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The role of Social Networks on the Entrepreneurial Drive of First Generation East African Origin Entrepreneurs in the Seattle Area

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Abstract

It has been long believed that social networks influence entrepreneurial drive. They give access to resources that are hard to get through formal channels. However the findings of this study show that despite a strong social network relationship, exchange of business information and material resources among first generation East African Entrepreneurs in the Seattle area is very limited. To avoid competition among co-ethnic members, entrepreneurs do not discuss how they identified the business opportunities and as individuals how they draw resources. Moreover there is no evidence that shows the first generation East African Entrepreneurs possess ethnic self help institutions and associations nor have individual ties that provide access to training, credit, capital and information. Entrepreneurs valued the positive role of cultural factors: strong saving tradition, persistency and desire for income continuity in their entrepreneurship derive.

Key words: Entrepreneurship, Immigrant networks, East African, Seattle, Social networks.

Introduction

The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages, and assumes the risks of a business or enterprise. The term entrepreneurship may cover the creation of new enterprises, innovation and even the management of new enterprises (Mosted, 1991). Thus entrepreneurship can be viewed in its essence to be individuals or teams creating works, such as products or services, for other people in the market place (Mitchell and Morse, 2002).

Entrepreneurs require information, capital, skills, and labor to start business activities. While they hold some of these resources themselves, they often complement their resources by accessing their contacts (Cooper, Folta, and Woo, 1995; Hansen, 1995). Entrepreneurs are often confronted by problems

associated with obtaining credit and financing the business, as well as with having the requisite managerial and technical experience that facilitates success. Entrepreneurial immigrant groups have been found to follow the path of preserving ethnicities and forming enclaves of entrepreneurial activity based on family cohesion, trust relations, common language cultural and life habits (Raijman and Tienda, 2000). The ethnic networks provide entrepreneurs with business contacts, advice and training and capital loaned through informal financial markets. As mentioned above, entrepreneurial networks help to bring firms more resources. More resources help to achieve higher performance. Higher performance in turn motivates network formation. However, the analysis of social networks has been of the “direct relationship between social networks and entrepreneurship and not the relationship between social network and Entrepreneurship through resource” (Jenssen and Koenig, 2002, P.1040).

Raijman and Tienda (2000) argue that several residentially concentrated groups, like Mexicans and African Americans, exhibit low rates of business ownership while residentially dispersed groups, like Asian Indians, have high rates of entrepreneurial activity. Moreover Dalin (2005) mentioned that business start rates are still lower for African-Americans than other racial or ethnic groups. Because of group differences in the distribution of ethnic resources, several authors suggest that the lower rates of business ownership of blacks and Mexicans have been explained by their lesser ability to mobilize business resources through ethnic ties (Waldinger, 1995; Rough, 2001; Lee, 2000). Studies suggest that whites are self-employed at the rate of 7.5%, with Hispanics at 3.9% and blacks at 2.5% (Holland and York, 2004).

The contemporary immigration of East Africans to the United States and their role in creating small enterprises has not been researched. The civil war in Somalia that erupted in 1991 and the subsequent resettlement programs have enabled families to move to Europe (Germany, Switzerland, Finland, and the United Kingdom) and the United States (Hyndman, 1999). The thirty year conflict between Ethiopia and Eritrea (1961-1991) resulted in a massive influx of refugees to the United States, Australia and Europe. The total population of East Africans in the Seattle Area is estimated at 16000 (Ethnomed, 2005). Moreover the self-employment rates are estimated at

5.07%² which is higher than the self employment rate for Mexicans and African Americans.

The objective of this paper is to explore how the first generation East African entrepreneurs in the Seattle area able to survive and transform themselves into successful business owners, what forces played a role in the process and to explain why?

Theoretical Background

Studying characteristics of entrepreneurs' social networks may help to shed light on the new venture creation process by East African entrepreneurs and its subsequent success. Casson (1997) defines a network as a set of high trust relationships which either directly or indirectly link together everyone in a social group. Social network analysis is based on an assumption of the importance of relationships among interacting units. Social exchange or "network" theory increased among entrepreneurship researchers in the mid-1980s and extended into SME, organizational, and market research fields (Johannisson et al., 1994). Sociologists have for many years explored the resources embedded in social relations and social network structures (Kamman, 2000). Hence, entrepreneurial enterprises have been a productive area for the application of social network theory (BarNir and Smith, 2002). These studies focus mainly on Cubans, Jews, Chinese and Koreans who have made the US their home (Chung and Kalnins, 2004; Rajjman and Tienda, 2003). Presumably, each of the entrepreneurially successful groups has developed social networks and organizations that facilitate greater access to information, products and services (Rauch, 2001). According to Lee (1999), while co-ethnic supply networks were common in the Jewish and Korean communities in the US, not in the African Americans. Saxenian (1999) confirmed Lee's findings in Asian, Jewish, SriLankan, and Vietnamese Immigrant communities in Canada. Moreover, highly educated Chinese and East Indian Immigrants in California were able to create 15 international, formal and informal networks (Saxenian, 1999) and over a quarter of the new high technology ventures created in Silicon valley over the last 20 years were started by the Chinese and East Indies immigrants (Menziez et al., 2000). Several authors mentioned that social networks were

² Business license and startup listings, Seattle, King County

used to raise funds for investment (Bates, 1997; Tseng, 1995; Huck et al., 1999). Tseng (1995) found that Taiwanese immigrants in the US in the finance, insurance and real-estate industries borrow money from ethnic banks. Moreover Laguerre (1998) reported that Haitian immigrant used revolving credit associations as source of capital. However according to Huck et al (1999) African American and Hispanics relied on banks than social networks.

Kamann (1998) builds his model on network relationships around the concept of milieu that is based on the notion of constructed territory. Kamann’s “Triple plus model” combines social, economic and geographical space. Millat and Lecog (1992) distinguished between the endogenous innovative milieu and the exogenous innovative milieu. The first arises around territorial networks of small and medium sized enterprises whose economic relations are rooted in history and where certain cultural coherence can be found. The second type, exogenous innovative milieu, arises from the establishment of subsidiaries or parts of large companies in an area. Kamann’s approach is in line with our objectives. The research subject of this study can be treated as a milieu and it resembles the indigenous innovative milieu. The actors are first generation East African entrepreneurs in the Seattle area who own small and medium sized enterprises whose economic relations are rooted in history and where certain cultural coherence can be found. Furthermore the interaction of the actors in the milieu can be explained through the Triple plus method (Figure 1).

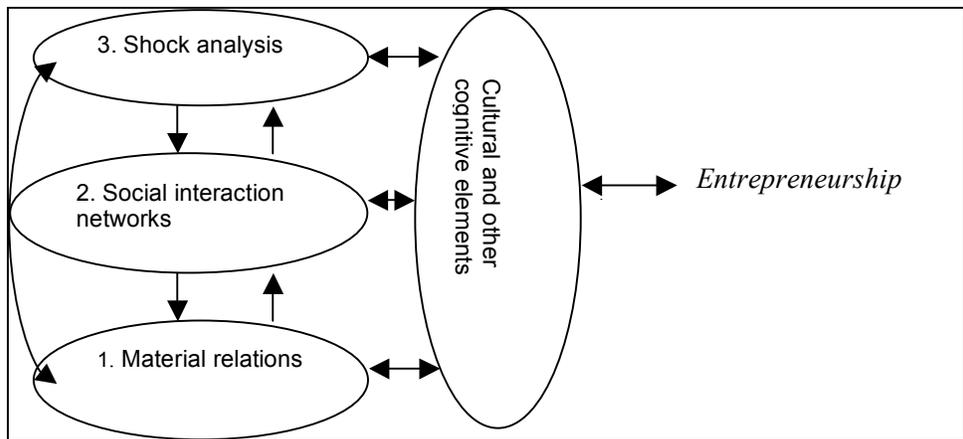


Figure 1. The Triple plus Methodology. Source: Adapted from Kamann 1998, Page. 286.

To understand the factors that influence the entrepreneurship drive by first generation East African entrepreneurs we focus on four variables (figure 1). These are material relations, social networks, shock analysis and cultural and other cognitive elements. Material relations are exchange relations in the network containing material goods, services and capital flows. Social networks concern direct exchange of information, strategy formulation, and goal setting. Shock analysis includes political and economic factors that have affected the network and their threats and challenges for the entire network and individual actors. The plus focuses on cultural and other cognitive elements. It mainly concerns ideological relations among network members. It analyzes cultural variables such as saving and spending behavior, specific ways of doing business, and way of thinking about things. Figure 1, depicts the relationship among the variables.

The total accumulated knowledge supplied by all the successive variables should give an adequate answer to how entrepreneurship has become common to first generation East African entrepreneurs in the Seattle area and ultimately identify the factors that contributed to the phenomena.

Hofstede (2003) explains East Africans as societies of a more collectivist nature with close ties between individuals. The Somalis, Ethiopians and Eritrean communities in the Seattle area are built on connections. Better connections usually provide better opportunities and can facilitate access to information, motivation and material resources. But, what are the connections that enabled the first generation East African entrepreneurs in the Seattle area to build their own businesses? How do these connections lead to more effective and productive entrepreneurs? How does success emerge from the complex interactions within and between communities? A social network approach is deemed most appropriate to answer these questions. The social network approach suggests that a person's behavior is contingent on the nature and structure of social relationships, which also provides the resources and support required for entrepreneurship. Social networks, however, do not constitute the resources themselves but rather the ability of the individual to mobilize these resources on demand (Portes, 1995). As one's social network is viewed as a factor crucial to business success (Redding, 1991), the higher business ownership by East African entrepreneurs in the Seattle area can be studied as a function of

entrepreneurs' social and cultural connections. Thus based on the above arguments the following two propositions are formulated.

- P1. The higher the rate of business ownership by first generation East African entrepreneurs in the Seattle area, the greater the exchange of resources in the Ethnic network.*
- P.2 The stronger the collective culture of East Africans in the Seattle Area the easier for entrepreneurs to mobilize resources from the Ethnic network.*

Method

To understand the factors that influence the higher business ownership, the researcher interviewed a number of East African entrepreneurs and members of the East African community offices in the Seattle Area. The data are used to verify the relevance of the model (figure 1) and to test the propositions formulated. The researcher learned that not much information is available about the first East African entrepreneurs in the Seattle area. Thus, to really deepen his understanding of social networks he needed to reach below the surface to understand the mechanisms and processes that influence the operation and function of social networks. This type of knowledge was likely to be achieved more easily using qualitative approaches. This research was based on an interview of 46 first generation East African immigrant entrepreneurs. The list of the first generation East African entrepreneurs was compiled from business directories, East African community trade websites and the Seattle Public Library reference section. The criteria for interview were the business should be owned by first generation East African entrepreneurs and willingness to be interviewed. Although a lack of time on the entrepreneur's side and sometimes initial mistrust created obstacles to data collection, the cultural connection of the interviewer to the East African community helped to build a reasonable level of trust. The questions were semi-structured but did not contain any leading questions. An open-ended interview was conducted with key members of each organization using a checklist to guide the interview process so that uniformity and consistency can be assured in the data. The business break down of the entrepreneurs interviewed is 18 groceries, 9 restaurants, 3 tour services, 5 beauty shops, 3

gas stations, 3 clothing shops, 3 real estate and 2 auto repair shops. However, since some grocery stores also handle traditional home made clothes it is difficult to put clear distinction between groceries and clothing shops.

Discussion of results

The interview results show that 60% of the first generation East African entrepreneurs immigrated to the US prior to 1990. Among the 46 entrepreneurs interviewed 82% are men and 18% women (table1). However since 91% of the businesses are owned by married couples the data does not show single business ownership. It simply shows the gender of the person who was running the business during the interview. The data also shows 61% of the entrepreneurs are over 40 years old. While 33% of the entrepreneurs possess less than high school diploma or no education, 67% possess education ranging from high school diploma to Master’s degree. Out of those who have high school diploma or higher 39% completed their education in the US and 57% were educated back home. Another 4% (2 entrepreneurs) received their education in some other country prior to their immigration to the US. Some of the entrepreneurs who studied back home completed their studies in languages other than English.

Table 1. Demographic Characteristics of Entrepreneurs n=46

Gender	Frequency	Percentage
Male	38	82
Female	8	18
Age		
Below 20 years old	0	0
20- 40 years old	18	39
41 - 60 years old	28	61
Over 60 years old	0	0
Marital Status		
Married	42	91
Single	4	9
Divorce	0	0
Level of Education		
Less than high school or none	15	33
High school diploma	10	22
Vocational/technical degrees	6	13
Associates degree (2-yr college degree)	9	20
Bachelors (4-5 yr college degree)	3	6
Master's degree	3	6
PhD or advanced professional degree such as MD, JD.	0	0
Place where diploma received		
In the US	18	39
Back home	26	57

Some other country	2	4
How do you characterize your integration to the US culture?		
Very easy	6	13
Easy	10	22
Somewhat easy	4	9
Somewhat difficult	8	17
Difficult	14	30
Very difficult	4	8
Did you get assistance during your integration to the US Culture		
Yes	36	78
No	10	22

Source: Interview 2005-2006

While those with higher level of education are engaged in businesses such as real estate, gas station franchise operations and tour service those with lower level education run groceries and restaurants. The integration to the US culture was much easier to entrepreneurs who immigrated after acquiring education back home than those who did not.

Material relations

Access to financial resources

The data shows that 98% of the first generation East African entrepreneurs interviewed in this study immigrated to the US as refugees and they did not have the means to finance their businesses. During the interview 92% of the entrepreneurs reported that personal saving was the main source of business financing (table 2). While 13% of the entrepreneurs supplemented personal saving with bank credit, none of them used bank credit alone for business financing. Lack of sufficient credit history, collateral requirements and religious factors were mentioned as reasons that hindered the first generation East African entrepreneurs from getting bank credits. Some entrepreneurs mentioned that there is a negative attitude towards credit in the East African business culture and entrepreneurs are not comfortable with large loans to grow a successful business. Hence, entrepreneurs prefer to open businesses with private financing rather than depend on credit. The objective is to limit the liability in case the business fails. However the data shows that those who supplemented personal saving with bank credit were able to start businesses that require higher investment.

Field notes. "I don not like credit at all. I always want to limit the business risk to my savings. When I go down I do not want to hurt others".

Most of the first generation East African entrepreneurs worked two jobs to raise the money required for investment. Their private savings enabled them to expand into underserved markets, mainly the Rainier Valley and Central Area where they can establish businesses at low start up costs. Among the 46 entrepreneurs interviewed only 7% received financing help from friends and families. Credit among entrepreneurs is very Limited (table 2). In East Africa, entrepreneurs often contribute to revolving credit associations called "Ekub" or "Edir". In these rotating credit associations, members are willing to loan money to others. If a member of a credit association refuses to make future payments to others after receiving a loan, others could take him to a court and get their money back. The researcher found no evidence that shows the first generation East African entrepreneurs in the Seattle area used "Ekub" or "Edir" to raise money for investment.

Table 2. Material Relations among entrepreneurs n=46

Problems encountered during business startup	Frequency	Percentage
Lack of finance/Credit	39	85
Lack of education/License	0	0
Lack of expertise in the business area	4	8
Lack of skilled employees	0	0
Lack of space/outlet	7	15
Lack of customers	35	76
Any other	2	4
Startup Capital		
<100, 000	36	78
100, 000-250,000	5	11
251,000-500,000	5	11
501,000-1000,000	0	0
Source of start up capital		
Personal saving only	33	72
Personal saving and bank credit	6	13
Bank credit only	0	0
Credit from family members	4	8
Personal saving and credit from family members	3	7
Bank credit and credit from family members	0	0
Any other source, please specify	0	0

Source: Interview 2005-2006.

Enterprise development

While some of the entrepreneurs opened their businesses outright, others were operating from home. The home based shop owners reported that they worked during the day and sold cultural clothes and Jewelry from home during the evenings. By doing this they avoided outlet rent and were able to do business at their convenience. The low cost advantage means less start up capital is required to run this business. The home based businesses were also used to test if the business really works. Later the home based business transformed themselves into full-fledged shops and traded items in large-scale. These shop owners complain that home based shops take business away from them.

Concluding remarks: Apart from a limited support from close family networks the East African entrepreneurs neither utilizes ethnic self help institutions and associations nor have individual ties that provide access credit capital. Hence private saving played a major role in raising business start up capital.

Social networks

Access to information

The network relationship among East African entrepreneurs is divided into family and social networks. Personal network relationship among the East African community in the Seattle area is strong and provides a means of long term support to immigrants. During the interview 83% of the entrepreneurs reported that they have “close” and “very close” relationship with their families (table 3). After they arrive in the US, Immigrants can get short term help in terms of food, finance and shelter from families in the US. During the interview 78% of the entrepreneurs mentioned that when they first came to Seattle they received assistance mainly from family members in the Seattle area (table 1). However, later the East African immigrants also collect information regarding job opportunities and the general social

environment from others who have preceded them. The latter usually helps the new East African immigrants to build social relationships with fellow countrymen in the US who are not family members.

Table 3. Exchange of Information among Entrepreneurs n=46

Source of current Entrepreneurial Opportunity	Frequency	Percentage
I worked in a similar business concern	10	22
Just my self	32	70
Friends	1	2
Family	1	2
By accident	2	4
If you need information about new business opportunities whom would you turn to?		
Small business administration	3	7
Asians	8	17
My accountant	32	69
Internet	3	7
Have you had any chance to connect socially with other entrepreneurs from your country?		
Yes	41	89
No	5	11
Do you have a partner in your business?		
Yes	2	4
No	41	96
How do you characterize your connections with your families or extended families back home?		
No relationship	4	9
Some what close	4	8
Close	26	57
Very close	12	26
Extremely close	-	-

Source: Interview 2005-2006

Exchange of business information among the first generation East African entrepreneurs is very low. While 89% of the entrepreneurs mentioned that they often socialize with other first generation East African entrepreneurs, only 2 reported that friends and family members were the source of the current entrepreneurial opportunity (table 3). Moreover 70% of the entrepreneurs told the interviewer they themselves were the source of the business idea that resulted in opening of the current business. Competition among entrepreneurs was mentioned as a reason for information withholding. Most of the businesses target the East African community and to avoid competition among co-ethnic members, entrepreneurs do not discuss how they identified the business opportunities or how they draw resources. To the contrary, first generation East African entrepreneurs often cross ethnic lines and ask entrepreneurs from other countries for business information. During the interview 17% of the first generation East African

entrepreneurs mentioned that they received business information or advice from Korean and Vietnamese entrepreneurs in the Seattle area (table 3). Many of the entrepreneurs in this group are engaged in beauty supply shops, hair salons travel service and real estate.

Field notes. *“I had a plan to own my business but I did not know what type of business to start. One day I visited a nearby beauty supply shop. I observed the person who was running the shop had language problems and customer service was very poor. I asked my self if he can do it why not me. Later I opened a beauty supply shop. Since I did not have an experience in the beauty supply business I asked a Korean beauty supplies shop owner for advice and that helped me a lot”.*

If they need information 69% of the entrepreneurs said they would contact their accountants (table 3). Most of the accountants the entrepreneurs deal with are not East Africans.

Access to training

Although 22% of the entrepreneurs had prior experience in businesses similar to the ones they have now, 70% of the entrepreneurs learned about their current businesses after they arrive in the US (table 3). Many of the entrepreneurs in the latter group, except few who run businesses that require professional licenses, worked as employees for at least five years, mainly in low pay jobs, before they opened the current business. This is inline with Borjas (1986) findings that the greatest prosperity of self employment among immigrants, relative to natives, occurs five years to ten years after immigration. Hence, they often start the business after they settle down and possess skills that enable them to form an enterprise from the ground up.

Support from Ethnic based organizations.

First generation East African entrepreneurs in the Seattle area are organized in communities. The community offices provide a platform for East Africans to socialize and help in settling refugees. However the study found no evidence that the community offices facilitate entrepreneurship. The entrepreneurs reported that the driving factor for opening a business is their

desire to guarantee income continuity. Many of the entrepreneurs told the interviewer they left their jobs to start business.

Field notes. *“After I studied English language for seven months I decided to be a nursing assistant. However I set a goal to myself to work as nursing assistant for three years only and there after to open my own business. I opened my business two and half years later”.*

This is inline with Toussaint-Commeau’s (2005) argument that the longer an immigrant resides in the US the more he/she is financially assimilated into the new society, which often coincides with a greater willingness or to be self employed.

Partnership in Business

Business ownership with other partners is not common with first generation East Africans entrepreneurs in the Seattle area. While as many as 10% of the enterprises started with partners, currently only 5% retain that status. The reasons given for failing partnerships were conflicts of interest and shirking.

Field notes. *“I used to have a partner when I started my business. Later I took over the whole business to my self. I did it once and I am not going to do it again”.*

To avoid conflict and damage in social relationship that may emanate from failure in partnership, East African entrepreneurs prefer sole ownership.

Concluding remarks: East African social and family networks play a critical role in the adaptation processes of immigrant entrepreneurs; however, there is no evidence that shows they played any role in fostering exchange of business information among entrepreneur and in creating access to training. Moreover due to high potential of conflict in interest and shirking entrepreneurs refrain from having partners in business.

Shock analysis

Shocks created by negative developments in East Africa

The civil war in Somalia, the border conflict between Eritrea and Ethiopia and recently the political conflict in Ethiopia have created divisions among the East African community in the Seattle area. These incidents in East Africa transcend borders and create division and conflict among the different groups. During the interview 67% of the entrepreneurs reported that these incidents weaken cooperation among East African entrepreneurs in the Seattle area. Moreover real-estate entrepreneurs in particular mentioned that political crises back home affects their customer base in Seattle. Political instability and harsh economic incidents in East Africa have financial implications on first generation East African entrepreneurs in the Seattle area. While 78% mentioned remittance to families at home as a factor that undermines their reinvestment capacity, 60% reported that politics/war create emotional instability (table 4). Many first generation East African entrepreneurs send money to families back home. When there is drought or war the remittance increases significantly and eventually puts strain on entrepreneur's investment capacity.

Table 4. Factors concerning shock analysis n=46

Political and economic factors back home that affect your business in the US	Frequency	Percentage
Remittance	36	78
Politics/war	28	60
Draught	33	72

Source: Interview 2005-2006

Shocks created by negative developments in the US

First generation Somali entrepreneurs in the Seattle area have mentioned that September eleven created another shock to them. US government investigation into their business activities led to low customer confidence and eventually loss of customers. Moreover some grocery owners complained that new city zoning policy disturbs alcohols sales and forces them to relocate their long established businesses.

Field notes. *“Currently the Seattle city administration is expanding the alcohol free zone. Although I am far way from the city, the regulation includes my location and I am afraid that I may be out of business”*.

None of the entrepreneurs cited problems related to getting licenses to start a new business.

Concluding Remarks: The discussion above shows that almost all first generation East African entrepreneurs in the Seattle area face shocks. Unfavorable political and economic conditions in East Africa limit reinvestment capacity hinder cooperation among entrepreneurs and weaken their customer base. Moreover political developments in the US also weaken the level of trust between Somali entrepreneurs and their customers.

The plus: Cultural and other cognitive elements

Economic and cultural factors acquired back home

First generation East African entrepreneurs in the Seattle area were asked if they recall any culturally based values they acquired back home which have implications on the successful creation and growth of entrepreneurial ventures in the US. Strong saving capacity (74%), home cooking (47%) and persistency (63%) were mentioned as the main factors that contributed to business ownership. Prior to their immigration to the US the first generation East African entrepreneurs learned how to live with meager resources. This culture helped them to minimize expenses and promote saving when they arrived in the US. Culturally, home cooking and minimizing restaurant visits is considered key to promote saving. The culture of persistency also mentioned as a factor that guarantees business continuity. Many of the entrepreneurs mentioned that even during hard times, when the business is losing money, they always opt for keeping the business going.

Economic and cultural factors acquired in the US

Entrepreneurs were also asked to name any cultural behaviors that they developed in the US and have found useful in their success as entrepreneurs.

Customer relationship skills and working long hours were mentioned as major factors. During the interview 76% of the entrepreneurs explained that once they opened their business their major challenge was how to serve customers effectively (table 5). Although politeness and respect to others are well recognized in the East African culture, entrepreneurs mentioned that customer relationship in the US requires advanced customer skills. According to the entrepreneurs the need for advanced customer service skills in the US called for a culture that they never had and they needed to learn it as fast as possible. Many entrepreneurs, 82%, told the interviewer they learned how to build customer relationship skills after they opened their businesses (table 5). Entrepreneurs also indicated that because of lack of customer service experiences in their dealing with customers in the Seattle area they were labeled as arrogant. While 41% mentioned they learned individualism, 58% reported they learned working long hours in the US.

Table 5. Cultural and Cognitive factors, N= 46

Cultural factors from your home countries that have positive or negative impact on entrepreneur's success in the US?	Frequency	Percentage
Saving	34	74
Persistency	29	63
Home cooking	22	47
Respect for others	8	17
Cultural factors acquired in the US that have positive or negative impact on entrepreneur's success in the US?		
Individualism	19	41
Customer service skills	38	82
Hard work	27	58
Cooling Mechanism	9	20
Legal interference in family life	6	14

Source: Interview 2005-2006.

Concluding remarks: The research results indicate that East African entrepreneurs benefited from their economic and cultural background. While strong saving tradition gave them an opportunity to raise start up capital, persistence and need for income continuity contributed to entrepreneur's business survival. However remittance has negative effect on investment.

Conclusions

Before moving into our conclusion first we will identify areas that could improve the findings of this research. First, the interview includes entrepreneurs from only three out of seven possible countries in East Africa. Second, the interview is limited to first generation East African

entrepreneurs in the Seattle area. Thus there is a need to conduct a comprehensive, regional or global, research for understanding other economic and cultural variables of first generation East African entrepreneurs and their impact on entrepreneurship drive. Other researchers can use the factors identified in this study as a basis to develop a questionnaire for a regional or global survey of East African origin entrepreneurs. Each factor could be posed to the respondents as a potential factor that influences their entrepreneurship drive. Their responses could be along a Likert scale (5 or 7 points) from "not important" to "more important factor." Then, responses could be factor analyzed to see if the statistical results match the results in this study or whether some new underlying factors emerge from the survey. Such research can lead to significant changes in the social, political and economic contexts for immigrant and minority groups. Furthermore it will open avenues for further research, and for the continued development of support institutions that will encourage future entrepreneurial networks of immigrants and minority groups.

Although the study is based on specific groups of first generation East African entrepreneurs in the Seattle area, the findings contradict the common generalization by many researchers in entrepreneurship that ethnic social networks are often a source of resources to entrepreneurs. Our findings indicate that ethnic social networks can exist simply for socialization purposes with little effect on the entrepreneurship drive of the members of the ethnic group. The social networks can even be dysfunctional because of competition among businesses owned by the members of the social network. The evidence below supports this argument.

The first hypothesis that states the higher the rate of business ownership by first generation East African entrepreneurs in the Seattle area, the greater the exchange of resources in the Ethnic network is not confirmed in this study.

Apart from a limited support from close family networks the East African entrepreneurs neither utilizes ethnic self help institutions and associations nor have individual ties that provide access to credit capital, information and training. Private saving played a major role in raising business start up capital. Thus, our findings indicate that although the first generation East African entrepreneurs in the Seattle area have been benefited from their

economic and cultural backgrounds there was little exchange of resources in the ethnic network. The research results indicate that while remittance have a negative effect on business expansion, cultural factors such as personal saving, need for income continuity and persistence influenced the entrepreneurship drive by East African entrepreneurs. The study reveals that 92% of the entrepreneurs raised money for investment through personal saving. Moreover 74% reported that they benefited from the strong saving tradition they learned back home. In the East African culture home cooking and avoiding restaurants is considered key to promote saving.

The second hypothesis that states the stronger the collective culture of East Africans in the Seattle Area the easier for entrepreneurs to mobilize resources from the Ethnic network not confirmed in this study.

Although 89% of the entrepreneurs socialize with other entrepreneurs only 2 entrepreneurs (4%) mentioned that they received business information from friends. Competition among entrepreneurs is blamed for the low level of cooperation and exchange of information among entrepreneurs. Moreover, apart from family networks, there is no evidence that shows the East African entrepreneurs utilize ethnic self help institutions and associations or have individual ties that provide access to training credit capital and information. Entrepreneurs can gain a lot from cooperation. Placing a combined order could lead to lower prices and help them enjoy competitive leverage over competitors. Besides, the first generation East African entrepreneurs should learn how to diversify into businesses that target beyond the East African Community in the Seattle area. This will help them to expand their customer base, minimize competition, build trust and foster cooperation.

Kamman's (1998) model has been useful in identifying the factors that influence entrepreneurship. However, despite the strong social network relationship among East African entrepreneurs in the Seattle area, there is no evidence that shows the social network helped them to generate resources. Thus our findings lend support to Granovetter (1985) argument that individuals may have an effective attachment to each other for its own sake.

The study reveals that the first generation East African entrepreneurs in the Seattle started businesses five to ten years after immigration. This suggests that in part, the entrepreneurs many have benefited from an assimilation of

information or information accumulation processes. Thus, policy initiatives that promote entrepreneurial training and provide assistance could help to increase the success of East African entrepreneurs in the Seattle area. For instance it might be feasible for Eastern Washington University at Bellevue to offer a short term courses or workshops in entrepreneurship to help people get started, learn about sources for resources, and explore different business ideas and different business models.

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