be too low to generate a profitable market—and no entrepreneur may bother. In time, however, some businesses may start carrying a few copies of some “foreign” films to catch the demand of a growing ethnic group. A niche is created when entrepreneurs move to meet more substantial demands of a newcomer group large enough to sustain a business. Ethnic video rental businesses may ultimately cater exclusively to their own

co-ethnic markets, not only with imported movies, but also with copies of television shows, subtitled main-stream blockbuster, foreign sports matches, etc. At that stage, many other specialty businesses such as restaurants, gift stores, bookstores, etc., would have sprouted to complement and expand the ethnic niche.

An “ethnic enclave” is a niche that “grows up” into an dense ethnic concentration with the development of co-ethnic networks of production and consumption as minority groups grow in size. This happens when the ethnic group as a whole grows and prospers, its demands broaden, and its entrepreneurs diversify their lines of business, expanding vertically and horizontally. For example, after ethnic restaurants increase in number, local suppliers of ingredients have enough demand to exist. These may be followed, perhaps, by restaurant equipment for specific ethnic foods (Greek gyros machines, Indian tandouri ovens, pizza ovens). These and other expanding lines of businesses in the community build enough demand for secondary services (plumbers, electricians, accountants, lawyers, etc.), and many specialize to serve the ethnic market as well. With the growth in the ethnic group’s levels of education and assimilation to the mainstream culture, many of their co-ethnics start to fill these various expanding demands for entrepreneurial and professional skills. These are ethnic “middlemen”, connecting their communities with the larger economy, as mainstream businesses take notice of the expanding ethnic community, and make use of the growing availability of bicultural entrepreneurs and professionals to participate in this market. Typical enclaves would be the Chinatowns, Little Italies, Little Havanas, and similar relatively large ethnic communities with a degree of self-sufficiency and considerable symbiotic ties with the mainstream society.

For Waldinger et al (1990, p.113-115) ethnic niches are possible because larger businesses do not always meet minority groups specific tastes and wants. This may be in part because large non-ethnic organizations do not understand minority cultures, and their weak connections with such communities keep them in the dark as to their tastes and wants. Minority entrepreneurs, on the other hand, know about minority preferences, and if their co-ethnics prefer to deal with them, the enclave is re-enforced,

Waldinger et al say. Often, however, importing or producing locally the types of goods services demanded by the newcomer require knowledge or inputs available only in their countries of origin—which co-nationals may be better equipped to access. Also, niches are often not served by large mainstream stores because these types of businesses gain economies of scale by centralizing management (usually with main-stream individuals as managers) and dealing in large volumes of basic main-stream products only, to cater to as broad a market as possible. There may be also cultural compatibility issues limiting mainstream participation in the ethnic niche, such as language differences that make interactions difficult and increase costs, and cultural affinity that favors co-ethnic entrepreneurs. On the darker side, there may be racist motivations to prevent attracting unwanted ethnic groups to mainstream stores.

Immigrant entrepreneurship scholars have developed varied overlapping schemes to describe entrepreneurial and other circumstantial characteristics of ethnic entrepreneurs, as they develop theories and concepts of their development patterns, such as the above. Waldinger et al (1990) for example, describe some ethnic resources as immigrants' "Predisposing Factors" to entrepreneurship, shown below in a very abbreviated and edited version:

- a) Immigrants are self-selected risk-takers, motivated enough to leave their home-countries, families, and able to adjust to drastic changes.
- b) Blocked social and economic mobility gives immigrants incentives to acquire new skills, enter self-employment, and work longer hours for less money than natives do.
- c) Close ties between co-ethnics serve as a support system where the establishment fails them: credit sources, training and advice about small business and specific industries, info about laws, practices, business sites, etc.
- d) Advantages in recruiting minorities, particularly co-ethnics. The ethnic networks are the "want ads" and co-ethnic members have the advantage. Cultural affinity equals

better relations, loyalty, and ability to motivate. The price is more flexibility in working conditions (less “professionalism” required, etc.).

- e) Advantages in inter-business relationships in the ethnic community. With similar dynamics as in d) above, immigrants enter formal and informal relationships with other merchants, suppliers, giving each others price breaks and other mutually beneficial favors.

Other authors use alternative structures to describe similar and somewhat repetitive concepts. What follows is a summary of these concepts. The structure is a simple list of the most salient sources of barriers to business success, with some of the ethnic methods or “techniques” to overcome them —adapted primarily from Waldinger et al (1990), Waldinger (1986), and Light (1972). Some of the techniques solve more than one issue, but may be entered only once for simplicity.

a) Information and skills necessary to establish and sustain a business in the US.

Markets, products, business practices, government requirements, etc. are very different in the US than in China, Brazil, or even Mexico. The challenge to understand and deliver what it takes to start and succeed in a business is certainly greater for immigrants in a new country, even for the few arriving with some business experience. This are important barriers, as information and know-how to identify and price business opportunities, apply for permits, negotiate with suppliers, etc., is not so readily available, particularly in foreign languages. To gain access to information and advice, and to learn the multiple skills needed to run their own business, ethnic entrepreneurs use various means:

- i. Personal networks: relatives and people they know who know business owners.
- ii. Ethnic community ties: acquired in their home country or in the communities they join in the US —overlap with the above.

- iii. Low-wage employment with co-ethnic entrepreneurs. Particularly useful if the above do not exist, if the potential entrepreneur has no access to any, or as a complement to gain needed experience. In exchange for the training, and maybe continued help later, the employee will work extra hard and long hours. The arrangement, however, is rarely a formal contract or isolated from subjective conditions such as friendship, cultural affinity, and paternalism. It is often much more personal than a job or a business transaction, made possible by the common culture and ethnic ties.

- iv. Co-ethnic mentorships. Stronger and more formal (in commitment) than the above, but also symbiotic arrangements with practical purposes, but not necessarily stated as such. It may be more like “adopting” somebody into a family. A typical example, if maybe extreme, is when the relationship is established by marrying into an entrepreneur’s family.

- v. Concentrating on few industries. Chinese specialized in restaurants and laundry services at some point; Texas Vietnamese in fishing in the 1990s; some California Mexicans in landscaping, etc. This maybe the application of skills and knowledge gained in their home countries, or a fortuitous development as the first members of the group arrived to the US and found opportunities in those lines of business. In any case, the advantages of early entry are later transformed in advantages of specialization, generally making those who have them more competitive, and which become sources of training and knowledge for co-ethnics.

- vi. Jobs that may pay low but teach new skills —within the mainstream market. These may be occupations considered dead-end and undesirable by natives, leaving room for immigrants; but can also be businesses or whole industries with the strategy of cost cutting by tapping the least-skilled workers at low wages. Immigrants may enter them to overcome discriminatory practices elsewhere —or because they see a future in them. As owners discover that immigrants may work longer hours for less money than the US-born, some ethnic groups may become

over-represented in some industries —and sometimes, once experienced, immigrants will spin off their own businesses. Brazilians in the Boston area have followed this pattern in the cleaning services for office buildings, as will be seen in the next chapter.

b) Capital needs. A more objective need, but also very difficult to satisfy. As described at the beginning of this chapter, the largest source of business loans in the US is banks, which are hardly within reach of disadvantaged immigrants. The alternatives they use include family savings, loans from community sources, loans from relatives and friends, and revolving credit associations. Light (1972) reports that the Chinese and Japanese successes in the US were due particularly to rotating credit associations, and including support groups based on kinship, old county of residence, or former trade of employment there. They seldom entered into business without the aid of these social support groups. Waldinger (1986) reports cases of Chinese and Dominican immigrants in the US succeeding instead by using own savings, and loans from banks, relatives, or friends. Mahon (1995) description of Dominican micro-businesses in Lowell, MA includes variations of informal revolving loans, and pooling of resources, combined with part-time employment to support their ventures.

c) Productive, loyal, and cheap labor. An essential factor in the competitive strategy of ethnic businesses is lowering costs. This is done in great part by lowering profit expectations, and also by paying very low wages without lowering productivity or loyalty —high employee turnover could mean wasted training and perpetual inefficiency. This is achieved in various ways:

- i. Labor contributions from relatives and children—at very low or no wages. The family is part of the business, and those capable are expected to contribute gratis. Relatives living with the family unit may be “paid” something, but rarely at market value. Their work is considered a contribution to the family welfare, in which they

share, and rarely in a quid pro quo arrangement¹¹. A comparative study of small retailers in Great Britain (Aldrich, Jones, and McEvoy, 1984) found that Asian firms employed relatives at more than twice the rate of white ones, and that 29% of self-employed Asians employed three or more relatives—which was associated with opening more days of the weeks for longer hours.

- ii. Hiring co-ethnics at low wages in exchange for business training, flexibility in employment requirements, mentorships, and paternalistic reciprocity. This is the inverse of some techniques in 1) above, where the workers expectations of training and other assistance are described. Not all workers want or expect to become business owners, however, and this incentive may be lower for them. Some newcomers may work for co-ethnics at low wages because it may be difficult to find jobs elsewhere, due to their weak English-language skills, or even racism. Others may enjoy the cultural affinity with co-nationals, their better treatment, and their empathy and support as they learn the job. Ethnic entrepreneurs much more often than whites would allow flexibility in behavior and appearance of the workers as a means to buy their loyalty and appreciation. It is often a symbiotic and relatively complex relationship, with mutual flexibility and concessions, in which both parties pay financially and emotionally for the objective of cutting costs.

d) Relations with customers and suppliers. These also involve symbiotic understandings made possible by cultural affinity. At the beginning of this section, the discussion on ethnic resources describes that to attract the customer, the entrepreneur may provide special services, such as home deliveries, a “credit line”, and other often troublesome and costly. He would also provide a culturally sensitive experience, familiar products, a convenient location within the ethnic neighborhood, a quick purchase, etc. In exchange, the customer may be paying higher prices than at large self-service stores, accept a less diverse selection of products, etc. With

¹¹ I personally worked without pay in my family's store over 40 hours in seven days per week since the age of seven.

suppliers, the relationship is inverted but similar, with informal agreements for credit to the entrepreneur, very personal treatment, and maybe price breaks, in exchange for his loyalty as a customer/distributor, client referrals, acceptance of products they want to promote, etc. This relationship has a broader scope than the one with the customer, involving the ethnic networks and personal ties mentioned in 1) above, and the formation of trading associations and family alliances through marriages.

Relationships ensure mutual trust, consideration in business transactions, favors to each other and their friends, loyalty and consistent patronage.

e) Business competition. In addition to the marketing techniques to attract and maintain customers, and the strong relationships with suppliers to buffer their businesses from market uncertainties, ethnic entrepreneurs compete by cutting costs. Their prices may not be as low as Wal-Mart's or similar mass retailers, but within their enclave, and in spite of the many services they provide, they are competitive. They achieve this by self-exploitation, and that of workers and family members, working long hours under bad conditions for low returns, and expanding along the chain of production or opening more shops. Occasionally they may form cartels to reduce the effects of competition in the enclave. They may also start or expand their businesses at opportune moments (Waldinger et al, 1990, p104), migrating to the host country, or sponsoring relatives and employees, when environmental conditions seem favorable.

f) Excessive legal requirements and political attacks from rivals or government. According to Waldinger et al (1990), the US is not as bad as most other countries, where relocation of immigrants or the limited granting of business permits takes place. When these barriers are faced, however, Waldinger et al assert that ethnic entrepreneurs resort to bribery, paying penalties, finding loopholes, and organizing protests.

D. Limitations of the Ethnic Success Methods.

Ethnic resources and techniques are effective means of taking advantage of business opportunities created by the socioeconomic conditions of minority enclaves. These ethnic methods facilitate minority entrepreneurship, replacement, and community development at some stages of growth. In that sense, the strategy of using ethnic resources and creating niches is what has allowed some ethnic groups to capture and benefit from some of the market demand created by their own communities. Their success is also due to other reasons, however. The most relevant is the abandonment of those markets by the mainstream competition, which pulls out because operating in the enclave is difficult and costly, and the profit potential is limited. In fact, enclave economies have clear limitations for all entrepreneurs—both physical and in concept. When the limits are reached, the course of economic success points outward from the enclave. This does not lessen the value and effectiveness of ethnic techniques to pursue entrepreneurship under certain conditions; but shows that their advantage is not absolute. Moreover, outside of the enclaves some ethnic traits can actually be liabilities. This is the paradox of the traditional immigrant entrepreneurial success in the US. After the ethnic economy as a whole invests substantially for years to develop sophisticated skills and elaborate networks for a strategy invaluable to succeed at a critical stage, these methods often become a liability and must be changed drastically to allow further development beyond survival. There are proven alternatives to the enclave model, however; and eclectic methods employing ethnic resources, or “hybrid models”, can be very successful in the broader economy.

Minority entrepreneurs take over enclave markets by under-pricing the competition through self-exploitation—not by increasing value creation capacity. That is, they generally do not find ways to produce more with less or reduce the cost of production in a manner that will increase their revenues. They simply absorb a portion of the costs and share the burden with their families and employees. This allows them to compete, and prosper somewhat. Since they compete with the larger markets outside of the enclave, however, which have much larger economies of scale and modern cost-saving

technologies, the effect of that ethnic strategy is that most of their services and products within the enclave become “commodities” —offerings cheapened by abundant competition. Ethnic methods may make their businesses viable, but they also usually prolong the minority group’s disadvantaged status by limiting its profits—becoming a trap at this stage.

The trap is in part a result of the lines of business they enter, which may not be entirely a matter of choice, but also of limited opportunity. Sections B and C above, have already discussed how the limited capital and skill resources of ethnic entrepreneurs make them seek opportunities in neighborhoods going through ethnic replacement or in ethnic niches; and how they expand their businesses in the same pattern, or along the supply chain in the same lines of business they entered. Those lines of business usually require small investments, are labor intensive, and have low technical barriers —like buying and operating one’s own taxicab, for instance. Waldinger (1986) gives the example of a complete 25-30 worker factory selling for \$25,000, which with garment dealers’ good financing offers, a down payment of \$6-7,000 can make the purchase within the reach of immigrant entrepreneurs. He also asserts that businesses abandoned by large firms, and often run by minorities, are in products and services with unstable demands, which they leave for more stable markets. Bates (1991), Waldinger et al (1990), and others have described these ethnic lines of business as small-scale traditional ones like retail, restaurants, beauty salons, etc. Their conclusion is that even as the skill level of the ethnic group allows some diversification, they maintain over-representation in industries most affected by economic stagnation, declining demand, losses to high tech developments, and international competition—such as small-scale manufacturing of garments. That is, industries that are unattractive to the mainstream competition for rational business reasons, are the ones usually ending in the hands of minorities because they are the most affordable and do not demand high skills that the ethnic entrepreneur may not have.

There are other factors limiting the enclave as business proposition, however. Bates, (1992, p. 49) has found that firms serving greater than 75% minority clients, regardless

of having white or black owners, are smaller in sales and employees and more failure prone than those serving a mixed or mostly non-minority clientele. Chen and Cole (1988) may have found part of the explanation for that. They say that small businesses in general “crowd out” each other in access to conventional capital sources, and that ethnic communities offer lower inputs to investment, and respond less to investment efforts by entrepreneurs. Simms and Burbridge (1986) complement the above argument by finding that minority¹² businesses fail more often in slow-economic-growth communities, less in mostly-minority communities, but more again the richer the minority community is; and conclude that relying on the minority community to sustain a business is probably not a good strategy. What that tells us is that the fast-growing enclave stage of an ethnic community is the optimum environment for ethnic methods of entrepreneurship—but that after that, as the ethnic community attains prosperity, ethnic resources lose their competitive advantage. This is the point where a growth-oriented ethnic entrepreneur reaches the boundaries of both the enclave and the ethnic strategies employed thus far. If the minority-owned businesses adapted to capture the changing consumption patterns, by changing their methods, products, etc., the effects of their co-ethnic population’s increased wealth could actually be positive. But as Waldinger et al (1990, p 56) assert, ethnic businesses are small, concentrate in retail and services to minorities, and the growth of the minority population determines, and limits, the growth in their consumer base.

Waldinger et al (1990) have touched on the reasons for the ethnic niche limitations. They speak of evidence of this in the US and Europe, and define it as a result of the size of the ethnic population (a minority), its levels of poverty and resulting low buying power, and over-competition for this limited market. Mahon (1995) as well, in her summary-description of “traditional economic development theory”, mentions two virtual economies in coexistence: the dominant one with larger firms expanding vertically and horizontally, and the “periphery”, with disconnected small businesses surviving by

¹² “Minority businesses” may be meant here as defined by ownership per se, but the implication and relevance to this argument is that they are characterized by their use of ethnic resources and techniques. Simms and Burbridge’s findings speak of a shift in consumption by the prospering ethnic community—clearly outwards from the enclave.

distributing the products of the other. In both views, success beyond survival depends on a shift towards the larger economy. For ethnic entrepreneurs, that means expanding to the mainstream market by changing the methods that made them successful, and maybe even exiting the enclave—not necessarily a very intuitive conclusion for them. After many years of refining a method and benefiting from it, and with the market's usual mixed signals, it is easy to get blindsided and require a very strong message to change—such as getting too close to failure. For example, if conditions worsen in ethnic areas, these become relatively more affordable and less discriminatory towards immigrant entry, making them very inviting—but creating a vicious cycle of survival businesses in growing over-competition. Many immigrants do get the message on time, of course. Bates (1991, p. 44) has found that as commercial banks lend less to businesses located in minority communities, healthier new businesses are shifting away from the inner-city. But the potential trap for others with lesser resources is there.

In expanding beyond the enclave, ethnic methods of entrepreneurship, as described in the context of this paper, have obvious limitations. Their advantages in the ethnic community helps disadvantaged immigrants start very small businesses, but does not prepare them (with the skills, capital, etc.) to move beyond. Bailey (1987) asserts that their businesses will not meet the size and expertise requirements to operate in the open market. Bates (1991, p.8) concludes that cultural traits can actually be barriers to entrepreneurship. This is true for some practices under some circumstances. Waldinger et al (1990, p 195) assert, for example, that the ethnic entrepreneurial system is not compatible with US laws and regulations, because potential conflicts with licensing requirements, minimum wage and overtime laws, documentation requirements in running a business, and requirements of documenting employees legal immigrant status. Clearly, any business employing ethnic methods of flexibility and in-kind exchanges such as training in lieu of monetary compensation, if scrutinized, would have to resort to complicated “under-the table” arrangements and “double-book” accounting to maintain an appearance of legality in the modern US economy. If successful, and it grew large in size, maintaining such as system would be costly in time, effort, and

efficiency; and some aspects would be impossible to sustain. For example, hiring exclusively co-ethnics would be blatant discrimination. Diverse personnel would require either similar treatment for all—virtually eliminating the “ethnic advantages”—or much more complicated and concealed arrangements for some co-ethnic employees. Relation with customers and suppliers would face similar legal, ethical, and political issues.

There are other very important potential incompatibilities of ethnic methods with mainstream markets. Some are cultural, as when expectations from potential customers, employees, suppliers, lenders, etc., in the larger economy differ from some of the practices through ethnic resources. Ethnic methods are based on the owner’s direct long-term personal relationships with customers and workers, with flexibility tailored to each, and using shared cultural values and protocol, etc. It matters from whom one buys or for whom one works, because the transaction is a continuous one, with the benefits not coming all at once but are extended through the relationship. In the larger economy, on the other hand, there is not always time for that, particularly in retail or other competitive industries. The culturally diverse actors interact mostly looking for convenience and the practicality of “instant satisfaction”—and less for an investment in a relationship. Customer confidence is based on consistency of products and professional standards, and much is judged through appearance of the shop, employees, etc. Quality personal treatment and customized attention is valued in some businesses, and corporate partnerships exist in some industries, but they are not based on friendship, cultural affinity, or ethnic loyalty—which have a much lesser value here. It matters more what one gets than from whom one buys it.

There are also important issues of efficiency in the use of ethnic methods of doing business. For example, the training or mentoring of a worker, or the extra services to a customer, is a form of bartering for loyalty, additional work, or other concessions—even if not explicitly. In the ethnic enclave, it is efficient to trade one’s extra time, energy, and cultural knowledge to enter into business—in the absence of money or marketable skills. In fact, that is part of the attraction for co-ethnic workers and customers of lesser

resources. Modern markets, on the other hand, are hindered by bartering. The mainstream economy is based in great part on speed and volume of transactions, and explicit exchanges of quantified goods facilitate that. The use of money and more fluid alternatives such as credit cards, increase their profitability. There is room here for some elements of “ethnic resources”, such as flexibility and customization. For instance, there are very successful highly-customized mass-produced offerings like computers built with exactly the features one needs, and services using technologies that allow providers to remember repeat customers’ preferences when they come back to a hotel or restaurant, etc. But the form of delivery is different in that it is “efficient”—in cost, volume, etc. To compete in the mainstream effectively, ethnic entrepreneurs have to change some of their methods and competitive strategies to increase speed and fluidity to increase volume—at the expense of the relationship-building bartering.

There are alternatives to enclaves in the economic development of ethnic groups, however. Waldinger et al (1990, p109) describe how Italians in Rhode Island, and blacks in other regions, have prospered without enclave conditions. Moreover, they also describe some of these alternative “windows of opportunity” to the main stream market. These are comparable to some ethnic small enterprises found in the enclave (the lines business, the size, etc.), but are not based heavily on ethnic resources, at least not in their relations with customers or retailers. Some do use those ethnic techniques that are compatible with the larger culture very successfully, such as extreme courtesy, personal attention, and flexibility; but in general the strategy is to be located outside of co-ethnic enclaves, and cater the broader market. The most obvious type of business is the convenience store, which has generated the stereotype of the immigrant convenience attendant—such as of Seven-Eleven—but also includes taxi services, merchandising of ethnic products, restaurants, retail or small wholesale of imports such as electronic gadgets, etc. The strategy is to use the advantages of their smaller scale and some ethnic resources, to offer flexible hours, in-the-neighborhood location, convenience of a quick purchase with shorter lines, etc. Generally these ethnic entrepreneurs would also look for low-tech entry requirements, low economies of scale; and also end up in unstable and high-uncertainty industries mentioned above.

The big difference is that their modus operandi and markets are not exactly the same as the “ethnic entrepreneurs” described above. Their customers, their returns for their efforts, and more importantly, the business skills they develop are not as different from what the mainstream economy requires. A long-term plan for the rapid development of a newcomer group such as the Brazilian should consider these “hybrid” alternatives not requiring an enclave strategy, as the enclave option itself is also explored with a clear awareness of its limitations. As we will see in the next chapter, some Brazilian immigrants have found some niche industries with apparent success in employing their limited skills and capital, without the support of an enclave, and still maintain their temporary migrant attitude.

E. Implications of Ethnic Success Methods on BBN’s Plan.

This chapter has identified two know general paths to the economic development of ethnic immigrant communities with blocked mobility in the US. The first involves the creation of ethnic niches or enclaves, through the use of ethnic resources and various techniques to overcome very difficult barriers to entrepreneurship. In a gradual growth, the immigrant group may go through various alternative stages, to create a larger enclave with its ethnic market under its control—but the group’s ethnic advantages can become its limitations. The second places more emphasis on serving mainstream markets, including some elements of the first, but without the support of an enclave or relying on co-ethnic populations. Entering a mainstream market requires much more from the ethnic entrepreneur, but in overcoming the intense short-term barriers she develops business tools for a long-term success. Either methods of development, however, seem to require more services than what BBN is planning to include. Any newcomer group would, even if it had some business experience, would require training in US business standards, government regulations, US culture and marketing, cash management, etc., etc. A target group that is relatively disadvantaged and a newcomer from a non-English-speaking country would require the business skills training to be in

its native language, much more extensive, and to include English-language instruction itself —neither of which are cheaply available.

The enclave method could be seen as an “easier” path for the ethnic entrepreneur, because it allows a “gradual” entry into the US economy, utilizing skills he may not be able to market in the mainstream economy —even those incompatible with the US culture. A large and concentrated group —unlike the Brazilian in Massachusetts— can form a very organized enclave where ethnic resources can facilitate the provision of most information and business training through mutual support within the community. This is a more “organic” model, which can happen without intervention programs and in spite of strong social barriers, as individuals seek the solutions that best suit their interest and resources. To a good degree, this is the intuitive solution of minority groups on the face of strong upward mobility barriers. However, It is a process that may take decades and even generations, depending on the group’s resources and environmental conditions—such as the volumes and timing of their group’s migration, the economic cycles, etc. The degree of prosperity possible is also limited by the enclave model itself. The limits are set by the size of the ethnic markets and the changing preferences of the ethnic population, as the latter prospers and seeks mainstream consumption.

At some point, the ethnic businesses must seek the mainstream markets to expand and prosper further, to ultimately reach some degree of socioeconomic integration with the mainstream. In that later developmental stage, however, the ethnic methods that built the enclave, can become liabilities, as they are usually incompatible with US mainstream business practices. This can be a major hurdle for any community. After years of developing a successful modus operandi congruent with its culture, changing may be counterintuitive —the natural tendency would be to make their ethnic skills more efficient, not to abandon them. Overcoming this barrier may be as difficult as bringing about social change, but it is necessary to exit the survival entrepreneurship of the ethnic markets, and prosper further.

Some ethnic groups have followed the second path to development in the US. Italian immigrants in Rhode Island, for example, started businesses that from the onset began to serve mainstream populations (Waldinger et al, 1990, p109). Ethnic resources are still an advantage, but to a lesser degree since many customers and suppliers will not be co-ethnics, and can be likely sources of barriers —cultural and language differences, etc. The challenges of this “hybrid” method may be greater in the short run, than when using ethnic resources, as mainstream market barriers must have to be addressed and overcome in entering —requiring in advance the development of business skills understanding of the US system and culture. As with widely dispersed or small groups unable to form enclaves and use ethnic resources, co-ethnic support and organization cannot meet the needs for business information and skills, capital, and other —it has to come from outside of the ethnic community. The costs of entry can be higher as well, as more expensive business locations may be needed and the competition encountered may have more resources. Because the is limited, even English-speaking immigrant entrepreneurs would need formal US business skills training, on-the-job training, and professional services such as accounting, etc.

The advantages of this method show in the longer run, however. The lesser dependence on ethnic resources, and the development of business skills more directly applicable to the mainstream markets, will ultimately allow an easier exit from the “survival entrepreneurship” of the ethnic niche, and a smoother full entry into the mainstream markets. This model may allow a more rapid growth as well, by allowing established businesses to capture more of the value they create. The lesser use of ethnic methods lowers the cost these imply; and the lower dependence on co-ethnic markets, which are not as supportive or rewarding in the latter stages of the enclave development process, allows greater profits and expansion. The greater challenges of this model, even if mostly in the short run, make it a very difficult option for disadvantaged newcomers. While the path to upward mobility may be shorter, the “class resources” needed would require intense and well-planned intervention programs to assist even relatively skilled immigrants.

Clark and Kays (1995) studied seven leading micro-enterprise assistance programs in the US for a period of five years, involving 405 entrepreneurs of diverse ethnicity (62% minorities) and education levels (58% with some education past high school), but primarily English-language speakers. Among their findings they mention that regardless of income level, “training and technical assistance are critical to micro-business success”. They further state that “most U.S. program operators agree”, and that “it is much more difficult to operate a successful micro-enterprise in the U.S., given the complexity of the economy and the stiff competition” and that “even the most cost-effective programs also offer training and technical assistance along with credit”. They concluded that “given the observed need for technical assistance in the U.S., it is expected that programs that can design effective, low-cost training programs will prove to be the most successful”.

To help determine which business strategy is best suited to the Brazilian population BBN intends to serve, and what assistance and services they may need, the following chapter will describe and analyze its know characteristics. The findings are limited, and hardly conclusive, as more research will be necessary to confirm even basic data such as the total size of this population in Massachusetts. Generalizing, however, an ethnic enclave strategy may be the best approach for a Brazilian group that is isolated from the mainstream economy, severely lacking skills and capital, concentrated geographically, and has strong co-ethnic organization or solidarity to mobilize ethnic resources. A “hybrid” strategy, more focused on the mainstream market, would be more appropriate for a Brazilian immigrant population with relatively high educational levels, business skills, access to capital, and connections to mainstream businesses. This may also be a better strategy if the Brazilian ethnic resources are weak, in which case, substantial commitment and assistance would be needed to support entrepreneurs; and it makes sense to apply their efforts to larger and more profitable mainstream opportunities.

CHAPTER 3

BRAZILIAN IMMIGRANTS IN MASSACHUSETTS

The previous chapter identified several characteristics proven to influence the success of entrepreneurial activities in most ethnic groups: age, gender, educational level, business and managerial experience and skills, and particularly relevant in the case of immigrants, understanding of the US system, language, culture, etc. It also described how a group's disadvantages in these areas, blocking its advancement vis-a-vis the general population, can act as incentives to self-employment—and also as barriers to starting a business. Another relevant finding was that a group's "stage of immigration development" can influence its attitude towards business creation and investment and its modus operandi—in response to the group's conditions and its environment. A "temporary migrant attitude", for example, is the least conducive to self-employment inclinations. Large numbers of permanent immigrants amongst an ethnic group, on the other hand, are conducive to forming ethnic enclaves—an effective, if limited, method of development. This method has allowed disadvantaged newcomers to start businesses with a minimum set of business skills and resources—which can actually be developed as they go. An enclave, however, requires a substantial population mass to be started, blocked mobility incentives, as well as some of the above characteristics of successful small entrepreneurs.

Self-employment patterns alternative to the enclave were also presented. Some minimum set of skills necessary to understand mainstream clients and business practices have allowed minority ethnic businesses to operate successfully in the mainstream from the start. In this case, although the population size and concentration requirements are lesser, the "class resources" of the potential entrepreneurs are very important factors. A command of the English language, relatively high educational levels and business skills, or transferable ones, as well as access to capital, are absolutely necessary to start and enterprise under these conditions.

There are other factors determining the entrepreneurial potential of an ethnic group, however. Some seemingly irrelevant characteristics or circumstances may combine to change a group's options and incentives; or recurrent patterns of behavior may challenge the interpretations of statistical data. For example, it will be shown that some undocumented Brazilians in the Boston area find ways to use their transferable education and experience in successful businesses requiring low investment and only short-term commitment—such as housecleaning micro-enterprises in the suburbs. The actual numbers of these resourceful entrepreneurs are not known, but that particular occupation has been mentioned as one very common in Massachusetts. What is relevant here is the existence of those activities as a pattern, which allows temporary non English-speaking immigrants to avoid forming enclaves, government detection, and heavy dependence on ethnic resources, and still pursue entrepreneurship in the mainstream—in apparent contradiction to some of the literature.

This chapter will explore available data for evidence for all of the above in the Brazilian population in Massachusetts, beginning with a discussion on the limitations of the information available, which makes additional research necessary to confirm the tentative analysis and conclusions. The main findings, however tentative, are that the total number of Brazilian immigrants in Massachusetts is uncertain, in part because they have settled scattered over large areas and because many are undocumented and avoid detection. Although they have clear disadvantages in the job market, their "temporary migrant" attitude and an apparent contentment with the quick rewards of dead-end jobs seem to offset their incentives for self-employment. It appears also that a desire to return to Brazil, making any long term investments in practical, and their "illegal" immigrant status, making their future in the U.S. uncertain, makes them bad candidates for entrepreneurship assistance programs. There is evidence, however, that many of them use their relatively high education level and job skills to start businesses catering both mainstream and ethnic markets. All this suggest that the actual entrepreneurial motivation, and potential, of this population are stronger than they

seem, and that they need extensive services and an effective strategy to access mainstream markets; but also that more specific research is warranted.

A. Characteristics of the Brazilian Community in Massachusetts.

The term "community" must be used in its broadest sense here, describing not a physical cluster of people but a collection of individuals sharing a culture and interests in spite of their relative dispersion. Brazilians in Massachusetts are not inconspicuous, although their actual numbers are difficult to assess, but present an interesting case of ethnic immigration pattern to the US. Unlike many immigrant groups in the US who have tended to cluster physically as their numbers grow, creating visible ghettos, Chinatowns, barrios, etc., Brazilian immigrants in Massachusetts have scattered themselves, primarily on the eastern half of the state, in relatively less-obvious clusters. This maybe a survival strategy, vis-à-vis their immigrant status and current anti-immigrant policies and public sentiment in the US. On the other hand, like most other immigrant groups, the Brazilian came with a strong work ethic, modest expectations, and a willingness to accept grueling jobs. Working very long hours in menial and often physically demanding jobs, they have minimal opportunities for networking and other activities that may help them advance their socioeconomic status. Establishing permanent roots in the US appears not to be one of their interests, however, as they choose to "float" back and forth to Brazil. Maybe the present anti-immigrant US environment has strengthened their not-so-uncommon immigrant hope of returning home permanently. In any event, the need for additional research about Brazilians in Massachusetts is clearly needed. There are too many great discrepancies in estimates of total numbers and also several key characteristics for which their data is largely anecdotal—such the population's dispersion, its proportion of undocumented immigrants, and their attitudes towards entrepreneurship. The findings in this section can only be tentative.

One undisputed fact is that a great number of Brazilians have and continue to arrive clandestinely or with temporary visas that prohibit their seeking employment —a requirement many of them quickly disregard, technically becoming "undocumented". Table 3.1 below clearly indicates that the majority of them come to the US planning to work here. This "illegal" immigrant status is an extremely strong incentive to become "invisible" to any authority or official entity¹³ —and the Census Bureau's forms and interviewers are official enough to be avoided.

Table 3.1 Migration Motives of Brazilians in Massachusetts.

Better Employment Opportunities/Salary	26%
Gain Experience, Educational Opportunities	13%
Earn Money To Take Back Home	13%
Earn Quick Money	3%
Leave Financial Troubles	16%
Join Family in the US	10%
No response	<u>19%</u>
Total	100%

All figures are based on the total sample of 300.
Source: Braga-Martes (1996, 1997)

The 1990 Census counted only 94,023 foreign-born Brazilians in the US as a whole; and according to the Immigration and Naturalization Service (INS), about one third of those arrived in the previous decade —33,475 were legally admitted between 1980 and 1991 (Braga-Martes, 1996). Apparently, however, the push factors in Brazil (economic pressures, etc.) have intensified in recent years, and its actual contribution of immigrants to the US has multiplied greatly. Veja (1996) has gathered a very different

¹³ My extensive personal experience, as an immigrant and long time resident of many immigrant communities in the US, is that the great majority of undocumented immigrants are not very aware of the differences in jurisdiction (and/or do not trust the confidentiality policies) of the various authorities (local police vs. INS, vs. IRS, etc.), are equally suspicious of most public services that require personal information, and become extremely adept at avoiding detection.

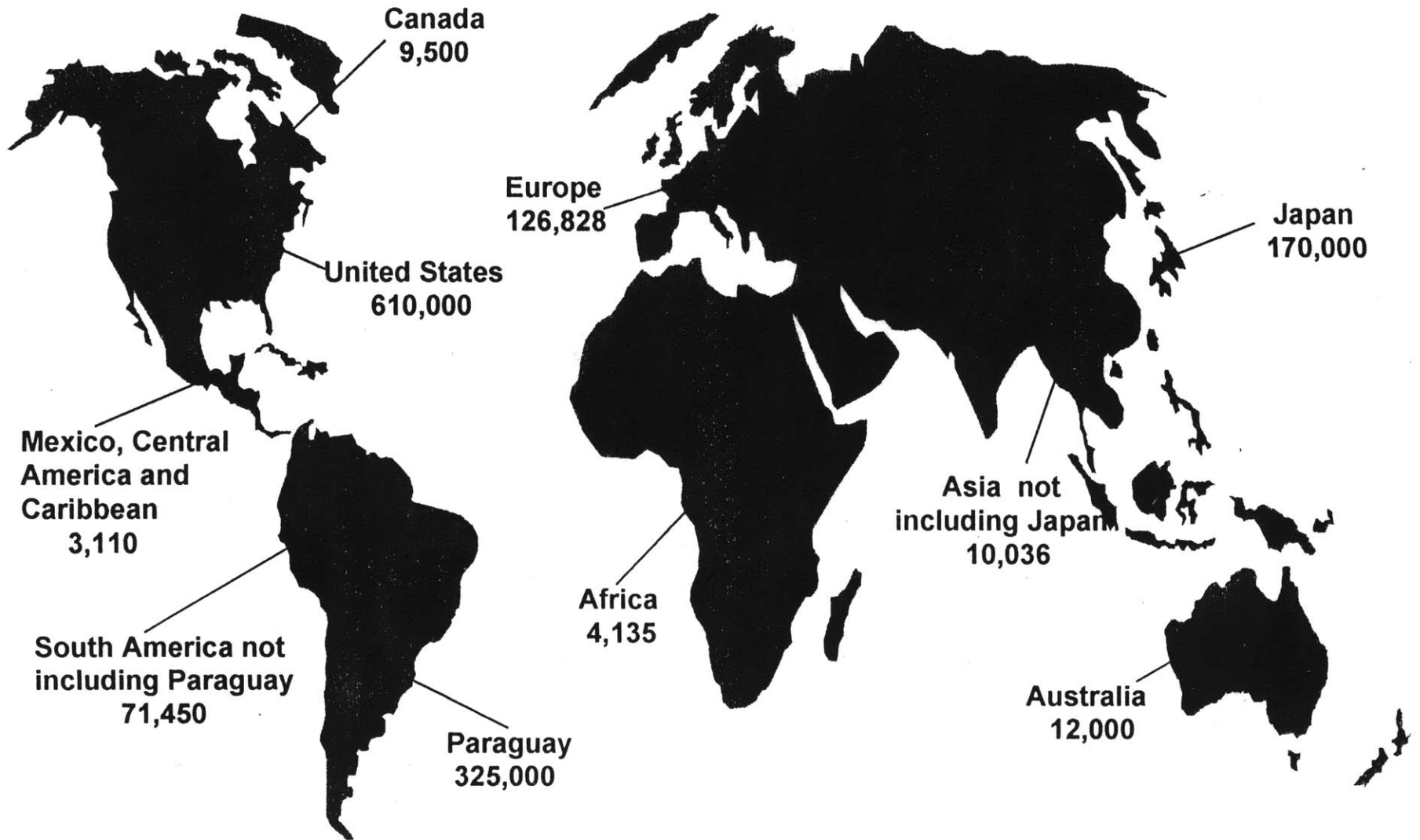
set of numbers on Brazilian expatriates around the world, and Exhibit 3a illustrates this distribution assigning 610,000 to the US. This past decade was also marked by a very obvious US national concern with illegal immigration, open displays of hostility towards ethnic minorities, and intensified enactment and enforcement of laws discouraging immigration. Arriving in such times, mostly without working documents, and with Brazilian havens practically nonexistent, these immigrants are likely to look for ways to avoid detection by an increasingly active INS.

By joining a community of her own ethnicity, an individual becomes less conspicuous. There she would blend in, find valuable support for her initial basic needs (food, shelter, etc.) and information (about the system, language, etc.) for her dealings with the larger community, etc. There it is possible to feel safer, and taking advantage of ethnic networks and resources, find ways of participating in the society and the economy—regardless of immigrant status. That seems to be the practice that maintains and expands the Chinatowns, Little Italies, Little Havanas, and similar ethnic communities. This is practical only, however, when the group has gained a size and status (of “immigrant legality”, maybe gaining some political clout, etc.) that may protect it from raids or racist hostility. Brazilians, however, as a relatively recent arrival to the US, may not have yet the numbers or means to form such communities¹⁴. More important, perhaps, their high percentage of “undocumented” individuals and lack of political clout, etc., would put them in a more precarious situation than older and established ethnic groups, if they gathered in one place.

The total size of the Brazilian presence in Massachusetts is not absolutely clear either—in part because of the above circumstances. The 1990 Census counted 37,817 Brazilians in all of New England (Margolis, 1994). Their actual numbers must be greater than the official counts, as the latter would include only those who allow

¹⁴ In the Greater Boston area, a relatively small but growing community of individuals of Portuguese and Cape Verdean origin is now established in Cambridge—likely serving as refuge for some Brazilian immigrants. Similar, if smaller Portuguese-speaking pockets (of not so recent Portuguese immigrants) are beginning to become conspicuous in other Eastern Massachusetts towns, likely harboring some Brazilians.

Exhibit 3a. Brazilian Expatriates in the World.



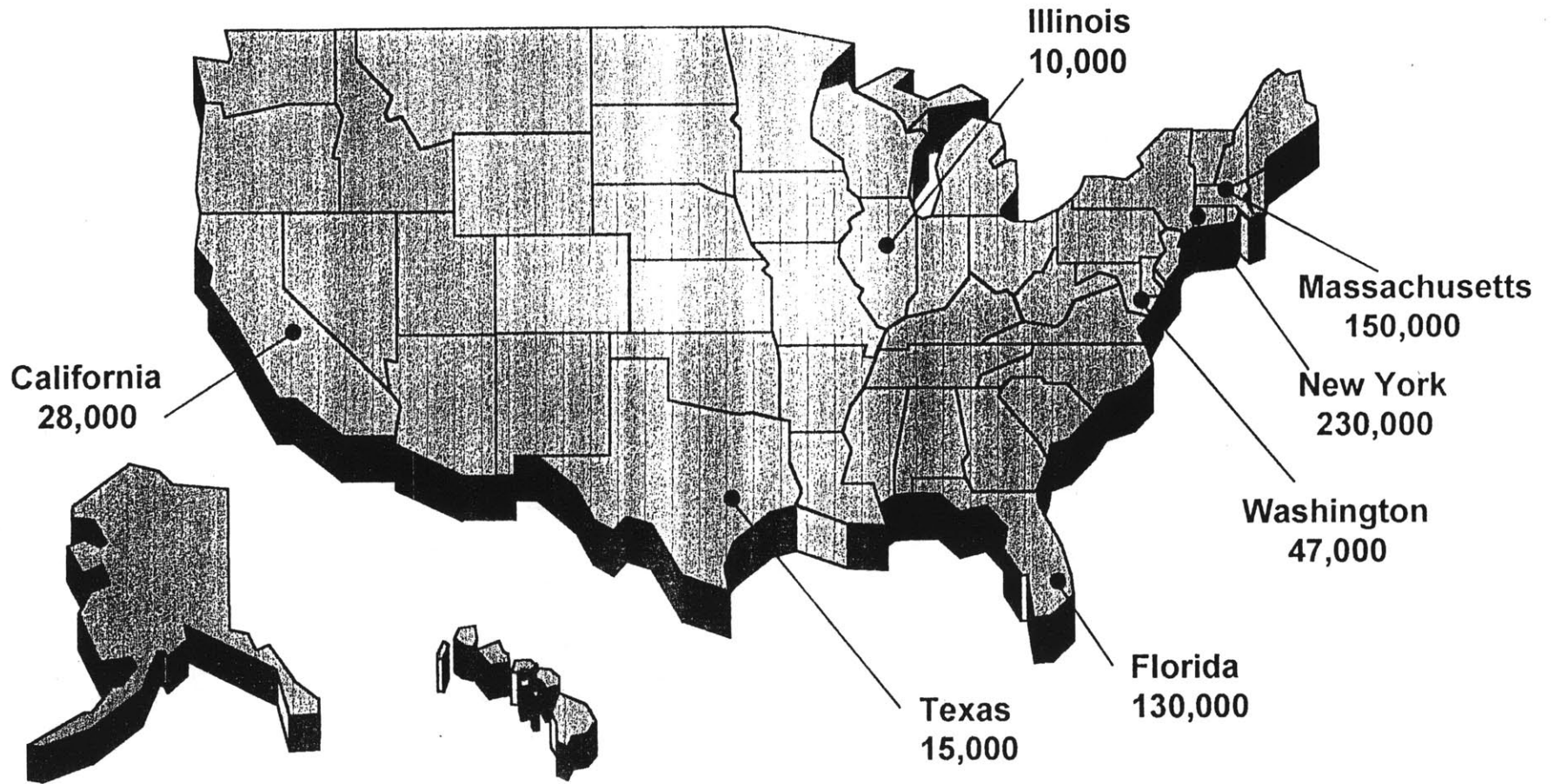
Source: Adapted from Veja, April 3, 1996.

themselves to be counted. The Archdiocese of Boston countered the Census Bureau with an estimate of 150,000 Brazilians in Massachusetts alone, based on estimates of the "invisible" undocumented immigrants. Advocates do have incentives to over-count¹⁵, however, and these unofficial estimates cannot avoid the suspicion of being inflated. On the other hand, official estimates of clandestine residents are notoriously inaccurate; and the extreme disparity of the numbers offered is so great that it is very difficult to simply assume some kind of midpoint.

The Brazilian Consulate in Boston has endorsed the Archdiocese's estimate (Braga-Martens, 1996). Exhibit 3b shows estimates of the largest populations of Brazilians within the US. The Consulate, one would expect, has a lesser tendency for over-counting here. It is not in the Brazilian government's interest to exaggerate the number of their nationals violating US immigration laws. It has a greater incentive to play down indications that Brazil is in such a bad condition that its citizens flee it in great numbers. The Consulate would want, in fact, to portray as much as possible a country worth visiting, without conspicuous or hidden ill conditions, and stable enough to attract foreign investment. In addition, the Consulate in Boston may be in the best position to assess its client population. In the last few years it has reached out, and gotten relatively close to the Brazilian communities in Massachusetts—a reversal in attitude from past policies. For example, advocacy and social service activities have been introduced, producing concrete results (noted in the next chapter) and consular services have been regularly transported one day per month to various locations beyond the Greater Boston area, apparently reaching many of its nationals through collaborations with their churches.

¹⁵ In my several years of interacting with public and private social service agencies serving the undocumented, I found that advocates have incentives for overestimating their constituencies' numbers. To prevent underestimating needs, perhaps, or even to increase the little attention given to their clients' plight, that was the tendency. Indeed, underestimating their constituencies' needs would be a much worse mistake than overestimating them. On the opposite extreme (Census Bureau, INS, etc.), official agencies generally were out of touch, biased towards demonstrating their efficiency, but often drastically revising their estimates of those "escaping them". The gaps in estimates were often extreme and rarely resolved.

Exhibit 3b. Brazilian Population in the USA.

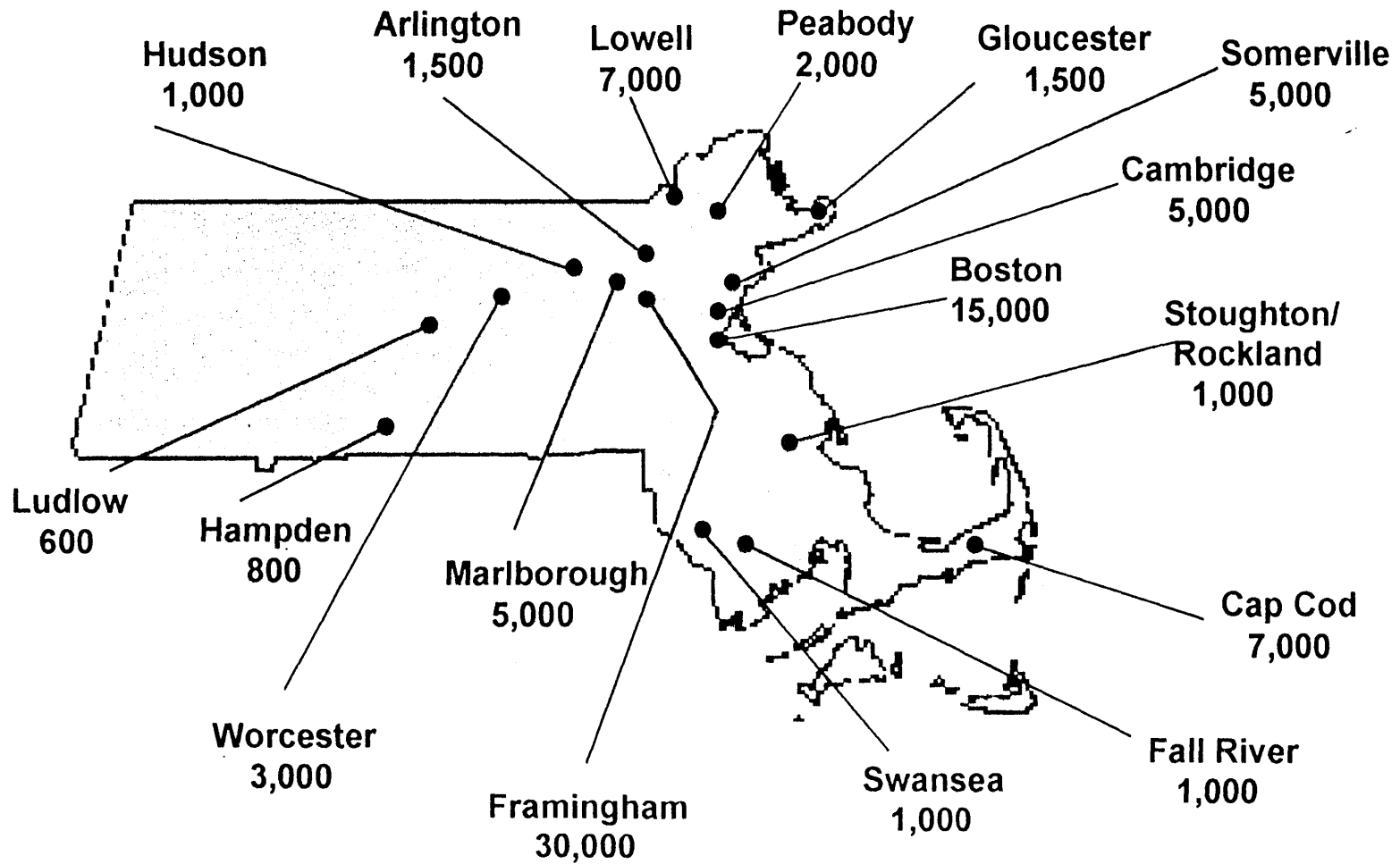


Source: Adapted from Veja, April 3, 1996

BBN's founders, not surprisingly, given their close collaboration with their Consulate, accept the larger estimates endorsed by the Consulate as the most accurate. Given BBN's low scale plans and the manner in which it plans to provide services (without reliance on public support), it may have lesser incentives to over-count than the typical advocate —although a bias may exist in marketing the Brazilian community as a potential market for corporations. Furthermore, BBN's organizers have already been active in various Massachusetts communities, even providing some services ad hoc, and claim to have found a sizable demand that strengthens their assumptions on the Brazilian population estimates. On the other hand, these large numbers have not been substantiated.

Exhibit 3c shows the BBN-endorsed estimates of the Brazilian population and its distribution in Massachusetts, with the largest concentrations in the Framingham (30,000) and Boston (15,000) areas. There is no obvious Brazilian presence of such magnitude in any particular area of the state, however. This may not necessarily contradict the higher estimates, but may be an indication of the believed dispersion of this population. Although the numbers appear substantial, the locations are rather large areas in population and physical size; and even the larger estimates of Brazilians could easily dilute themselves if so they wish. Boston Metro, for example, has upwards of two million residents, and Brazilians do appear to be dispersed and forming only very few hardly-measurable pockets. Harol and Morfin (1997) searched in Boston proper for indications of any Brazilian business enclaves among any concentrations of the estimated 15,000 Brazilians residing in its metro area —identifying only three very small pockets in the city. The largest had about six Brazilian businesses, but “it seemed likely that the small pockets of Brazilian residents do not individually constitute a large enough market to support many businesses catering exclusively to the Brazilians community”. If the numbers of Brazilians in Massachusetts are as large as their advocates estimate, and they are purposely not concentrating very densely, BBN's intention of forming an enclave may be its least plausible option. Alternatively, if the total numbers of Brazilians are rather modest, it is possible that their inclination to form an enclave exists —but again, without a critical mass, the challenge to promote such development is great.

Exhibit 3c. Brazilian Population in Massachusetts, USA.



Source: Consulate General of Brazil in Boston

The total Brazilian population in Massachusetts may not be precisely assessed, but its relative importance to Brazil is clear, however. According to the Brazilian consulate, at 610,000, the US has the largest concentration of Brazilians outside of Brazil—with the closest approximation at 325,000 in its neighbor Paraguay (Exhibit 3a). Massachusetts, with 150,000 Brazilians, is second only to New York’s 230,000 (Exhibit 3b). Some recent literature about the characteristics of the Brazilian immigrant population abroad, including Massachusetts, is available. Co-ethnic researchers have been able to find undocumented immigrants, conduct interviews, and publish results mostly in Portuguese. Braga-Martes (1996, 1997) estimated several traits through a sample of 300 interviewees, an abstract of which is presented in Tables 3.1 to 3.6. Ferro (1988) conducted random interviews primarily in Boston, describing the poor economic conditions that drove them from Brazil, the hardships suffered by many to get into the US, and their dismal working conditions here. He found a great diversity in socioeconomic backgrounds, “but the great majority...(were)... young men between 20 and 25 years of age”. Braga-Martes acknowledges the possible accuracy of the above description of the late 1980s, but her survey (1997) found some changes in the “typical Brazilian immigrant”. The profile of a “young single male, or with the family in Brazil when married” has been substituted by a more diverse population, she asserts. Tables 3.1 and 3.2 summarize these broad demographic characteristics.

Table 3.2 Gender and Age Breakdown of Brazilian Immigrants in Massachusetts.

	15-20	21-34	35-45	46+	%of Total
Male	7%	64%	22%	5%	60%
Female	3%	61%	34%	3%	40%
Both	3%	62%	25%	12%	

All figures are based on the total sample of 300.
 Addition discrepancies from the source —may be rounding errors and/or non-respondents.
 Source: Braga-Martes (1996, 1997)

Table 3.3 Marital Status of Brazilian Immigrants in Massachusetts.

	Men	Women	Both
Single	49%	37%	44%
Divorced, Separated	7%	7%	7%
Widowed	1%	1%	1%
Married	43%	53%	<u>47%</u>
		Total	99%
Parents (married or not)			23%
Parents with children in Massachusetts			12%

All figures are based on the total sample of 300.

Addition discrepancies are from the source —may be rounding errors and/or non-respondents.

Source: Braga-Martes (1996, 1997)

Braga-Martes (1996, 1997) also reported that the majority of Brazilians in the US are undocumented, lack English language skills, work underpaid in the secondary labor market (in unskilled occupations undervalued by natives) with large attrition rates; and yet, feel as "citizens" (respected, with opportunities, and able to consume) but generally consider themselves only temporary migrants in the US, and expect to return to Brazil eventually. It is not clear, however, how close this "majority" is to 50%.

Independent informal interviews with a small but diverse group of Brazilian entrepreneurs and employees seem to confirm some of the characteristics described above. Harol and Morfin (1997) interviewed owners and employees at six diverse small businesses in the Boston area; and for purposes of this paper, three additional interviews of Brazilians who founded small house-cleaning businesses in Greater Boston were conducted from 1998 to 1999. The data-gathering processes were anecdotal and emphasized business owners, many of whom were legal residents or longer-term immigrants seeking regularization of their status, and not as insecure financially—which makes the information biased. Their answers to open-ended questions were consistent, however, and described a Brazilian community that was not strongly interconnected, and composed of very diverse individuals with clear

motivations to be very active, but also with an expressed degree of contentment. Many spoke of a desire to return to Brazil, but the feeling seemed stronger among more recent newcomers, and attributed as the norm among those undocumented. English language skills varied from functional to extremely poor, with few notable exceptions of not-so-recent immigrants who spoke English well. Financial and immigration status, as well as other personal data about the interviewees, were not comfortable themes and not pursued.

B. Entrepreneurial Strengths of Brazilians in Massachusetts.

The physical distance and legal impediments to migrate to the US from Brazil constitute a very effective screening tool for ambitious and enterprising individuals. Ferro's (1988) random interviews of Brazilian immigrants in the Boston area includes anecdotes of the dangers of immigrating through intermediate countries such as Mexico, where various forms of preying on US-bound undocumented immigrants have developed. This adds considerable dangers to the costs of buying one's way through guarded borders. The alternative of coming to the US "as a tourist" involves more costly bribes to overcome bureaucratic requirements in Brazil and stringent US requirement for tourist visas. The optional paths are very well traveled by now, and the word about the dangers and costs is passed efficiently to those aspiring to follow—who often acquire debt to finance either. These facts make Brazilian migration to the US a clear investment of sorts, with considerable costs and very objective expected benefits—primarily monetary, and if the "temporary migrant" stereotype is true, with a finite period to realize them. That may be why Table 3.1 above states that the objective of 71% of Brazilian immigrants in Massachusetts is economic gain, or the development of skills to improve their earning power.

The costs and dangers of migration to the US also select those with a higher risk-taking attitude, and perhaps also those with potentially transferable job skills. Those unable to raise the funds needed, or for whom the costs seem too high to risk in such a gamble,

remain home. An alternative argument says that individuals with very low skills would have more incentives to emigrate to a country like the US because their low skills would still allow them to make the minimum market rates here—a much greater improvement than to those migrating with employable skills. In any case, Table 3.4 confirms the abundance of job skills among Brazilian immigrants in Massachusetts. It shows that prior to migrating, most Brazilian immigrants had occupations requiring marketable skills, 17% directly related to sales and small entrepreneurship, and many other that could be transferable to self-employment activities.

Table 3.4 Occupation of Brazilian Immigrants Prior to Migrating to the US.

Professional	9%
White Collar	21%
Teacher	7%
Machinist, Other Technical	9%
Sales, Company Rep.	9%
Small Entrepreneur	8%
Student	13%
Other (too diverse to group)	24%

Source: Braga-Martes (1996, 1997)

Self-selection of Brazilian immigrants may include another characteristic that reinforces their entrepreneurial potential: educational attainment. The costs of migration, and perhaps the demands for self-confidence, may help select relatively well-educated individuals—those in a better position to raise the funds, and who may be more confident that their skills will make the investment pay off. This may be debatable speculation, but Table 3.5 shows that 25% of Brazilian immigrants in Massachusetts have at least some college education (36% for men), and only 28% have no high school level education at all—this is a rather high rate for a developing country like Brazil. Education attainment has a stronger screening quality in less industrialized countries. Unlike the US, where high school education is required, widely available, and only an

average measure of achievement, in Latin America “mandatory” education is usually only at the elementary level and rarely available to all. There, high school entrance is competitive, demanding, and a process of selection for individuals who are relatively more motivated and intelligent. For the same reasons, lack of a high school education cannot be interpreted as describing “underachievers”. Many motivated and bright individuals of the majority working class do not get the opportunity to attend it, in part because they are forced to enter the labor force early, but also because high school is generally seen strictly as preparation for college —and not a logical option.

Table 3.5 Educational Level of Brazilian Immigrants in Massachusetts.

	College Degree	Some College	H.S. Diploma	Some H.S.	Less Than H.S.
Women	12%	7%	32%	18%	24%
Men	20%	16%	30%	10%	17%
Both	15%	10%	32%	15%	28%

All figures are based on the total sample of 300.

Addition discrepancies from the source —may be rounding errors and/or non-respondents.

Source: Braga-Martes (1996, 1997)

The above summarizes strengths that Brazilian immigrants in the US could utilize to succeed in entrepreneurship. Some are “class resources” that are measurable; others are rather subjective, such as possible risk-taking attitudes and an investor approach to their migration. Along those lines as well, there are some unique traits of their culture —their language, music, etc.—different somewhat from other Latin American groups in Massachusetts, and not shared with other Portuguese-speaking ones either. The latter could be the basis for strong co-ethnic cohesion and interdependence, which would facilitate the formation of enclaves.

Other characteristics of Brazilian newcomers in Massachusetts, although they are weaknesses in entrepreneurial pursuits, would have a compelling effect towards self-

employment by acting as strong barriers in the job market. As described in the previous chapter, by preventing their entry to formal employment, or even by only limiting their earning potential, their lack of English-language skills, of familiarity with the US and its job markets, and their “undocumented” status, etc., push them to seek alternatives in self-employment.

More ambiguous characteristics are the estimated age distribution and gender breakdown of the Brazilian population (Table 3.2). With a majority of males (60%) the group, in theory, would face less gender discrimination, with two possibly opposing effects: less barriers in the job market, and thus, less of a push to self-employment, but also lesser barriers in entrepreneurship. The other trait giving mixed messages in assessing their potential entrepreneurship: while 25% of the individuals are over 35 years of age, and according to observations of successful entrepreneurs, good candidates for self-employment, this characteristic is heavily offset by their lack of capital or means to access it. Bates (1991) assertion that the older an individual (up to retirement) is, the more likely he is to start a business, is based on the fact that age has given him time to accumulate capital or credit-worthiness. Brazilians in Massachusetts, on the other hand, may be mature enough to want to become entrepreneurs, but as temporary immigrants by choice, and “illegal” by circumstance, the great majority do not have the legal status or credit history to qualify for private or government-assisted loans.

C. Entrepreneurial Barriers to Brazilians in Massachusetts.

The size of the Brazilian population in the US is a very relevant factor in the environment the members of this group may encounter when they arrive here. It also a potential source of issues in implementing a program of assistance, such as the one planned by BBN. The effects of the population size, however, are limits to the options in strategy, rather than barring entrepreneurship altogether. A large population can reach the critical mass needed for the establishment of niches or an enclave, but in their absence, a “hybrid” model with businesses catering non-co-ethnic populations may

succeed. The dispersion of the population over large areas presents the same issues—it is not conducive to the formation of a large enclave, but niches are possible, and a “hybrid” method would not be affected by it. Other aspects of the Brazilian population, however, may present more serious barriers to individual entrepreneurs and any intervention programs.

To start with, there is plenty of evidence, from their direct responses to surveys, and some of their observed behavior, that many Brazilians in Massachusetts have a “temporary migrant” attitude, which leads to some assumptions about their possible views about investments and employment pursuits in the US. Not all Brazilian immigrants view their alternatives in the same manner, of course; but to understand the potential of the group and those who may follow their footsteps, it is useful to look at generalizations inferred from past patterns. Waldinger et al (1990) have researched and summarized general immigrant attitudes and concluded that a temporary status is incompatible with entrepreneurship—Table 3.6.

Table 3.6 suggests that the attitudes of short-term residents in general are only conducive to short-term employment and investment options. That is, if any entrepreneurial activity is desirable to them, it would involve short-term expectations, and would not be conducive to long-term investment. Even if their skills are fully transferable to self-employment, and capital were available, the temporary nature of their stay precludes their embarking in an activity that requires some years of sacrifice before beginning to see the returns—because their plans are to leave before being able to reap the benefits. If short-term self-employment were possible, it would be less profitable and still a commitment requiring some investment of time to learn the business, etc., which may only be desirable if the alternatives of employment are much less rewarding—such as bad pay for unpleasant work. If such terrible conditions are present, however, they may not be compelling enough to force self-employment on the temporary migrant because they can always return home.

Table 3.6. Circumstances of Migration and Employment Attitude of Migrants.

	TEMPORARY MIGRANT	VS.	PERMANENT RESIDENT
DEAD-END JOBS	Acceptable.		Not acceptable. This is an entrepreneurship incentive.
OPTIONS	Can return home.		Cannot or will not go back. This self-assertiveness is a drive to become an entrepreneur.
PLANNING	Minimal, no time.		Must plan—cannot afford to be haphazard.
RISK TAKING IN BUSINESS	Prudence and short-term concerns. Short term business options —not very profitable. Self-employment needed only where unpleasant work’s wages are not high		Need to invest. Open to risks.
CAPITAL SOURCES AND LABOR	Need to send money home to family		Can save money, and use family as cheap labor

Adapted from Waldinger et al (1990).

If many Brazilian immigrants in Massachusetts do see their stay as temporary, their potential high motivation, risk-taking qualities, transferable skills, and high average educational attainment, could not be tapped. Their barriers in the job market would not become incentives to pursue entrepreneurship either. Clearly, the “temporary status” problem, if true, can present the most significant barrier to BBN in its efforts to assist Brazilians in establishing businesses in the US. Whether BBN opts for the enclave strategy, or if its plan includes the development of mainstream-serving businesses, a long-term incentive and commitment will be essential. The fuel for the development of an enclave and the ethnic methods of development that develop relationships, loyalty,

and skills, is a long-term interest—communal and individual. The ethnic entrepreneur, as well as the parties along the supply-chain, the customer, and the trainee/employees invest for the long-term benefits. The development of a “hybrid” model may have more self-serving motivations, but it is the result too of long-term commitments and expectations. Without these, BBN will not have much success.

A serious complication to the above problem is the, also anecdotal, reports of a high percentage of undocumented immigrants within the Brazilian population in the U.S. Given the present social and official attitudes towards immigrants in the country, particularly “illegal” ones, the Brazilian “temporary migrant” attitude described above may actually be a condition beyond their control –since they cannot easily regularize their status. At the very least, the well-known stern measures against the undocumented must influence their expectations of any long-term future in the U.S. The effects of their involuntary “illegal” status extend beyond the psychological realm. On the very practical side, they limit their resources as entrepreneurs by barring them from legally getting credit, business assistance, formally hiring employees, etc.

Although the reasons are not clear, the data available seems to confirm the anecdotal reports of the short-term preferences of many Brazilian immigrants in the US. Table 3.1 indicates that nearly one third of a recently interviewed sample of 300 Brazilian immigrants have specific short-term goals in the US, such as gaining experience, education, or money (Braga-Martes, 1996, 1997). Another 26% expressed a specific interest in employment, but none mentioned the possibility of starting a business, in spite of the direct entrepreneurial background of at least 17% of them (see Table 3.4). This may be a problem beyond the control of the individuals and of BBN, but it is a significant one and must be more accurately assessed to take it into account.

Another circumstance that may offset incentives to enter self-employment is the Brazilian immigrants’ apparent degree of satisfaction with their ability to consume and enjoy “citizen rights” in the US (Braga-Martes, 1997). This is undoubtedly the result of relative gains over their former situation in Brazil, where life is harder and civil rights

weaker. It may act as a strong disincentive to pursuing activities for upper mobility, however. A tenet of the theories discussed above, about the incidence of entrepreneurship among immigrants, is a high degree of disadvantage that creates dissatisfaction. Unable to enter the labor force as a means of improving undesirable living conditions, or to avoid mistreatment and a lack of cultural compatibility at a low-paying job, the immigrant seeks self-employment. If Brazilians do not feel sufficiently dissatisfied, however, this motivation will not be there—especially when there are strong barriers, risks, and sacrifices that can be anticipated in starting one’s own business.

If the worst of the above is true, and most Brazilian are undocumented and or see their migration to the US only as a short-term investment, and are also relatively satisfied with their bad conditions because they are only temporary, their disadvantages develop a second sharp edge as barriers for any program trying to foster entrepreneurship. That is, entrepreneurship would be a difficult useless investment, and enclave jobs would not be very attractive either—making BBN obsolete to them. Their insufficient marketable skills will not push them into self-employment, even if they cause them difficulties in the job market, because that option is ruled out. Instead, their lack of skills will be barriers in any attempts to entice them to pursue entrepreneurship or participate in an enclave system. BBN could not recruit them as entrepreneurs, even if they were relatively qualified. The convenience of the ethnic enclave, built in part by need of the majority of the ethnic group to rely on symbiotic “ethnic-resource” arrangements with long-term rewards, would not be there either.

If only the lesser problem is real, that Brazilians are less than estimated and spread out, the optional strategies that a program such as BBN’s can employ would be limited in a different aspect. The number of co-ethnic entrepreneurs would be small and dispersed, the jobs for co-ethnics few, and the attraction to an enclave weak. If some the above problems are also true to some degree, and the interest of many of these dispersed newcomers is not in low wages to learn the business, but in making quick money with whomever pays more, there is little reason for them to gather in niches. The presently strong US economy can probably absorb many undocumented workers unwilling to

complain, never mind leave, because of harsh working conditions. Add to that the disincentive to gather in clusters that could be spotted and raided by an INS that knows that the number of Brazilians legally in the US is small, and the dynamics that would have formed Brazilian enclaves are not very powerful. Harol and Morfin (1997) identified only three very small pockets of Brazilian businesses in Boston. The largest had about six diverse stores “located within one block of at least another Brazilian-owned business”, but “it seemed likely that the small pockets of Brazilian residents do not individually constitute a large enough market to support many businesses catering exclusively to the Brazilians community.” Owner/operators and employees of six businesses in those three locations were interviewed. They had awareness of other Brazilian entrepreneurs in the area, but did not feel interconnected between them, and none had direct links with BBN.

According to the literature reviewed in the previous chapter, any of the above factors alone is of consequence to BBN’s potential success. In combination, even a limited presence of some of them should influence greatly the options that any intervention program may have. The absence of hard evidence for any of the above makes it imperative that further research is conducted to clarify, and to the degree possible, measure these factors with larger population samples than the ones used so far. The possibility exists of discovering yet other facts changing, not only what is know about Brazilians in Massachusetts, but also some of the existing theories of what immigrants can do. Evidence of that is explored in the next section.

D. Brazilian success stories and contradictions to expectations

It is not clear why Brazilians have settled in a dispersed manner without forming larger enclaves in Massachusetts, as most other disadvantaged immigrant groups have in the past. One fact seems undisputed, however; that many Brazilians wish to be in the US temporarily, and that their “illicit” manner of entry is consistent with that plan. The sign of the times seems also to be against a change in that migration pattern for the

foreseeable future. Immigration policies and the public sentiment in the US seem to be getting less flexible. All of this makes any attempts to promote their socioeconomic development rather difficult using the known patterns that have worked with former ethnic groups. And without forming enclaves, it seems unlikely that they will be able to effectively use ethnic resources as a tool for growth.

If BBN attempts to develop a “hybrid” model with few participants, more than just a little investment may be necessary, even if tapping existing assistance services. A recent survey of Brazilian-owned businesses in three budding Brazilian niches in the Boston area revealed that they believe their co-ethnic entrepreneurs’ high failure rate is due first to lacking business skills, information, and awareness of US culture and markets, and only secondly to capital (Harol and Morfin, 1997). It was evident as well that English-language skills were essential and a common weakness. Telephone attempts to expand on the research were unsuccessful in part because several of the listed businesses were no longer active, presumably due to failure, and others did not have English-speaking personnel. In-person interviews revealed additional weaknesses in knowledge of import procedures and taxation, marketing to the mainstream culture, etc. Most of the interviewees felt that their co-ethnics could use a lot of help, and that many business failures could have been prevented with better planning, technical advice, and professional assistance —such as from accountants and lawyers. These are not only perceived as relatively expensive, and very scarce in Portuguese, but also overlooked by entrepreneurs as an important factor of success. It was also evident that Brazilians are disconnected from the establishment, and from potential sources of assistance in entrepreneurship. This justifies the development of an intervention program as that planned by BBN, but it is evident that to succeed, it would have to include English language instruction and business assistance in Portuguese. The program’s size, and its investment, would have to be substantial if it expects a massive or rapid success.

BBN may be able to find an alternative to clustering and forming niches; but how about the incompatibility of the long-term investment needs of a business and their temporary

status and plans? How can this be resolved? Individuals' inventiveness is already giving some clues about how to adapt the circumstances to their goals.

In the last few years, an ingenious pattern has been developed or adopted by some Brazilian entrepreneurs—primarily women—in house cleaning. The industry is not new, of course. It is as old as the concept of a maid. What is relatively new is that as more and more women in the US have been joining the labor force, more households have become busier, and they have developed the need and means to almost hire maids. The part-time alternative is filling a growing market. Providers of “maid” services have sprung up, and have grown larger and sophisticated (using web sites, etc.) and operate as contracting companies, freeing the client of recruitment, screening, and other employer responsibilities—and allowing very part-time services. Some maid businesses have bonded and insured personnel, with a fleet of vehicles, and services almost bordering with building maintenance—cleaning smoke or flood damage, steam-cleaning carpeting and furniture. It may very well be an expansion of the larger industry created as corporations, institutions, and government, discovered that contracting out their cleaning was cost-saving—and which still hires large numbers of immigrants, including Brazilians. In any event, the “maid services” industry is rather competitive, with the 1999 Boston Area yellow pages listing over 100 such services. It is not clear who owns those, but in the shadow economy, there is evidence of many such services owned and operated by Brazilians.

The important precedent is creative way in which Brazilians have adapted the “maid” concept to their circumstances. Brazilian entrepreneurs compete with a typical “ethnic strategy” of lowering prices and working very hard. They also introduced an “ethnic resource” approach to the service. Unlike many mainstream competitors, who send “trained professionals” fully equipped in company vehicles, etc., ethnic entrepreneurs cut costs considerably and pass some savings to the client. The leaders of the cleaning crews are often the owners/operators of the businesses, and the marketers, drivers, etc. They seem to hire exclusively newcomers, hardly able to interact with the client, without English skills, but hardworking and pleasant. The usual arrangement with the client is

for the crew to use the client’s equipment and cleaning supplies—which clients seem to favor because it lets them select exactly the products they prefer. Their model seems to be working for the Brazilian entrepreneurs as well. Many of them and their employees used to work for “American cleaning companies” servicing downtown facilities at night—a conspicuous gathering of potentially undocumented workers. Now they are constantly on the move in crews of up to three, returning to the same house at most once per week, and operate mostly in middle-class suburbs with little INS presence.

Except for a reliable vehicle (usually an inconspicuous late model) and some equipment and supplies they carry “for emergencies”, the investment into the business is minimal. And even that relatively-small investment pays off in the short run, because the client list, and vehicle and all, is often sold as a business when returning to Brazil or exiting for any reason. A ballpark estimate of selling prices for average-sized businesses—if there is such a thing—is in the \$7,000 to \$8,000 range, depending on the vehicle, etc. These businesses require little knowledge of the US system and business practices. Clients are normally households who accept flexibility (lack of professional appearance, English skills, etc.) and welcome the lower prices. All this makes them easier to be sold, and to be undertaken by new immigrant owners.

The rates Brazilian house-cleaners charge vary by the effort each specific “contract” and the size and frequency of the job —an occasional cleaning of a small place out of the way will elicit a higher hourly rate, for example. However these are two recent (late 1999) and typical samples of the market rates, showing the income these business can generate:

Crew Size	Unit Size Cleaned	Frequency	Time Required	Price Charged	Person/Hour Equivalent
2	Small 2-bedroom	Biweekly	<2 hours	\$50	>\$12.50
3	Mid-Size 3-bedroom	Biweekly	2 hours	\$80	\$13.33

There are, of course, driving time, transportation costs (vehicle wear, gas, maintenance, etc.) and the uncertainty of filling a whole-day's schedule, but the hourly rates seem to be high enough to compensate for some of that. In the shadow economy, taxes and other business expenses are avoided.

It is not clear how many of these house-cleaning or maid-services business are operated by immigrants or by Brazilians, because they are normally in the shadow economy. Table 3.7 suggests that at least one out of seven Brazilians works in cleaning services, and that it is their most frequent occupation. We have been told that "many" are employed in ethnic house-cleaning businesses, but the numbers include many who, we have also been told, work for large office-cleaning service companies own by non-immigrants.

Table 3.7 Some Frequent Occupations of Brazilians in Massachusetts.

Cleaning	15%
Food Related	14%

All figures are based on the total sample of 300.
Addition discrepancies from the source —too diverse occupations to group and non-respondents.
Source: Braga-Martes (1996, 1997)

Even if less than half of all Brazilians working in "cleaning" are participating in ethnic "house-cleaning" enterprises, the mere existence of the model is very relevant. As more and more US households become fully employed, which seems to be an irreversible trend, the market for these and other services may grow. Childcare may be another example of an industry for which women immigrants may have "natural" skills in a potentially growing market. At the moment, in the same small geographical area where the above Brazilian entrepreneurs operate, at least three Chinese female immigrants

are licensed to operate “home daycare services” (maximum of six children in their own homes). Their model is similar. In spite of their imperfect English, they have enough demand to keep short wait-lists. They use “ethnic resources” to charge low rates, operating partly in the shadow economy (getting only cash from some clients), keeping extremely flexible schedules when non-ethnic providers have a system of fines, etc.

The above examples contradict some expected limitations of the potential entrepreneurship of Brazilians because of their temporary status or possible lack of skills as incentives. Their identification of the cleaning business opportunity, and its adaptation to their migration timeline, limited capital, etc., demonstrates their motivation and resourcefulness. More importantly, it opens the realm of possibilities even in the face of apparent limitations. They specifically contradict Waldinger et al (1990) in their assertions that temporary migrants will not plan enough to establish a business, that a short-term low-capital one cannot be profitable (remember, we mean survival here), or that the option or plan to return home is incompatible with self-employment.

Even if the very needed additional research on the Brazilian population in Massachusetts sheds very unfavorable circumstances for entrepreneurship, there is the possibility of finding sub-segments of Brazilians who may be good candidates for entrepreneurship. There is some evidence, as BBN has already assisted some entrepreneurs and claims to have found substantial demand (see next chapter), that the last few years may have brought to the US more mature and skilled individuals, some intending to establish roots here. Ferro (1988) and others offered a very different picture of the Brazilian population than Braga-Martes’s (1997) nearly a decade later. Although purely anecdotal, the first described a young and relatively “floating” (to and back from Brazil) population. Braga-Martes describes the “majority” as undocumented and “temporary” immigrants (without offering numbers), but also a large proportion of mature individuals (more than 1/3 over 35), a sizeable proportion of families (12% with children, contradicting “temporary” attitudes), and high indices of education and business or transferable skills among all Brazilians. There is not enough information now but to speculate. However, considering that the average rates of entrepreneurship

for Latin American groups in the US is well under 5%, there may be enough Brazilian material to exceed that. The possibilities may depend on BBN's ability to fully assess and develop an effective plan to identify and develop sufficient entrepreneurs.

In summary, throughout this chapter, the picture emerging so far describes a relatively skilled Brazilian population, if rather new to the US and lacking knowledge about its culture, business practices, markets, and the English language itself—which are strong incentives for self-employment, and also barriers in establishing a business. Potentially stronger barriers to their self-employment, perhaps, are a relative contentment with low-paying jobs and attitude of temporary migrant, a high proportion of undocumented immigrants, and a pattern of settlement in a very dispersed pattern in Massachusetts. The critical mass needed for an enclave may not be here, and even if the numbers are proven to be high, their dispersion pattern gives little hope for a rapid formation of an enclave. Few identified Brazilian businesses could not possibly begin to absorb co-ethnics in significant numbers at this point either; and if the great majority in fact plan to return to Brazil after a short period, the incentives for investing in ethnic methods and their long-term returns will be of little help. The task of an intervention program such as BBN's, however, appears very complicated, to say the least. Any method of development it may pursue is likely to confront a variety of difficulties, some appearing insurmountable. The above characteristics, however, are relatively anecdotal and should be confirmed with further research. There is evidence, for example, of a willingness and ability to engage in entrepreneurial activity, even among undocumented Brazilians. Some of these are homegrown in the shadow economy, and are not only indicative of the resourcefulness of Brazilian immigrants, but also offer very practical models that can be replicated without massive investments.

CHAPTER IV

POTENTIAL OF THE BBN MODEL

Chapter II described two general paths to the economic development of ethnic immigrant communities with blocked mobility in the US. The first involves the creation of ethnic niches, in a gradual growth of the immigrant group that leads to the creation of a larger enclave—an ethnic market under the control of the ethnic community through the use of ethnic resources. At some point, however, the ethnic businesses must seek the mainstream markets to expand, to ultimately reach some degree of socioeconomic integration. In that later developmental stage, the ethnic methods that built the enclave, can become liabilities—they are usually incompatible with US mainstream business practices. This can be a major hurdle for any community. After years of developing successful *modi operandi* congruent with its culture, abandoning them changes needed are not always obvious to all ethnic entrepreneurs, and effective planning and advice can be very useful to them in this process.

A second path to development for a newcomer disadvantaged ethnic group, such as the Brazilian, is to start businesses that from the onset begin to serve mainstream markets. The challenges in this method may be greater, as the cultural differences and other barriers must have to be addressed somehow, and the costs of entry can be higher. The advantages of this “hybrid” method are in the lesser dependence on ethnic resources, and in the development of skills more directly applicable to the markets, which will ultimately allow an easier exit from the “survival entrepreneurship” of the ethnic niche, and perhaps a more rapid growth as well. It also allows for basic economic development without complete dependence on co-ethnic markets, which are not as supportive or rewarding in the latter stages of the development process. In this “model”, planning from the onset is more relevant, and assistance in basic business management is essential, particularly in understanding and fulfilling US requirements, but also in marketing, cash management, etc. Because it appears that the majority of

Brazilian entrepreneurs do not have much experience in the US system or the lines of business that they may be able to enter, and because the use of ethnic resources is limited, assistance through formal or on-the-job training, and some kind of pooling of professional services may be required to succeed.

Chapter III described Brazilians in Massachusetts as reasonably skilled, motivated to work hard, and with strong incentives for self-employment; but also as mainly temporary migrants uninterested in long-term investments, and with legal barriers to accessing government assistance and most private loans. Their apparent small population spread out thin over a large area makes very unlikely the possibility of forming an enclave, and their using ethnic resources—which would make an intervention program complicated and expensive in reaching significant numbers of clients. However, this assessment has yet to be confirmed with further research, because there is also evidence of enough diversity to doubt homogeneity in their values and characteristics. For example, relative large numbers of individuals have brought their children and spouses to the US, which is hardly the pattern for a temporary migrant group. Also, this chapter supported with anecdotal data, evidence of Brazilian entrepreneurship in various areas of the Boston region, and even of the creation of businesses fulfilling the needs of a “temporary” entrepreneur, with only a finite time period to recoup her small investments. All this seems to indicate that there are sufficient numbers of potential Brazilian entrepreneurs in the region, and that they are willing and able to mobilize resources to fulfill BBN’s economic development plan—which also needs to be confirmed.

This coming chapter will analyze and critique BBN’s plan and its potential to fulfill its goals, in view of the above findings, and offers recommendations for improvements. BBN intends to promote entrepreneurship among Brazilians and Brazilian-Americans in Massachusetts through the creation of “pipelines” to connect them to existing business-assistance services. In other words, BBN’s plan is not to create business assistance services, but to organized the Brazilian business community and coordinate the members access to comprehensive support services for its members--while minimizing BBN’s own financial investment. This plan, however, is rather superficial in its detail of

its intended modus operandi, and it is difficult to determine if it is appropriate for the potential Brazilian entrepreneurs in Massachusetts.

BBN's intended strategy appears to aim at building a kind of "semi-virtual" enclave, without explicit reliance on ethnic resources, by connecting Brazilian businesses which, presumably, will build relationships and mutual support mechanisms—undefined as of yet. The businesses needs for technical assistance, capital, etc. will come primarily from outside non-ethnic sources. BBN's immediate objective is to build a small team to refer self-identified Brazilian entrepreneurs to mainstream small-business assistance services and available financing sources. This referral service will be supported through donations from private corporations, who would become BBN's "partners", as would the business-assistance service providers. An immediate next objective, also in a mere conceptual stage, is to facilitate the creation of a "Brazilian services mall", anchored by the corporate partners' presence, such as the Brazilian airline VARIG. Other large entrepreneurs interested in serving the Brazilian population, such as banks, would be invited, as well as other small entrepreneurs—retail, money wiring services, restaurants, music stores, etc. BBN appears to have plenty of (non-financial) support from the Brazilian community, the Brazilian government, and from some corporations in the region—primarily banks and consumer products such as soft drink bottling apparently interested in the potential Brazilian markets. BBN's organization seems to have also plenty of momentum, and has exploited a few small entrepreneurial assistance successes with good public relations and using some Portuguese media available in the region.

BBN does not seem to have a good understanding of its potential clientele, however. This in part due to, perhaps, a lack of data about Brazilians, and maybe because of an assumption that success is a matter of multiplying its few recent successes by expanding operations. It is also apparent that many co-ethnic small businesses in Boston do not to know about BBN or its plans, giving a sense of disconnection between the two. Further, based on BBN's work so far, it appears also that its entrepreneurial assistance focus is on individuals of relatively high-class resources —their levels of

education, business skills, or knowledge of the US system, culture, and language. The available evidence, on the other hand, indicates that the majority of Brazilians do not have these.

It is a good approach not to start with the bottom layer of potential entrepreneurs, who could absorb all their energies with unlikely good results; but it is not obvious that BBN's plans include a broader target population, when it plans only a referral service. With little documented evidence of the existence of high numbers of "top level" Brazilian entrepreneurs, and BBN's apparent lack of interest in researching further, it is not clear if its "pipeline system" will have enough clients to fulfill its plans of increased employment to drive a community development effort.

The recommendations to BBN do not involve radical departures from its conceptual basis of job creation by supporting small entrepreneurs. The suggestion, however, is that its plans are simplistic and incomplete, based on too many unconfirmed assumptions about the population to be served, and do not recognize the diversity and depth of its needs. . . A complete plan should include the nuts and bolts of its intended operations, and acknowledge the experiences of other ethnic groups in the US, and also those of the bulk of recent and present Brazilian entrepreneurs, good and bad. It must start with a more rigorous assessment of the size and entrepreneurial characteristics of its client population, and of the likelihood of finding enough potential entrepreneurs and compatible services to refer them, to implement any strategy chosen on that basis. The evidence of a general lack of basic business requirements among Brazilian entrepreneurs, such as English-language skills, knowledge of US business practices, and managerial experience, suggest a rethinking of BBN's strategy, in order to create a Brazilian business network. An apparent absence of assistance services in Portuguese, and the lack of a Brazilian enclave with ethnic-resources-based training system, suggest that BBN referrals alone will not be sufficient if the majority of its constituencies have such basic needs.

BBN's overall strategy itself may have to be revised to explore the inclusion of several aspects that may have been left out. The plan must quantify somewhat the size of the problem it will tackle, and the expected results with a timetable. Without a substantial investment in Brazilian-specific technical services, BBN may have to settle for modest goals—which are not stated now. Regardless of the magnitude of its intervention, BBN could benefit from methods proven successful by other immigrant groups, and from models currently being developed by Brazilians in Massachusetts.

A. The Brazilian Business Network.

The Brazilian Business Network (BBN) is a recently¹⁶ incorporated non-profit organization with a unique mission¹⁷ and an innovative approach. Its name and the corporate lingo it employs seem to imply commercial or trade objectives involving big business, but its purpose is to assist small entrepreneurs to achieve local socioeconomic improvements¹⁸. BBN does have an interest in recruiting corporate partners, and its objectives include activity in the US and Brazil¹⁹, but a main goal appears to be the development of the Brazilian immigrant community in New England, which mandated BBN's creation as part of a community-wide needs-finding process. The particular interest of this paper is to assess BBN's plan to assist the development of small enterprises run by Brazilians in Massachusetts. To fully understand BBN's motivation, approach, and the potential of its plan, one must consider the context and

¹⁶ At the time of this research, in early 1998, BBN a few months of formal existence on paper, and no physical location—although its board meetings were usually held in Boston.

¹⁷ "To promote asset-building and wealth creation among Brazilians by helping to unleash the growth potential and job-creation capacity of existing Brazilian companies and Brazilians to start new businesses".

¹⁸ "The purpose of this organization will be to promote asset-building and wealth creation among Brazilians"

¹⁹ "To engage the private (for and not for profit) and public sectors of both Brazil and the US in strategic partnerships that can increase economic links among Brazilian entrepreneurs, between them and existing economic entities in New England and in Brazil, and, ultimately, between both countries' economies. The Brazilian Business Network will assist service providers such as banks to work with the Brazilian community"

regional dynamics that generated the organization itself. Its speaks of a credible organization with community and official backing, in an environment of broad positive change, that can facilitate BBN's goals.

Between 1995 and 1996, Brazil's national government started a process of community consultations, in many foreign cities, to identify the needs of a growing number of Brazilians living abroad under substandard conditions. Brazil's current president, a former immigrant himself (as a political exile) mandated his consular corps to engage in this activity. Braga-Martes (1997) described it as a decade-long development, more political than humanitarian, and part of Brazil's strategic positioning in the globalization of the world's economy. The intent, she asserted, was to "reverse its negative image abroad" and promote a new policy of economic openness —and directed not only to needy Brazilian immigrants, but also to business executives, students, and tourists. What started as a Brazilian phenomenon of out-migration, in response to deteriorating living conditions, appears to be developing into a two-way dynamic. As the amounts of money sent back home by Brazilian expatriates grew substantially —estimated at four billion US dollars in 1995 (Braga-Martes, 1997)— formalization of ties with the new Brazilian communities abroad began. Some independent Brazilian immigrants participating in BBN's activities, however, described their national government's motivation as a humanitarian concern, in addition to a "visionary" perspective about the potential social and economic benefits. Brazilians in Massachusetts, seem to have welcomed Brazil's new policies as very positive, and a dramatic change from past practices by the Brazilian consulates —described as bureaucratic, unfriendly, and demeaning (Braga-Martes, 1997).

Whatever its motivation, the involvement of the Brazilian Consulate in Boston was momentous to the creation of BBN in Massachusetts. First, the Consulate's official status and credibility gave the process a very powerful tool to recruit and mobilize individuals and resources —a task probably impossible to achieve by any other single entity in Boston. In response to its request, for example, the General Manager of Bank

of Brazil (based in New York City) responded with interest in becoming a partner in BBN's project. Second, the manner in which it managed the community process (well thought-out, inclusive, dynamic, and involving skilled professionals) gave the movement the credibility badly needed by a very heterogeneous Brazilian community lacking cohesiveness. Third, the above combination of actors and actions generated the appropriate momentum to accelerate a process that may have taken such a new and dispersed community many years to even start. The task was not easy, and it took two years to finally bring together a diverse 20-member Brazilian "community council", representing most of New England, to discuss a course of action. The mandate to create BBN was one main result.

B. BBN's Plan.

BBN's intended strategy of development is to assist Brazilian and Brazilian-American small entrepreneurs in Massachusetts (and in Brazil), so that, as their businesses succeed, they hire co-ethnics. Their earnings, and the workers wages, would then infuse Brazilian households with cash —some of which will be re-invested, competing a cycle of growth. In BBN's words, "by concentrating exclusively on a relatively small community with shared culture...(BBN)...will be able to...leverage existing resources within and outside of the Brazilian community". The resulting economic activity can then sustain "the creation of specialized institutions capable of forging networking relationships among immigrants...(and with) ...the wider host society". All this will assist in the strengthening of the Brazilian communities and integration of the individuals into the mainstream —by assimilation of the new "culture, language, ways of doing business, etc."

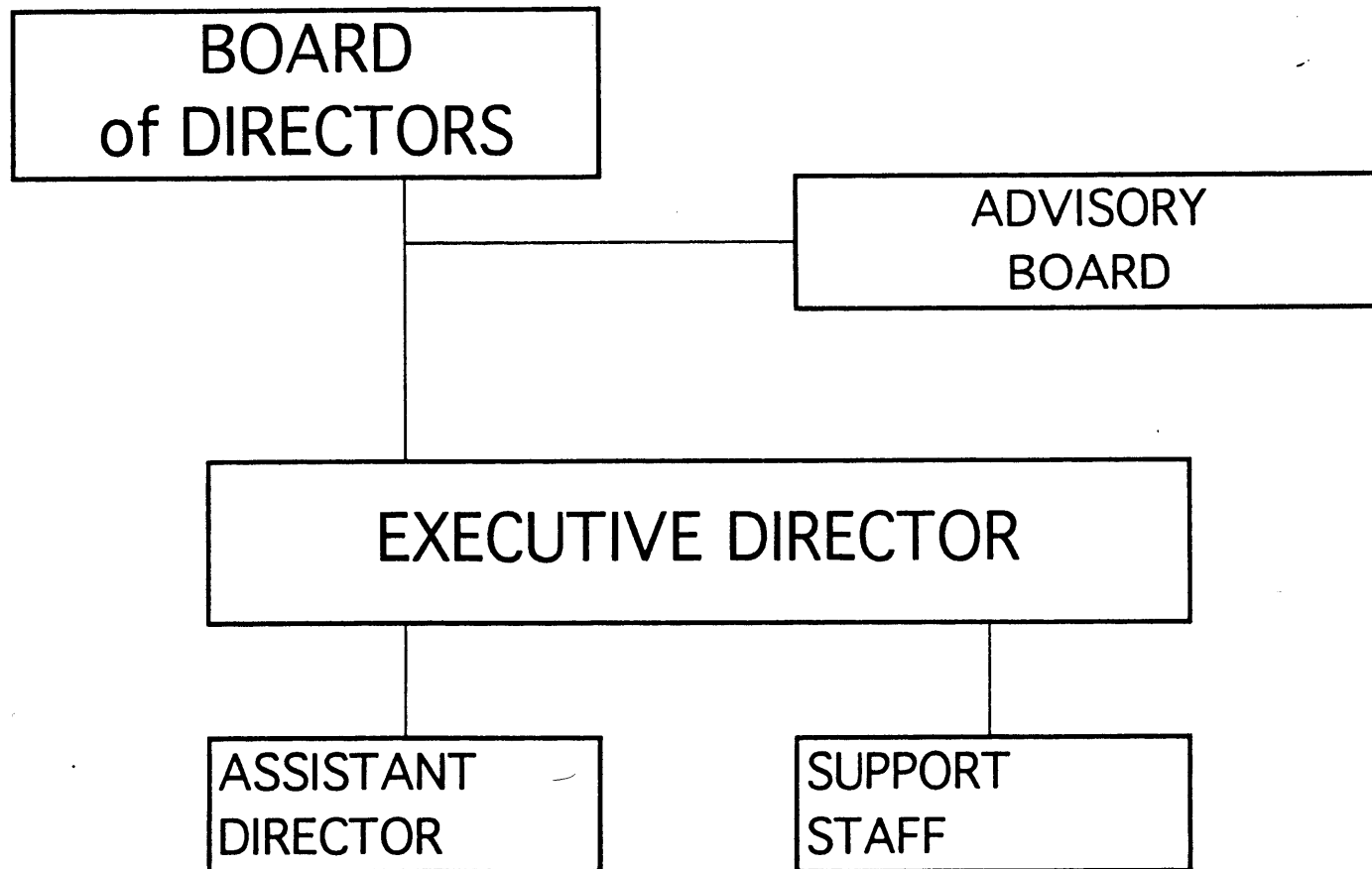
BBN's overall rationale is sound and its general scheme seems feasible. Small businesses in the US are booming, filling voids left by corporations, and those owned by minorities hire co-ethnics at greater rates than the rest. Minority populations are growing faster than whites, and will increasingly contribute labor force entrants at higher

rates, changing the current environment gradually to one more favorable to ethnic individuals, as they gain more representation in society.

BBN's innovative approach consists in the creation of "pipelines" to existing services, optimizing its resources by tapping what it believes to be a sufficient supply of business assistance and lending services. On BBN's end of the pipeline, its function is to promote an efficient utilization by their target population, by emphasizing recruitment of potential entrepreneurs, through the use of well established community networks, like churches and other. Its small staff will provide advice, referrals, and case management with consistent "follow-up and hand-holding", to its Brazilian clients. On the other end of the pipeline the emphasis will be on securing appropriate and efficient services to the their population, by identifying good service providers (training organizations, business assistance services, banks, etc.) with whom "partnerships" will be established. the idea is to optimize its resources and the benefits to its client population by concentrating on linking the latter with appropriate services--filling, in theory, the possible gap in the chain without duplication of services. Literature on entrepreneurship intervention programs supports BBN's approach. Clark and Kays (1995) five-year study of seven leading micro-enterprise assistance programs in the US, and involving 405 entrepreneurs of diverse ethnicity, concluded that "piggy-backing" with complementary services is a proven effective way of optimizing resources in an activity (small business assistance) that is very resource-consuming. The implicit assumption is that there are sufficient service providers with the capacity to satisfy the needs of Brazilian immigrants —basic business instruction, Portuguese language, accessible location, etc.

BBN's business plan is to start with a staff of three (Exhibit 4a): a Director, in charge of public relations, marketing, and general management; a Project Manager in charge of finances, technical tasks, and projects (the client services); and a Support Staff in charge of clerical activities. In addition to the Governing Board, composed exclusively of members of the Brazilian community, the plan calls for an Advisory Board composed primarily of senior business managers from American businesses with interests in Brazil

Exhibit 4a. The Brazilian Business Network's Organizational Chart



and the Brazilian market in the US. Their plan has a reasonable (low) budget of under \$600,000 for the first three years of operation.

BBN's interest in corporations is the same as in providers of services to prospective small entrepreneurs: to recruit them as partners in its de facto objective of developing and creating small enterprises run by and employing Massachusetts's Brazilians to promote their community and economic development in the US (and in Brazil). In addition to possible humanistic interests, service providers are attracted by potential needy clients with a good possibility of success (with BBN's assistance). In other words, identifying and screening of clients with a good chance for success will be taken care of by BBN, taking some of the burden from the service provider. In return, BBN will build relationships that will ensure better services for its clients —than if they sought services on their own. Corporations are interested in access to the local Brazilian immigrant market and the PR in both countries (many already have activities in Brazil). In return, BBN will get funds for its operations, and sponsorships for some of their projects, such as access to facilities for events, and to corporate decision makers who may benefit its clients as they look for business leads.

There are several strengths in BBN's plan. To begin with, the organization and its alliances, that include members of the Brazilian community, have brought in the important stakeholders with a very positive momentum. Just one example is the Brazilian Consulate, whose support continues to be an important asset that can help BBN further its goals. The Consulate's official legitimacy, newly-found leadership role in the community, and ceremonial authority, have coalesced many invaluable elements that created BBN in a remarkable short span, and has also proven the possibility to mobilize resources for the Bazillion community. For example, when Brazilian parents complained that their children were being taught in Massachusetts's public schools with very old materials produced in Portugal (with substantial linguistic and cultural differences) the Consulate secured a donation of new materials and its acceptance by US educators, who began using them in the fall of 1997. Also through the Consulate's

intervention, VARIG (the Brazilian airline) agreed to begin direct service from Brazil to Boston (scheduled for Jan/98).

BBN itself has built some momentum and credibility by assisting some entrepreneurs, and by seizing those opportunities and the resulting PR very well. Its plan as well has some positive aspects:

1) The “pipelines concept”, and the symbiotic “alliances” with service providers and large businesses, is an ingenious way of leveraging resources and using them efficiently. It has serious limitations as a “complete solution” for the Brazilian immigrant community’s woes; but its usefulness as a complement in larger plan cannot be denied.

2) No dependency on ethnic resources. This does not mean that ethnic methods or co-ethnics are not employed, but only that the approach is a “hybrid” one. The clients of Disk Brazil, for example, are all Brazilians, but the paying sponsors are not. In the absence of an enclave, this is the only way to tap some of the entrepreneurial potential of Brazilians—even if scaling it up is questionable. As these businesses grow, they will offer a valuable contribution to their community, not only by serving it, but also by promoting a positive image and paving the way to the mainstream markets.

3) Non-minority location for businesses. This serves as a tool for leveraging resources that may have not been available otherwise. Since Brazilians tend to hire almost exclusively co-ethnics in an ethnic pattern, the benefits will be shared with the community.

The mere fact that BBN has been successful in assisting businesses, regardless of the scale, is help beyond its projects. To begin with, it is putting the Brazilian community on the Massachusetts business map, and as it continues to build alliances and learn, it can only increase the benefit to its community. The focus of this paper is to critique and hopefully improve BBN’s plan, however, and what follows is with that intention.

The first criticism of BBN's plan is the lack of detail as to how the various aspects of its goals will be accomplished. The concept is sound and ingenious, and will secure advantages such as extra attention from service providers, or corporate contacts for potential business, etc. The "non-duplication" of services, allows BBN to concentrate its efforts and resources on the aspects critical to BBN's clients, presumably perceived as a weaker link in the system of assistance to small businesses—the pipeline itself, and "handholding" along it. As a plan to develop the immigrant Brazilian community, however, it can only begin to scratch the surface of the problem, and it does it in a barely convincing way. It does not provide detail of how it will do what, and it does not offer objective goals. It is not clear, for example, how BBN will identify and recruit potential entrepreneurs, or how it will address the Brazilian population dispersion and the fact that many must be undocumented.

In the absence of detail, however, one must speculate. BBN's low scale, in size and budget, for its plan may indicate two alternative intentions. Either the intent is to serve a modest number of entrepreneurs, in a not-very-ambitious plan with little thought about the larger context; or it assumes that the clients' needs are pretty compatible with the existing services to which they can be connected. A third possibility may be that the plan is only "to start somewhere", to take advantage of the momentum built by the many interested parties at a very favorable time, with a strong economy that may not wait—before it deflates—and with the idea, perhaps, to plan later. They may be other possible intents and interpretations, of course, but the first two cover the relevant issues we should be interested in addressing. Both options ignore very important factors of development discussed all along this paper, and whose inclusion could help optimize the results of any plan. Each interpretation elicits different criticism, however.

If the intent is to serve as many Brazil in entrepreneurs as possible, without regard for the larger picture, the absence of an informed strategy may miss the opportunity to optimize BBN's efforts and resources—reducing the benefit to its client population. Depending on how clients are selected, for example, BBN's actions may foster the

creation of niches--or discourage them. It is important, therefore, to have the larger view in mind. Some recommendations on this are included at the end of this chapter.

Assuming some degree of foresight was employed in the creation of BBN's plan (a safe assumption) the second possibility, that the assumption is that Brazilian population is compatible with existing services, maybe the most accurate. This makes sense if the scale of the program (the number of entrepreneurs helped) is rather small. In such a case, the amount of handholding BBN can provide may be sufficient —because the few clients could be the “top of the crop”, and time to give them attention would not be a huge problem either. It is not a bad strategy to focus only on those businesses that have the potential to succeed, and create lasting jobs, if the resources are limited —but the impact of this program would also be limited. If the intention is to help many of the struggling immigrants dispersed out there, however, criticism and recommendations to change the above view are in order. Addressing BBN's possible misconception about the characteristics of its potential clients is the first step.

C. BBN's Clients' Needs.

The potential clients of BBN will be aspiring small entrepreneurs and struggling small business owners in a very geographically widespread area. BBN's initial activities have shown that they tend to require a broad variety of individual services, and service providers able to transcend language, culture, and the clients' limited knowledge about US society and economic and political systems. These disadvantaged entrepreneurs have to overcome also their general lack of experience in effective business practices and the institutional structures that could assist them. Two recent examples in Massachusetts can illustrate this clearly. The first, a Brazilian church, was helped to renegotiate an unfavorable financial obligation. This was the typical case of an old loan that with time, and gradual reductions in interest rates, had become comparatively expensive. The solution was also a standard procedure of finding a cheaper loan to repay the first. In a similar manner, a small Brazilian-owned car dealership was

successfully assisted to renegotiate with its loan source the terms of an old loan to adjust it to current and more favorable terms.

BBN has already assisted business start-ups as well. As an example, "Disk Brasil", an automated public info service was launched in October of 1997. A personal computer installed at the owners residence provides daily-updated Brazilian news and similar items in Portuguese for the cost of a telephone call —allowing choices through a touch tone driven menu (see Exhibits 4b and 4c). The service is free (although the number is not toll-free) and the Brazilian public can get recorded answers to typical questions from immigration or job requirements in the U.S. to results from soccer matches and even updates of Brazilian soap operas. Its paying clients are mainstream mass-market businesses advertising to Brazilians—such as Pepsi and regional banks. The entrepreneurs in this example are able enough to deal with the capital and technical requirements to acquire and program the computer equipment needed, but they shared similar types of barriers as the first two examples mentioned above. These problems are in good part with the English language, but also with their insufficient understanding of the U.S. system and business practices. The technically savvy entrepreneur needed help also in making contact with the corporate sponsors of his business. His telephone info service was entirely in Portuguese —and so was his presentation to potential additional sponsors, with the assistance of a translator, and handouts and English.

Perhaps BBN's initial successes with minimal resources and very part-time volunteers have given it excessive confidence on what it may accomplish with a full-time team. Or perhaps its belief is that many other Brazilian entrepreneurs do not have such basic needs so as to warrant intense individualized services beyond what mainstream assistance providers can offer. BBN has experienced even more extreme examples of the very basic needs of the Brazilian population in Massachusetts, however. An example of a problem presented as urgent by the Brazilian community in the fact finding sessions sponsored by the Brazilian consulate may require the creation of a video to train Brazilian drivers on the protocol to deal with local police in the US. The custom in Brazil is that drivers dismount and approach an officer's car to show their documents; a

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WHAT DOES IT OFFER?

- Economic news and current exchange rate of the dollar;
 - News from Brazil and Brazilian Community, classified ads and forecast;
 - The latest results of soccer championships and other sports;
 - Brazilian soap operas;
 - Thoughts of hope;
 - The latest news about immigration and documentation.

WHY ADVERTISING THROUGH DISK-BRASIL?

Disk-Brasil is the most effective media vehicle reaching the Brazilian community because:

- it is available from any place in the US;
- it is free; the consumer pays only the price of the call, with no extra costs;
- it is spoken in Portuguese, reaching even those who don't speak English;
- you have the opportunity to be introduced to the Brazilian community in their own language;
- it is compact, direct and objective;
- it is extremely cost effective for the sponsor, because the ad is exposed 24 hours a day, 7 days a week.

move that seems to make some US officers very nervous, and which has provoked reactions that have made Brazilians who have experienced them to fear for their lives. Many Brazilian entrepreneurs seem to have equivalent cultural difficulties in the business realm. Harol and Morfin's (1997) sample survey of Brazilian entrepreneurs in Boston confirms this. Interviewees offered two very telling examples as evidence of the lack of business savvy and information. An effort to establish a Brazilian bakery was cut short when the equipment bought from a previously failed business was rejected for a permit. Apparently in Massachusetts such used food equipment is not acceptable. Later, after properly equipping the bakery, the entrepreneur was unable to accurately recreate authentic Brazilian recipes, which led to an early failure. Another effort, by an experienced beauty salon technician, failed because her business management skills were not strong enough to sustain the needs of the small enterprise. Yet, BBN proposes to overcome the multiple challenges without ensuring comprehensive specialized services for Brazilians; an approach that seems erred because it is unlikely to work. The table below describes why.

The available data and anecdotes on Brazilians in Massachusetts suggest that more extensive assistance is needed in basic business skills, U.S. customs, etc., to help them start businesses successfully. With the possibility of building an enclave only remote and in the future, its small population dispersed, and no other large Portuguese-speaking populations nearby, the opportunities for Brazilian entrepreneurs to receive training or internship in their own-language are minimal without some intervention. BBN is not equipped to provide such services, and nowhere in its plan is mentioned an intent to identified specific service providers with a capacity or interest to provide them. In such circumstances, and when business competition is more intense here than in Brazil, the incentives to budding entrepreneurs may be greater to return to start their businesses there.

Table 4.1 Brazilian Entrepreneurs' Needs and Proposed Means to Alleviate Them.

The Documented Needs of Brazilians In Massachusetts:	How BBN Plans to Meet Their Needs:	Proven Necessary and Successful by Other Groups and Programs:
Lack of familiarity with the U.S. culture, language, government regulations, business practices.	Some light advice, referrals to English-based assistance, and "case management"—not clear what it means without staff. Insufficient for most.	Ethnic resources in a niche; or in lesser scale, in "hybrid" businesses. Training programs and case management that follows through—at a substantial cost.
Business skills.	"	"
Managerial skills.	"	"
Lack of capital.	"	Ethnic resources, not necessarily in a niche. Revolving loans, etc.
Newcomers to the U.S.—lack of political clout or networks to the mainstream. Discrimination protection.	Advocate. Organize them. Connect them with sympathetic corporations.	All that planned by BBN; but also form niches and enclaves in the long run.
Few families—few sources of free labor. Undocumented.	Do Nothing—ethical conflicts. Assistance providers would not want to touch it either.	Ethnic resources. Foster niches and enclaves to protect and assist each other.
Temporary migrant attitude. Contentment with poor wages in absence of practical options.	Ignore it. Assist others willing to stay and invest—may help some back in Brazil.	Utilize the models devised by some Brazilians—house cleaners. Look for similar industries to exploit. Train and assist clients to get them established in these. Act as a broker to facilitate their exit sales.

D. Recommendations to BBN.

1) The very first recommendation to BBN is that it conducts a more rigorous assessment than the ones available now, of the Brazilian population in Massachusetts, and the factors determining its entrepreneurial inclinations and potential success. That means, at a minimum, a reliable estimate of the total Brazilians in the state, their areas of residence/work and motivations for their pattern, and their immigrant status and preferences on the length of stay in the U.S. In addition to essential demographic information such as age, gender, marital status, educational level, employable skills, etc., their preferences and views about employment opportunities in the U.S., and their interests in self-employment should be included, along with their English-language, job skills, and financial and technical assistance needs. The Brazilian business community should also be surveyed to identify existing businesses, location of their markets, their needs, means they used to get started, their successful techniques to overcome barriers, etc. Some of the above can be assessed with small samples, and it is not a huge project. Perhaps the churches or other social networks can help; but the Consulate and BBN's partners in the social service and corporate sectors could make it very feasible.

2) The second recommendation is that, based on the above findings, BBN consider carefully the proven strategies and techniques employed by previous ethnic immigrant groups and the U.S., and choose the most compatible with its goals and resources. Unless the above research changes drastically the current assessment of Massachusetts's Brazilians, BBN could optimize its potential by employing an eclectic combination of methods including an enclave-formation effort and the development of " hybrid " businesses employing some ethnic resources in catering mainstream markets. Both methods have potential because in spite of the reported dispersion of the target population, there is evidence of a tendency to form niches (Harol and Morfin, 1997) — which may have not grown so far because of high business entry barriers for Brazilians and excessive failures. Also, in spite of the reported " temporary migrant " attitude of most Brazilians in the U.S., there is evidence of a desire and resourcefulness among

them that has found successful "hybrid" alternatives. Harol and Morfin's (1997) sample survey of Brazilian entrepreneurs in Boston revealed that a popular desire of newcomers to return to Brazil is not as widely shared by those who have been here for many years. Among the latter, they believe there is a strong interest in self-employment, with the desire of "being their own bosses" as the first objective, which is very often unrealized.

Each of the strategies, of niches or hybrid businesses, requires concerted efforts that can complement each other, and overlap with BBN's current plan. Although either one necessitate greater resources, they can be started slowly, by changing only activities and strategy. The outcomes will not be as dramatic in such a case, and will take time; but a more rational approach, based on valid data, may save BBN from wasting effort and resources in the long term, and get the results the want sooner. The ethnic method would be the more demanding of resources, as it may require assisting clients with severe needs to strengthen the budding niches in the area. The hybrid model is not a far deviation from BBN's activities —although more resources than BBN planned will have to be dedicated to specialized Portuguese-based assistance. It would require, however, to be more strategic about it. If it is used to modify the pattern of development, so as to favor certain lines of business or geographical areas, it would reduce the choices of clients, etc. On the other hand, if such considerations are ignored, the outcomes may be less than optimal.

BBN's plan for a Brazilian mall, for example, can serve either of the models. If employing ethnic resources to build an enclave that would benefit the more disadvantaged Brazilians, the emphasis should be on assisting businesses catering Brazilian markets, which would require a location near identified Brazilian pockets. The idea would be to create an interdependent system of ethnic shops catering co-ethnics and employing them at low wages in exchange for showing them how to run the shops. The objective, clearly, is to attain viability of the ethnic system —not maximize profit. The mall would be, in this case, a " survival " business-training center for owners and employees. Assistance to individuals would not be as necessary as in the alternative

model for hybrid businesses—because the mechanism for mutual ethnic support would multiply any instruction and help.

To use the mall project in assisting hybrid Brazilian businesses, that is, catering the mainstream at least in good part, could be more costly. Even if identifying "top entrepreneurs" (those with relative high class resources, and thus, in need of less basic assistance) it would require a more expensive location and training of owners and employees to serve a more demanding public unwilling to "exchange ethnic resources". Some of the businesses should be non-Brazilian to diversify and add to the attraction of the mall—and to establish a competitive learning environment. The Brazilian shops should also carry mainstream goods, and the objective of the project should be to refine the employees and the owners' business skills while recuperating a larger investment. It would still be a training center, but the environment will not be one of ethnic resources primarily, but much closer to the mainstream.

Caution should be used when planning any mall, however. Location is always important, of course, but more so in a particular way here. If it is confirmed that Brazilians in Massachusetts are few in number and prefer to be dispersed, choosing one central location in Boston—as BBN planned— may make it difficult to for most Brazilians to come to. On the other hand, a well-chosen location, consistent with Brazilian preferences, may become the future "Braziltown".

3) Unless the research recommendation above changes dramatically the present assessment of the target population's severe basic needs, any strategy must include a component addressing their English-language, cultural, and basic business skills needs. This will add complexity and cost to any BBN initiative—but as of now, it appears to be absolutely necessary. Successful Brazilian entrepreneurs in Boston have confirmed both the needs and the potential of "hybrid" businesses (Harol and Morfin, 1997). A restaurant owner interviewed said that they knew that Brazilians would come eventually to their Brazilian restaurant (and they do now) so all marketing efforts were and

continue to be in English, and all personnel dealing with customers must be able to speak English. He thinks that to succeed they must also diversify their offerings, such as American dishes in his case, to attract the larger market. He agreed also with the general opinion of others interviewed that financing is not the biggest barrier, but that it is business skills and planning. They said that often those short on cash were actually victims of poor planning, such as in miscalculating the cost of inventories, or neglecting to consider all cost factors or cash needs. BBN has to arrange for these needs to be addressed, either by forming explicit partnerships, or by developing the capacity to deliver these services in-house.

4) If the recommended research confirms that the Brazilian population is small and dispersed, BBN should seriously consider the use of hybrid business models primarily—as opposed to an enclave. An enclave requires a critical mass of co-ethnics, and given the “transient migrant” characteristics of Brazilians, it may take many years to ever develop this in Massachusetts. A confirmed preference for dispersion would exacerbate the problems with such an endeavor.

5) BBN should identify the types of businesses for which Brazilians may be better equipped to succeed in, and which may fulfill the kinds of requirements they themselves set. What these lines of business maybe, depends greatly on the outcomes of the research recommended in 1) above. The previous chapter described house cleaning and babysitting as potentially the type that would allow “temporary migrants” to engage in business. It should not be assumed, however, that the characteristics of Brazilians would be homogeneous enough so as to permit the establishment of some standards for the lines of businesses that could be entered by the population as a whole. The example of Disc Brasil is a strong evidence of the wide diversity of options available, particularly when the target population is likely to be very diverse. BBN should also make sure that its plan includes the means to provide all necessary training and technical assistance to these businesses.

6) Any plan that BBN ultimately develops should not depend totally on the Brazilian population as its market —or should plan well a timely transition to the mainstream. This is not to say that the ethnic market should not be included, only that BBN's plan should broaden the market strategically. Chapter 2 described the theoretical conclusions, from countless observations in different times and regions, saying that ethnic loyalty has limitations, and that growth and optimal prosperity is only possible by entering the mainstream market. In the previous section of this chapter, and further above, descriptions of the strategies of successful Brazilian businesses in Massachusetts confirm the soundness of this advice.

7) BBN's plan should utilize ethnic resources as a means to tap Brazilian resources and to attract as many co-ethnics as possible. This maybe particularly useful in the initial stages of development, but it is also desirable to continue and as much as possible later —with rational limitations. The above recommendations should be kept in mind, and the strategy should be selective as to which ethnic techniques to use and when to phase them out, so that a transition to all the necessary mainstream methods is as smooth as possible. In building an enclave, for instance, ethnic resources are indispensable —but must be gradually phased out as businesses get ready to expand out of it.

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APPENDICES

Appendix A. Summary of Findings on Individual Traits' Role on Entrepreneurial Excellence

Chell, Haworth, and Brearley (1991) concluded that three decades of research have not been conclusive on that, while Brockhaus (1982) found that many years of research and studies of individuals could not demonstrate a connection between personality and entrepreneurial success. McLure (1990) asserts that successful and unsuccessful entrepreneurs cannot be differentiated by their need for autonomy or risk-taking, and that their psychological profile is about the same. Bates (1991, p. 56) notes that most studies about the personal and individual characteristics of immigrant entrepreneurs have been done by sociologists, and neglect to prove statistically their speculations; he also admits, however, that quantitative studies ignore what cannot be measured (such as discrimination) and have failed to identify two trends in small entrepreneurship: a decline in traditional lines, and progress in emerging fields.

Light and Rosenstein (1995) argue that searching for confirmation that successful entrepreneurs are somehow special individuals is an "elitist" approach. While conceding that there are "gradations of importance" among entrepreneurs, they disagree with a "great man theory of economic history", because even the "owners of pizza parlors also change the allocation of resources" through their demand for cheese and pepperoni. They agree with Aldrich and Weiss (1981) in that the differences between rich and poor entrepreneurs and big and small innovators merit attention, but believe they are of degree, not of kind—a reflection of the business level entered, not of their innovative capacity or business acumen.

Luck, it must be added, can play a momentous role in the success of any enterprise. Economic fluctuations, sociopolitical changes, even inexplicable fads or social moods, can change the fate of enterprises. Some large businesses may have the resources to foresee some changes in their environment. The majority, however, cannot, and are often seriously affected by less dramatic local events as well. According to Jovanovic (1982, bp. 31), entrepreneurs succeed by trial and error. They learn about their managerial abilities as they run their businesses, and change their practices accordingly—the efficient expanding, the inefficient bailing out. Younger firms vary their behavior more frequently—and fail more frequently.

Appendix B. Economic Theory's Discounting of Small Entrepreneurship, and the Latter's Resurgence in the XX Century.

For over a century, economic thought held that small entrepreneurs were, at best, an imperfection of the market that would be corrected in a modern economy. Only in the last two decades that view has been effectively challenged, crediting small businesses with greater contributions than those of big corporations. In part, the latter was possible because of relatively recent gains by the small business sector, but also because of earlier developments justifying revisions to the old theories. A large scale may not necessarily be a strength.

Classic economic thinkers, capitalists and socialists alike, doomed small entrepreneurship to disappear. Max Weber, credited with founding entrepreneurship research, agreed in that the XX century would belong to large bureaucratic organizations, and that entrepreneurship would no longer be caused by non-economic sources (individuals' need of independence, etc.) but solely by the demand of the market (Kilby, 1971; Aronson, 1991; Hague and Powers, 1992; Light and Rosenstein, 1995). Joseph Schumpeter added that small owner-operated businesses would become obsolete on technical and organizational grounds, as specialists in large corporations would exceed the efficiency of the small entrepreneur (Light and Rosenstein, 1995; Schumpeter, 1934, 1943, 1988, 1991; Cauthorn, 1989). Karl Marx, from a different perspective, believed that large capitalists, progressively accumulating economic power and control of the market and financial resources, would absorb and make small businesses (and the entrepreneur) disappear (Light and Rosenstein, 1995; Marx, 1965). In a nutshell, they all believed that advanced capitalism would create a modern labor force satisfying the market's entrepreneurial needs better than small entrepreneurs, who would bail out when unprofitable to stay in.

The above predictions appeared accurate for about one hundred years. From 1880 to the 1980s, the proportion of business owners in the labor force seems to have consistently decline. C.W. Mills (1951) documented that trend up to the 1940s by analyzing every US decennial census to that period, and attributed it to the elimination or incorporation of small businesses by big firms in a "process of capitalistic concentration" (Light and Bonacich, 1988). Much of the social science literature continued to support Mills's findings for another forty years (Ray, 1975; Browning and Singelmann, 1978; Light, 1984; Light and Bonacich, 1988). Some described the middle-class small-business owner as "an anachronism, a vestige... of the transition from feudalism to capitalism" (Light and Rosenstein, 1995; Bechofer and Elliott, 1985; Steinmetz and Wright, 1989). Although not all the predictions by Weber, Schumpeter, or Marx, had been fulfilled, it seemed indeed that up to the late 1970s larger capitalists were "victorious", and that small entrepreneurs had "conceded defeat".

By the mid-1980s, however, several studies were challenging the widely accepted view of a universal and perpetual decline of small entrepreneurship. Based on observations

of small businesses in the US and Western Europe, the findings reported growth and increased profitability in the previous decade (Fain, 1980; Boissevan, 1984; Becker, 1984; Light and Bonacich, 1988; Light and Rosenstein, 1995). In the US, the mean number of employees by firm began to decline. In manufacturing, it went from 66 in 1972 to 52 in 1983 (Light and Rosenstein, 1995).

Overwhelming problems with the sources and accuracy of self-employment measures were also discovered. It is believed, for example, that the US Bureau of the Census's Current Population Survey's undercounted entrepreneurs by 60-75% (Haber, Lamas, and Lichtenstein, 1987; Light and Rosenstein, 1995). Another sizeable "problem" with the assessment of the small entrepreneurial sector was the "discovery" of the underground economy. This largely unmeasured aspect includes clandestine activities such as gambling and prostitution, but also many traditional non-commodities such as housework and child care, which the IRS estimated at \$300 billion in 1981 (Guttman, 1977; Akst, 1991). This particularly underestimates the contributions of disadvantaged groups without the "resources to own and operate firms large enough or legal enough to operate" in a heavily regulated economy (Light, 1979; Jones, 1988; Light and Rosenstein, 1995).

Statistical evidence suggests now that small businesses create more jobs than larger firms (Birch; 1981, 1987; Greene, 1982). In 1990, firms with under 100 employees created 66% of all new employment while firms with 10,000 or more employees created only 3% of all jobs (Light and Rosenstein, 1995; US News and World Report, June 3, 1991:52). While there has been some debate about the net job creation of small firms, since these fail more frequently, their importance as contributors to employment and the economy has not been at issue (Brown, Hamilton, and Medoff, 1990; Light and Rosenstein, 1995).

Revisions to the theory of a diminishing small business sector have been forthcoming in various areas. For example, crediting computer technology with changing the economies of scale in industrial production, so that smaller quantities can be produced economically (Piore and Sabel, 1984; Acs and Audretsch, 1990; Light and Rosenstein, 1995). Hage and Powers (1992) found that small businesses comprised 92% of the "high tech" firms in the US. The efficiency of economies of scale, bureaucratization, and large centralized organization has been seriously questioned, as evidence has been presented of the survival and economic importance of small firms in the early part of the century (Weiss, 1988; Keeble and Weaver, 1986; Light and Rosenstein, 1995; Granovetter, 1984). Large firms have been found to innovate with difficulty, and at least in some high-tech industries, small ones clearly beat them (Hartley and Hutton, 1989; Acs and Audretsch, 1990; Takahashi, 1990; Light and Rosenstein, 1995; Stein, 1974).

In summary, classical economic theories predicting that a modern capitalism would create a culturally homogeneous labor force supplying entrepreneurial skills on demand, without any room for small entrepreneurship, seemed to hold for a century. However, in the last two decades of the XX century these theories have been conclusively contradicted. Strong evidence has been presented that, while the reasons are not

entirely clear, small business ownership has increased in the US and in Europe because economic conditions favor it over large industry (Waldinger et al, 1990). Far from disappearing, small businesses actually seem to be “winning”.

For the struggling small entrepreneur, however, the prognosis may not be as favorable. For all its successes as a sector, micro-entrepreneurship is now seen both as an important activity helping in the upward economic mobility of many, and as a lost cause with low returns and little potential for most (Waldinger et al, 1990). Evidence has also been presented on the uneven entrepreneurship inclinations of the different genders, ethnic groups, and nationalities (Fratoe and Meeks, 1988; Waldinger et al, 1990; Aronson, 1991; Light and Rosenstein, 1995; Loscocco and Robinson, 1991).