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# Transnational Entrepreneurship: Determinants of Firm Type and Owner Attributions of Success

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**Building on a typology of transnational firm types, developed by Landolt, Autler, and Baires in 1999, we examine whether immigrant attitudes toward the host country and their degree of embeddedness in the home country can predict the specific type of transnational enterprise that an immigrant is likely to begin. We also investigate whether the determinants of success of transnational enterprises vary by firm type. Based on a sample of 1,202 transnational business owners drawn from the Comparative Immigrant Entrepreneurship Project database, our analyses indicate general support for our hypotheses. More specifically, we found that transnational entrepreneurs' positive perceptions of host country opportunities and greater embeddedness in home country activities helped predict the specific type of ventures they would undertake. Further, the degree of embeddedness in the home country may influence the determinants of success for these types of firms. Depending on firm type, owners attributed their primary success to either personal characteristics, social support, or to the quality of their products and services.**

## Introduction

Transnationalism focuses on the ongoing relationships that immigrants maintain with their home countries and the resulting social fields that span national borders (Portes, Haller, & Guarnizo, 2002). Transnationalism takes on greater importance to a host country as the number of foreign born increases in that country due to its influence on international trade (see Light, Zhou, & Kim, 2002; Min, 1990). In 2006, the population of the foreign born in the United States was approximately 37.5 million, representing nearly 12.5% of the population (U.S. Census Bureau, 2006). Many of these foreign-born individuals are self-employed, with a subset among them classified as transnational entrepreneurs. Transnational entrepreneurs are foreign born, self-employed persons who engage in activities that require frequent travel abroad, with the success of their business being dependent on

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the entrepreneurs' contacts and associates, primarily in the entrepreneurs' home country (Portes et al., 2002). These entrepreneurs are unique in that they are socially embedded in both their home and host environments, allowing them access to network, class, and/or national resources in both environments (Drori, Honig, & Ginsberg, 2006; Portes et al.). These resources aid these entrepreneurs in opportunity recognition, start-up, and maintenance of new ventures.

Historically, literature on immigrant entrepreneurship has assumed that immigrant firms are small and inconsequential, and concentrated in the retail sector (Dana & Morris, 2007). Recent research, however, indicates that not all immigrant businesses can be considered the same (Min & Bozorgmehr, 2003; Wong & Ng, 2002), particularly those that are owned by transnational entrepreneurs (see Saxenian, 2002). Although research shows that the types of firms begun by transnational entrepreneurs differ, what remains unclear is why transnational entrepreneurs choose to begin particular types of ventures and what factors influence the success of these firms. Our study seeks to address this important gap in the literature. We argue that the type of transnational firm that an immigrant chooses to begin may be directly related to their attitudes toward and perceptions of the host country, and their degree of embeddedness in the home country. In addition, we believe that differences exist in the factors that influence the success of each type of transnational firm. We therefore aim to offer a more fine-grained investigation of the antecedents of both the choice of transnational firm type and perceived firm success.

Landolt, Autler, and Baires (1999) are among the first to offer a typology for transnational firms. We adopt aspects of this typology as our framework, and using a unique database of immigrant entrepreneurs to test whether there are differences in the factors that influence the choice of firm type and firm success among these entrepreneurs. Landolt et al. classified transnational enterprises as circuit, cultural, ethnic, return migrant, or elite expansion enterprises. Briefly, these types of firms can be defined as follows. Circuit enterprises are the business ventures where resources, both tangible and intangible, flow across borders. Cultural enterprises help to promote the immigrant's national identity with the home country. Ethnic enterprises are small ventures located in immigrant neighborhoods that employ individuals of the same ethnic background as the owner and cater to an ethnic clientele. Return migrant enterprises are ventures started by those who have lived abroad and returned to their home country. Finally, elite expansion enterprises are established home country businesses that market to immigrants abroad. Our focus here is on the circuit, cultural, and ethnic enterprises. Return migrant enterprises and elite expansion enterprises are not examined since our primary interest is the entrepreneur's home country embeddedness and the role that it plays. For entrepreneurs who begin a return migrant enterprise, the money and skills they acquired in their former host country are used to start a business in the home country. Additionally, elite expansion enterprises are established home country businesses that sell to immigrants in the foreign country from its home country base. Thus, both these types are based in the home country and not directly relevant to the focus of our study.

We have four major objectives in this study. First, we seek to determine whether particular activities engaged in by transnational entrepreneurs can be accurately classified as activities of a circuit, cultural, or ethnic enterprise. Second, we look at whether the immigrants' attitudes toward and perceptions of the host country will influence whether they begin a circuit, cultural, or ethnic venture. Third, we examine whether the entrepreneur's degree of embeddedness in the home country will influence the type of transnational firm that they choose to begin. Finally, we explore whether transnational entrepreneurs attribute their success to their own personal characteristics (internal efforts),

their social support, or to their products and/or services, and whether these perceptions vary by firm type as well.

We believe that understanding the factors that lead to the founding and success of cultural, ethnic, and circuit enterprises is important for several reasons. First, we need to gain a better understanding of the antecedents of transnational entrepreneurship. Attitudes, intentions (Bird, 1988), technological changes (Shane, 2000), and the entrepreneur's social context (Jack & Anderson, 2002) are among the factors that have been found to influence venture creation. Of these factors, attitudes and social context are of particular interest. Various researchers have demonstrated the critical role that attitudes play in influencing intentions, including those intentions that are entrepreneurial (Ajzen, 1988, 1991; Ajzen & Fishbein, 1980; Carr & Sequeira, 2007; Krueger, Reilly, & Carsrud, 2000). Since attitudes are influenced negatively or positively by variables such as past experiences, beliefs, environment, and perception, and are a precursor to action (Ajzen, 1988; Carr & Sequeira, 2007), it is important to clarify the role that attitudes play in an immigrant's choice of venture type. We believe that the attitudes immigrants hold toward their host country may influence their perception of opportunities and the type of firm which they deem feasible to begin. The entrepreneurs' degree of embeddedness (social context) in their home country may also play a role in the entrepreneur's choice of firm type. This embeddedness in home country activities is a critical aspect in the lives of many immigrants, but not all immigrants maintain the same level. Therefore, it is important to determine whether the entrepreneur's degree of embeddedness influences their decision making. Lastly, the study of transnational entrepreneurs is in its early stages; thus, limited information exists regarding these entrepreneurs. The insight that our study will provide regarding the factors that influence these entrepreneurs' decision making will be of value to the literature.

The article proceeds as follows. First, we point out the conceptual differences between international entrepreneurship and transnational entrepreneurship. We then provide a brief introduction to the concept of transnationalism. Then, we discuss the transnational entrepreneur and the types of firms that can be established in order to engage in transnational activities. We then discuss the factors that play a role in the choice of firm type and venture success, and propose hypotheses based on these arguments. These hypotheses are tested using cluster analysis and multivariate analysis of covariance (MANCOVA), followed by a discussion of our findings and its contribution to the field of entrepreneurship.

## **Theoretical Background**

### **International Entrepreneurship vs. Transnational Entrepreneurship**

Although conceptually similar to international entrepreneurship, there are critical differences between transnational and international entrepreneurship. International entrepreneurship, which is defined as "a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations" (McDougall & Oviatt, 2000, p. 903), focuses on born global firms which seek to internationalize at their inception or soon after (McDougall & Oviatt; Zahra & George, 2002). In general, international entrepreneurship research tends to have a limited view regarding such topics as ethnicity and dual affiliations (Drori et al., 2006), and usually does not focus on the strong ties of the entrepreneurs, or the individual entrepreneurs themselves (Yeung, 2002). Conversely, Wong and Ng (2002, p. 514) define a transnational enterprise as "a business in the ethnic economy which entails separate operational components of the enterprise being located in different countries and the transmigration of the owners in

order to operate it.” Unlike international entrepreneurship, transnational entrepreneurship is culturally oriented, culturally derived, and reliant on the specific community and relationships within which the immigrant is embedded. Therefore, transnational entrepreneurship represents a form of economic transnationalism that immigrants engage in for different purposes. We provide a brief review of transnationalism in the next section.

### **Transnationalism and Transnational Activities**

Various researchers have provided evidence of transnationalism (see Itzigsohn, Cabral, Medina, & Vazquez, 1999; Landolt et al., 1999; Zhou, 2004) and view it as a distinctly new phenomenon (Portes, Guarnizo, & Landolt, 1999). Itzigsohn and Giorguli-Saucedo (2002) categorized the major studies that focus on transnationalism into four major topical areas. These areas include how immigrants construct identities that transcend national barriers (Basch, Glick Schiller, & Blanc-Szanton, 1994; Glick Schiller & Fouron, 1998), how immigrant communities abroad participate in the life of their home country (Goldring, 1998; Landolt et al.; Levitt, 1998; Roberts, Frank, & Lozano-Ascensio, 1999), and how transnational immigrants participate in the political life of their home country (Guarnizo, 1998; Itzigsohn, 2000; Laguerre, 1999). Additionally, how immigrants build and conduct businesses in both their home country and their host country, and how those businesses contribute to the development of the home country are also relevant (Faist, 2000; Portes, 1996; Portes & Guarnizo, 1991). Although some researchers argue that transnationalism is not a new phenomenon and that early immigrants also engaged in similar practices (see Waldinger, 1998, 2008; Waldinger & Fitzgerald, 2004), proponents of transnationalism point out that unlike earlier immigrant activities, transnational activities of today are regular, stable, resilient, and often intense primarily due to developments in cross-border communication and transportation improvements and technologies (Portes et al., 1999; Robinson, 2005). Researchers have shown that these practices are indeed unique from those of earlier immigrants, and play a role in the development of the immigrant community in the host country, as well as the immigrants’ home countries (Portes et al., 1999, 2002; Zhou).

Individuals engaged in economic transnationalism use their home and host country contacts to source suppliers, capital, and markets (Portes et al., 1999). These activities can be undertaken by individuals with a low or high level of skills, technical expertise, education, or experience. Although literature generally tends to associate the transnationalism of contemporary immigrants with the poor and less educated, exceptions can be found as demonstrated by the prevalence of highly skilled immigrants in Silicon Valley, and findings of recent transnational immigrant studies (see Portes et al., 2002; Saxenian, 2002).

As a result, transnationalism literature has focused on individuals, their networks of social relations, their host and home communities, as well as local and national governments. Consequently, our unit of analysis in this article is the individual immigrant who chooses to engage in entrepreneurial cross-border activities, a topic often discussed in economic transnationalism research. By no means do we suggest that every immigrant group will engage in transnational practices. However, research indicates that there will be individuals in many immigrant communities who will grasp the opportunity to establish an economic connection between their host and home country in order to meet the community’s need for particular cultural items from their home country.

### **Economic Transnationalism and a Typology of Transnational Enterprises**

Landolt et al. (1999) present a typology which we adopt to help provide insight on economic transnationalism and the transnational entrepreneur within the immigrant

community (see Table 1). This typology was developed based on a study of transnational business ventures found within the El Salvadoran immigrant communities of Los Angeles and Washington, DC. The typology identifies whether the source of capital, labor, maintenance, and expansion inputs and consumption for the various types of ventures is local (based in the host country) or transnational. Using these criteria, ventures are classified as ethnic enterprises, circuit enterprises, cultural enterprises, return migrant enterprises, or elite expansion enterprises.

Circuit enterprises tend to be the typical transnational business venture where resources, both tangible and intangible, flow across borders. In the circuit enterprise, start-up capital, labor, maintenance, and expansion inputs are typically transnational (i.e., dependent upon flows and linkages between the home and host countries) with consumption taking place in both the home and host country. Often, individual couriers travel extensively between countries importing goods to family-run businesses or large stores, and transporting money, letters, packages, and products to households and businesses in both countries. The circuit enterprise can vary in terms of size and scope. Businesses of this type can range from the microenterprise which consists of one or a few individual(s) to large, formal businesses which provide courier types of services. Examples of other businesses that could be classified as circuit enterprises are those businesses involved in technology-related manufacturing (i.e., computer hardware/software, audio/visual equipment, electronic components), medicinal products, trade and finance, housing design, and immigration services (see Wong & Ng, 2002). In each of the aforementioned types of businesses, customers are both in the home and host country. Circuit enterprises are unique in that their owners spend extensive amounts of time maintaining and managing various aspects of the business from both countries, and often there is an extensive

Table 1

Typology of Transnational Enterprises<sup>†</sup>

Type of enterprise	Start-up capital	Labor	Maintenance and expansion inputs	Consumption
Circuit (host and home country) (e.g., firms engaged in courier services; technology-related manufacturing; immigration-related services)	Transnational	Transnational	Transnational	Host and home country
Cultural (host country) (e.g., firms engaged in newspaper production, television/radio programming; organizing home country artist performances)	Host country	Host country	Transnational maintenance and host country expansion inputs	Host country
Ethnic (host country) (e.g., firms engaged in small retail outlets; convenience stores; small restaurants; small service-oriented businesses)	Host country	Host country	Host country maintenance and transnational expansion inputs	Host country
Return migrant (e.g., firms engaged in host country themed restaurants—pizza, chicken; automobile sales)	Transnational	Home country	Transnational	Home country
Elite expansion (e.g., firms engaged in home country-based beverage production for distribution in host country; fast food firm headquartered in home country with branches in host country)	Transnational	Transnational	Transnational	Host country

<sup>†</sup> Adapted from Landolt et al. (1999).

network of immediate and extended family members that are involved in the business in both environments.

Cultural enterprises fill the role of promoting national identity and by interacting daily with the home country for their products or services. Businesses that produce or distribute newspapers, radio and television programming, as well as ventures that distribute or produce home country beverages and food, are some examples of firms that are cultural enterprises. In the cultural enterprise, start-up capital, labor, and expansion inputs are local to the host country, while maintenance is transnational.

Ethnic enterprises are small ventures located in immigrant neighborhoods that employ co-ethnics, or others of the same nationality, race, or culture as the business's owner, and cater to an ethnic clientele. Examples of these are small grocery stores or convenience stores, restaurants, retail stores, and other service-oriented businesses. In the ethnic enterprise, start-up capital, labor, maintenance, and consumption are local to the host country, while expansion inputs are transnational.

Return migrant enterprises are ventures based in the home country that have been started by individuals who have lived abroad and returned to their home country (termed returnee entrepreneurs). Businesses started by returnee entrepreneurs are varied. Many tend to be low-technology businesses, such as automobile sales, transport services, and host country-themed restaurants, but high-technology businesses that play a role in knowledge transfer in emerging economies are also represented (see Filatotchev, Buck, Liu, & Wright, 2009; Wright, Liu, Buck, & Filatotchev, 2007). In the typical return migrant enterprise, start-up capital, maintenance, and expansion inputs are transnational, while labor and consumption take place in the home country.

Finally, elite expansion enterprises are those ventures that are established home country businesses that view the immigrant market abroad as an extension of their existing market. Examples of these ventures are home country businesses that have a branch, production/distribution plant, or sales office in the host country. Jollibee, the Philippine fast food chain that has opened branches in locations in California with substantial Filipino population, is one such enterprise. In the elite expansion enterprise, start-up capital, labor, maintenance, and expansion inputs are transnational, while consumption takes place in the host country. Our focus is mainly on the circuit, cultural, and ethnic enterprises since these ventures tend to be grounded in or originate from the immigrant or immigrant community in the host country. As discussed previously, return migrant and elite expansion enterprises use the home country as a base, and therefore do not fit, conceptually, the phenomena of interest for this article, namely the importance of embeddedness in the home country.

## **Factors That Influence the Choice of Transnational Venture Type**

There are a variety of factors that may influence the immigrant individual's decision to exploit an identified opportunity using the form of a circuit, cultural, or ethnic enterprise. Entrepreneurship researchers have found that a correlation exists between opportunity exploitation and factors such as education, career experience, and age (Shane, 2003). These factors would also play a role in opportunity exploitation for transnational entrepreneurs. For these individuals, however, additional factors must be considered, to include the individual's attitudes toward and perceptions of the host country and their degree of embeddedness in the home country. How these factors relate to the type of transnational firm chosen are discussed below.



## Perceptions of the Host Country and Venture Type

The positive perception that opportunities are available will be influenced by the immigrant individual's experiences in and attitude toward the host country. Reactive transnationalism (Itzigsohn & Giorguli-Saucedo, 2002, 2005) is a critical concept when discussing the attitudes of immigrants toward their host country. Reactive transnationalism states that immigrants may engage in transnational activities as a response to various negative factors, among them discrimination, negative experiences, dissatisfaction with their lives, social status or occupational careers, and/or negative perceptions of their host country. Studies have shown that employment is critical to successful settlement of immigrants and refugees, and these individuals place a high priority in gaining employment suitable to their level of expertise and skills (see Fozdar & Torezani, 2008; Rydgren, 2004; Valtonen, 1999, 2004). However, discrimination in employment through nonrecognition of qualifications, lack of recognition of overseas experience, stereotyping, and various workplace practices which stigmatize immigrants often prevent these individuals from gaining employment that is satisfying (Fozdar & Torezani). These experiences may limit the individual's perception of the number and variety of opportunities that are available in the host country (Oliveira, 2007). In addition, these negative experiences may also lead to the immigrant holding negative perceptions of the host country. Given the possible market disadvantages that these individuals may face, they may not have the financial resources to maintain frequent travel or communication to the home country, nor be able to participate in home country activities on a regular basis, resulting in reduced access to important networks and linkages. The immigrant that does not maintain close and frequent ties with the home country may not perceive the variety of opportunities that may be available on a broader transnational level nor be tapped in to the networks required for higher level transnational activities (actions that require frequent cross-border travel and communication). Very often, the type of business that these individuals begin is of limited size and scope, and is viewed as the typical ethnic enterprise that caters to co-ethnics and other ethnic individuals who may be similarly disadvantaged. Finally, social status may also influence the type and size of a business (Honig, 1998). Those immigrants that begin an ethnic enterprise may be of a lower social status than those that begin other types of businesses.

The typical ethnic enterprise tends to remain within the immigrant community where there is often intense competition among similar businesses. This intense competition tends to limit the ability of any one firm's growth since the typical immigrant community can only support a limited number of businesses due to the community's limited buying power (Sequeira & Rasheed, 2004). Therefore, the ethnic enterprise is mainly reliant on the local community for its start-up capital, labor, maintenance, and consumption (Landolt et al., 1999). Except for the importing of some food and retail items from the home country, limited transnational activities are required, and the need for positive impressions is less likely to affect the ethnic firm. Thus:

**Hypothesis 1:** Individuals that have a more positive perception of the availability of opportunities will more likely be affiliated with a cultural or circuit enterprise than an ethnic firm.

## Home Country Embeddedness and Venture Type

Participation in higher-level transnational entrepreneurial activities requires strong cross-border relationships. Access to networks in the home and host country is necessary for firms whose activities are not limited to the host country. Several studies have focused

on the immigrant's network and the use of ties. Sanders, Nee, and Sernau (2002) looked at Asian immigrants' reliance on social ties to aid incorporation into the U.S. society through employment. Marger (2001) investigated the role of immigrant networks and family ties in the establishment and operation of businesses in Canada, while Yoo (2000) considered the role that social networks play in the facilitation of entrepreneurship among Korean immigrants. Ebaugh (2000) investigated the use of fictive kin ties to expand the immigrant network, resulting in a wider range of accessible resources. The personal and business cross-border networks, and the sociopolitical connections of the transnational entrepreneur provide the information, resources, support, and structure necessary for successful transnational activities. Immigrant participation in activities that support the home country such as providing money for hometown projects, returning home for country celebrations, maintaining party affiliations, and contributing money for politics in the home country, among others, closely links the immigrant to the home country (Itzigsohn & Giorguli-Saucedo, 2002), and these linkages in turn build the relationships necessary for creating and maintaining a transnational venture. The immigrant that engages in frequent and sustained interaction with others in the home country, both in person (travel) and via technology, may gain privileged access to information. The continuous travel from host to home country may also enhance the immigrant's ability to observe unfilled niches, unmet needs, new processes, and strategies that in conjunction with prior knowledge gained in the home and host country results in venture creation. Shane (2000) found that prior knowledge of markets, ways to serve markets, and customer problems plays a role in entrepreneurial discovery. Immigrant entrepreneurs who possess this prior knowledge maintain close and frequent ties with the home country, and are tapped in to the information that flows across borders would be more likely to perceive the existence of a variety of opportunities and be able to engage in transnational activities through the start-up of a circuit firm. In the circuit enterprise, start-up capital, labor, maintenance, and expansion inputs are typically transnational, while consumption takes place in both the home and host country. Wong and Ng (2002) found in their study of Chinese immigrant entrepreneurs that immediate and extended family members were critical to the successful management of this type of business, since family networks aid in the establishment of supplier links, clients, and necessary resources.

Cultural enterprises are dependent on the immigrants' longing for all that is associated with their particular culture. For example, cultural enterprises produce or distribute newspapers that either cater to the particular ethnic community's culture or distribute the actual newspapers that are produced in their respective home country. These enterprises may also engage in television and/or radio programming relevant to the home country, and produce or distribute home country beverages and food (Landolt et al., 1999). Landolt et al. pointed out that the newspaper-focused enterprises are typically owned by those with considerable business investments in both the home and host countries, and generally represent these individuals' political interests. Individuals of significant means who are strongly interested in the preservation and promotion of the home country's culture would be those most likely to begin a cultural enterprise. To successfully begin and maintain a cultural enterprise, the immigrant individual will also need to be deeply embedded within the influential networks of the immigrant community in the host country, as well as the home country, which is not necessarily a requirement of importance for the ethnic firm. This type of enterprise requires daily contact with home country associates, and these businesses often maintain offices and staff in the home country, as well as in the host country. Cultural enterprises do not typically rely on family ties, but the owners must have a trustworthy network of relationships in both the home and host country in order to be able to gather accurate information in a timely manner, particularly



for those businesses that specialize in the mass media. A high level of trust is also important for those cultural enterprises that specialize in bringing artists from the home country to perform in the host country, since significant financial costs are incurred if these arrangements do not come to fruition. The cultural enterprise entrepreneur must travel frequently to and from the home country in order to continuously monitor and verify that these relationships are strong and ongoing, unlike the ethnic firm's focus on simply the products and services of the home country. In the cultural enterprise, the start-up capital, labor, consumption, and expansion inputs are local to the host country, whereas maintenance is transnational. Thus:

**Hypothesis 2:** Individuals that are more actively embedded in home country activities will more likely be affiliated with cultural or circuit enterprises than with ethnic firms.

While the choice of transnational venture is affected by several factors, a key issue for any transnational firm is the relationship between venture type and firm success. Factors that may influence the success of these types of ventures include the entrepreneur's embeddedness in the home country or social support, his/her individual characteristics, or the particular products and services of the business.

## **Factors That Influence Transnational Venture Success**

Venture success has been defined as "a relative measure of venture performance that occurs when the venture creates value for its customers in a sustainable and economically efficient manner" (Chrisman, Bauerschmidt, & Hofer, 1998, p. 7). Researchers have shown that the major determinants of success in firms are the individual differences of the entrepreneurs, their network ties or social capital, or their firms' products or services (Begley & Boyd, 1987; Burt, 1997; Coleman, 1988; Herron & Robinson, 1993; Honig, 1998).

### **Individual Differences and Transnational Venture Success**

Regarding individual differences, Markman and Baron (2003) suggested that people's values, abilities, attitudes, and personality, among other traits, play a role in the type of work environment that they choose. In addition, these researchers argue that higher levels of self-efficacy, personal perseverance, human and social capital, and superior social skills play a role in venture success. Although Markman and Baron focused on success related to the start-up of a venture, these factors are also pertinent to the performance of the firm after start-up. Since individuals shape and are shaped by their workplace, the decisions that influenced the ethnic, circuit, and cultural enterprise owners to begin their particular type of firm may also influence the determinants of success of these businesses.

Those individuals who decided to begin an ethnic enterprise may exhibit lower levels of self-efficacy due to the various initial negative experiences that may have led them to begin that type of firm. Lower self-efficacy leads to reduced perseverance and unwillingness to engage in challenging activities (Bandura, 1997), as well as reduced acceptance of risk; all of these are factors that may have an effect on the firm's performance. Other characteristics of ethnic enterprises such as their limited size and scope, the owners' limited perception of opportunities, limited participation in the home community, and the owners' lower social status may hinder the business owners' ability to attribute success to their individual difference. Thus:

**Hypothesis 3:** Circuit and cultural enterprise entrepreneurs will more likely see success as a function of their personal characteristics than ethnic enterprise entrepreneurs.

### **Social Support and Transnational Venture Success**

Since owners of circuit and cultural enterprises continuously travel from host to home country, they may gain an enhanced ability to observe unfilled niches, unmet needs, new processes, and strategies enabling them to identify and act upon opportunities and engage in risk-taking behavior (Light et al., 2002; Yeung, 2007), which may in turn increase their self-efficacy. The circuit and cultural enterprise entrepreneurs face increasingly complex environments due to their higher participation in cross-border activities. These uncertain environments require entrepreneurs who have greater staying power and a higher level of confidence in their abilities, since these businesses have many stakeholders that are dependent upon the firm both in the home and host country. Literature indicates that social capital and social support contribute to venture success. Ties with family, friends, and others of the same ethnic background in the community may hold particular importance for the venture's performance. These ties may be direct (personal relationship between business owner and resource holder) and/or indirect (relationship with resource holder through a direct tie). Direct tie relationships enable access to resources when conditions of uncertainty and information asymmetry exist (Podolny, 1994), as well as when conditions of trust are necessary (Coleman, 1990). Indirect tie relationships allow quick access to privileged information that may not have been garnered without the tie (Burt, 1987; Nohria, 1992). Since circuit and cultural enterprise owners have direct and indirect ties in the home country, this greatly facilitates their access to relevant information, suppliers, and new opportunities for venture funding and expansion. These enterprises would also benefit from reduced transaction costs (Robinson, 2005; Sequeira & Rasheed, 2004) both at home and abroad. The circuit and cultural enterprise owners' higher degree of embeddedness in the network and community activities of both the immigrant community and the home country will also provide legitimacy for the firm. Timeliness and trustworthiness of information, as well as reliable suppliers and business associates, are critical to the circuit and cultural firm. Therefore, the ability of the business owners to rely on kin, extended family, and trustworthy ties gained through the network in both the home and host country enables these enterprises to be successful (see Landolt, 2001). Honig (1998) suggests that entrepreneurs' membership in community organizations, political groups, and associations will strengthen their returns to human capital. Owners of cultural enterprises are deeply embedded in the home and host country's cultural organizations, political groups, and associations. Honig proposes that enterprises that play a role in developing and promoting community cohesion may increase their chances of success. In addition, since these entrepreneurs have a strong affiliation with their networks and associations (particularly the cultural enterprise owners), they may be able to benefit from a ready-made market for their products and services (Honig). Thus:

**Hypothesis 4:** Circuit and cultural enterprise entrepreneurs will more likely see success as a function of their social support than ethnic enterprise entrepreneurs.

### **Firm Products/Services and Transnational Venture Success**

Given those success factors hypothesized earlier, the ethnic enterprise may seem to face few options when trying to build a competitive advantage in their host country's

economic environment. However, the relationship between ethnic firms and their unique connection to their home country customers can provide them with a strong edge over other indigenous firms. Co-ethnics and other ethnic clients are often reliant on the ethnic enterprise's culturally oriented food items, restaurants, retail items, and service offerings. Often, there are competing firms that may offer the same or similar products within the immigrant community; therefore, the ability to differentiate the firm through higher quality and variety of product offerings may provide the firm a competitive advantage. Given that ethnic enterprises are often small, there is close interaction between the business owner and the customers, resulting in customers holding high expectations of the business. If the entrepreneur can gain and maintain loyal customers, and the entrepreneur's products and services are perceived as valuable by the customer, the business may achieve greater success. Ethnic enterprise entrepreneurs may therefore see success as a function of the quality of their products and service characteristics. Thus:

**Hypothesis 5:** Ethnic enterprise entrepreneurs will more likely see success as a function of the quality of their products and service characteristics than circuit and cultural enterprise entrepreneurs.

Overall, owners of circuit and cultural enterprises will likely attribute their success to their personal characteristics and their social support or network. Unlike the owner of the ethnic enterprise, those individuals that began the circuit or the cultural firm may exhibit higher levels of self-efficacy, increased perseverance, willingness to accept risk, increased access to social capital, and other attributes that enhance their firm's performance.

## Methods

### Sample

To test our hypotheses, we used data developed at the Center for Migration and Development, Princeton University. These data are referred to as the Comparative Immigrant Entrepreneurship Project (CIEP) database, which has been used in other studies to explore immigrant transnational activities (e.g., Portes et al., 2002). The CIEP was the first comprehensive data set to explore various aspects of transnationalism and transnational entrepreneurial activities. This data set is composed of individuals from various Latino immigrant communities in the United States. Specifically, the CIEP targeted three Latino groups, namely Colombians, Dominicans, and Salvadorans located in several large cities in the United States. Through contacts within these different ethnic communities, the CIEP researchers were able to capture information related to the economic and noneconomic activities of these business owners, and the types of contact/ties these owners maintained with their respective home countries.

To capture this information, a two-stage sampling design was implemented using a systematic sampling of households within each of the respective research sites. Consistent screening questions were used across the research sites to distinguish nonentrepreneurs from entrepreneurs. Additionally, transnational entrepreneurs were distinguished from those immigrants who operated their businesses as local entities. Finally, to control for sampling probabilities within each research site and the degree to which entrepreneurs were identified, a set of population weights was developed consistent with U.S. Census count information concerning these immigrant populations at these specific sites.

The unweighted sample size of the CIEP data is 1,202. For the purposes of our research, we selected only those respondents within the CIEP that were designated as

“transnational entrepreneurs,” which yielded different weighted sample sizes depending upon missing values within the variables. Information regarding the CIEP is available from the Center for Migration and Development, Princeton University (<http://cmd.princeton.edu/data%20CIEP.shtml>).

For our weighted sample, the respondents were overwhelmingly male (77.1%), with an average age of 42 years. Over 63% of the sample was married, with 69% of the sample having at least a high school degree. Finally, most of the respondents had been in the United States more than 25 years, with monthly sales averaging approximately \$10K–\$20K.

## **Analytic Approach**

We followed a two-step process to test the hypotheses, using recommendations outlined by Bray and Maxwell (1985). First, a cluster analysis was conducted with relevant CIEP variables to determine if, in fact, these variables would cluster cases in a meaningful way (i.e., as clusters that reflected circuit, cultural, and ethnic immigrant enterprises as identified by Landolt et al., 1999). Second, MANCOVA was used with control covariates to test these clusters as fixed factors with representative variables for hypotheses testing. A discussion of the variables used for this two-step process is presented below.

## **Measures**

**Clustering and Control Variables.** Based upon Landolt et al. (1999), transnational enterprises have several distinguishing characteristics. These characteristics include the degree of dependence on information from the home country, client characteristics (e.g., single versus multiethnic) and location, and the degree to which actions of the enterprise are dependent upon transactions to and from the home country. We chose six variables from the CIEP that best reflected these characteristics for a two-step cluster analysis using Schwarz’s BIC clustering criterion (Schwarz, 1978). The six items are “respondent’s clients are multiethnic,” “respondent’s clients live here,” “respondent receives investments from home country,” “respondent arranges trips, immigration papers for money,” “frequency of business communications with home country,” and “respondent imports from home country.” The results of the cluster analysis yielded three clusters of interest which generally reflect Landolt et al.’s typology. These variables and their relative importance to each cluster are presented in Table 2.

We used five variables as control variables for the MANCOVA. These variables were respondent’s sex, age, marital status, years of education, year of U.S. arrival, and monthly sales of the enterprise. These variables include four of the typical demographic and firm-level variables that are generally used in mainstream entrepreneurship studies. The variable of year of U.S. arrival is included here since the immigrant’s perceptions of opportunities and degree of embeddedness may vary dependent on the length of time residing in the United States.

**Dependent Variables.** To capture the degree to which the transnational entrepreneur might view opportunity differently based upon type of enterprise (circuit, ethnic, or cultural), two variables were used in the analysis. The first variable captures whether the transnational entrepreneur believes that they have had enough opportunities. This variable

Table 2

Variables Ordered by Importance Following a Two-step Cluster Solution<sup>†</sup>

Cluster 1 (ethnic immigrant entrepreneurs)	Cluster 2 (Cultural immigrant entrepreneurs)	Cluster 3 (Circuit immigrant entrepreneurs)
1. R's clients are multiethnic	1. Frequency of business communications with home country	1. Frequency of business communications with home country
2. R's clients live here	2. R's clients are multiethnic	2. R arranges trips, immigration papers for money
3. R receives investments from home country	3. R's clients live here	3. R's clients are multiethnic
4. R arranges trips, immigration papers for money	4. R receives investments from home country	4. R's clients live here
5. Frequency of business communications with home country	5. R arranges trips, immigration papers for money	5. R receives investments from home country
6. R imports from home country	6. R imports from home country	6. R imports from home country

<sup>†</sup> Variables ordered in descending order of importance. R, respondent.

was rated along a binary scale (0 = “no,” 1 = “yes”). A second variable used a 4-point Likert scale (1 = “strongly agree,” 4 = “strongly disagree”) to determine the degree that the transnational entrepreneur felt that there is economic discrimination in the United States. This variable was chosen since it was felt that immigrant entrepreneurs who strongly believed that economic discrimination existed in the United States would be less likely to see for-profit opportunities possible for them.

To capture the entrepreneurs’ degree of embeddedness in their home country, eight variables within the CIEP data set were chosen. These variables included the degree to which the entrepreneur participated in hometown associations, was involved in political activity in their home country, and the level of involvement in sports clubs and charity organizations within their home country. A reliability analysis of these variables indicated that these variables could be evaluated as a single scale ( $\alpha = .76$ ), and thus a summative scale was created, with higher values indicating higher levels of participation.

Finally, perceptions of success were captured through the creation of a series of dummy variables associated with the first reason given by the entrepreneur for their success. Based upon the responses to a normative variable, the entrepreneur could associate their success with their own internal efforts (owner’s hard work or owner’s human capital), their social support (from kin, friends, or through good labor relations), or their products and services. Three dummy variables were created depending upon the responses to this variable. To assess perceptions of success, a separate MANCOVA was conducted using these dummy variables.

Results

Table 3 presents the means, standard deviations, and bivariate correlations of the control and outcome variables used in the analyses. Table 3 indicates that the variables are significantly related, although they are not generally highly correlated.



Table 3

Means, Standard Deviations, and Bivariate Correlations of Study Variables<sup>†</sup>

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1 Gender	.77	.42											
2 Age	41.86	8.96	-.05*										
3 Marital	2.26	1.11	.01	.09**									
4 Education	3.89	.84	.08**	-.14**	-.02								
5 Year of arrival	1980	8.15	.14**	-.47**	.10**	.02							
6 Monthly sales	3.90	2.24	-.02	.01	.04	.15**	-.11**						
7 Perceived opp.	.60	.49	-.08**	-.06**	-.03	.16**	-.21**	.24**					
8 Econ. discrim.	1.94	.81	-.05*	.02	-.05*	.02	-.02	.23**	.32**				
9 Embeddedness	13.53	3.93	.15**	-.13**	.03	.06**	.03	.07*	-.09**	-.24**			
10 Personal char.	.62	.49	.03	.06	-.26**	.23**	-.15**	.07	-.08*	-.18**	-.17**		
11 Social support	.06	.24	-.27**	.30**	.13**	.00	-.03	.11**	.19**	.00	.07*	-.32**	
12 Prods/svcs	.30	.46	.09**	-.18**	.27**	-.29**	.17**	-.14**	-.04	.25**	.11**	-.83**	-.17**

\*  $p < .05$ ; \*\*  $p < .01$ .

<sup>†</sup> Sample correlations based upon weighted sample. Sample sizes range from 720 to 2,295, depending upon missing values.

### MANCOVA Results for Perceptions of Opportunity and Embeddedness

All three of the dependent variables associated with perceptions of opportunity and embeddedness were included in a MANCOVA, with the six control variables. The multivariate omnibus test for the model was significant using the Wilks' lambda exact test ( $F_{(6,2072)} = 10.07, p < .01$ ), indicating that at least two of the clusters differed significantly. While significant, the effect size was relatively weak ( $\eta = .03$ ). Univariate between-subjects test indicates that the type of transnational enterprise was significantly related to whether there was a perception that enough opportunities exist ( $p < .00; \eta = .02$ ), whether there was strong perceptions related to economic discrimination ( $p < .01; \eta = .01$ ), and the level of embeddedness the immigrant entrepreneur maintained with their home country ( $p < .00; \eta = .02$ ).

*Post hoc* comparisons were used to test where the transnational clusters differed for hypotheses testing. For hypotheses 1 and 2, circuit and cultural entrepreneurs were hypothesized to have a higher perceived view of their opportunities and a greater degree of home country embeddedness than the ethnic entrepreneurs. Results generally support these hypotheses.

Circuit entrepreneurs were more likely to see that they had opportunities than ethnic (mean difference = .16,  $p < .01$ ) and cultural (mean difference = .11,  $p < .01$ ) entrepreneurs, although there was no significant positive difference for this variable between cultural and ethnic entrepreneurs. However, cultural entrepreneurs perceived the United States as having less economic discrimination than both ethnic (mean difference = .18,  $p < .01$ ) and circuit (mean difference = .16,  $p < .01$ ) entrepreneurs. These results generally support the hypothesis that cultural and circuit entrepreneurs do indeed see opportunities more positively than ethnic entrepreneurs.

Similar to perceptions of opportunity, circuit and cultural entrepreneurs are more likely to be embedded in their home country than ethnic entrepreneurs, thus supporting hypothesis 2. Ethnic entrepreneurs are significantly less likely to be actively engaged than

the circuit (mean difference =  $-.80$ ,  $p < .01$ ) and cultural (mean difference =  $-1.25$ ,  $p < .01$ ) entrepreneurs.

### MANCOVA Results for Perceptions of Success

Similar to the MANCOVA conducted for hypotheses 1 and 2, the success dummy variables were included in a MANCOVA with the six control variables. The multivariate omnibus test for the model was significant using the Wilks' lambda exact test ( $F_{(2,1302)} = 10.07$ ,  $p < .00$ ). Again, while the omnibus test was significant, the effect size was relatively weak ( $\eta = .06$ ). Univariate between-subjects test indicates that the type of transnational entrepreneurial enterprise was significantly related to whether the transnational entrepreneur attributed their success to themselves ( $p < .00$ ;  $\eta = .05$ ), to their social support ( $p < .01$ ;  $\eta = .07$ ), or to their products and services ( $p < .00$ ;  $\eta = .07$ ).

*Post hoc* comparisons were again used to test where the transnational clusters differed for hypotheses testing. For hypotheses 3 and 4, circuit and cultural entrepreneurs were hypothesized to attribute success more to internal or social support than ethnic entrepreneurs. For hypothesis 5, ethnic entrepreneurs were hypothesized to see success as more related to their goods and services than the circuit and cultural entrepreneurs. Ethnic entrepreneurs were significantly less likely to perceive success as being a function of their individual characteristics than both cultural (mean difference =  $-.29$ ,  $p < .01$ ) and circuit (mean difference =  $-.20$ ,  $p < .01$ ) entrepreneurs, thus supporting hypothesis 3. For social support, only cultural entrepreneurs saw success as a function of social support greater than ethnic entrepreneurs (mean difference =  $-.09$ ,  $p < .01$ ), thus providing partial support for hypothesis 4. Finally, ethnic entrepreneurs were more likely to see their products and services as being a predictor of success than the circuit (mean difference =  $.20$ ,  $p < .01$ ) entrepreneur and the cultural (mean difference =  $.28$ ,  $p < .01$ ) entrepreneur, thus supporting hypothesis 5. Table 4 provides a summary of our findings based on our hypotheses.

Table 4

Summary Results of Multivariate Analysis of Covariance (MANCOVA)  
Analyses for Perceptions of Home Country, Embeddedness, and Factors Related to Firm Success<sup>†</sup>

	Mean square	Univariate <i>F</i>	Partial $\eta^2$
Respondent has had enough opportunities (hypothesis 1)	2.19	12.41**	.02
There is economic discrimination in the United States (hypothesis 1)	2.72	5.33**	.01
Degree of home country embeddedness (hypothesis 2)	124.12	10.14**	.02
Multivariate $F = 10.07^{**}$ , Partial $\eta^2 = .03$			
Success defined by internal factors (hypothesis 3)	3.00	16.59**	.05
Success defined by social support (hypothesis 4)	1.29	22.76**	.07
Success defined by products or services (hypothesis 5)	3.29	22.89**	.07
Multivariate $F = 22.04^{**}$ , Partial $\eta^2 = .06$			

\*\*  $p < .01$ .

<sup>†</sup> For both MANCOVA analyses, control variables were respondent age, age at immigration, gender, year of arrival, current migration plans, and reported monthly sales.

## Discussion

The results of our study support our central argument that all immigrant-owned businesses are not the same and that even among transnational enterprises, there is considerable heterogeneity. Specifically, we were interested in accomplishing four objectives. The first was to determine whether we could accurately classify activities engaged in by transnational entrepreneurs as either that of a circuit, cultural, or ethnic enterprise based on a typology of transnational firms suggested by Landolt et al. (1999). Second, we sought to determine whether immigrants' attitudes and perceptions toward their host country influenced their choice of transnational firm type. Third, we examined whether the entrepreneur's degree of embeddedness in the home country played a role in the type of transnational firm established. Finally, we sought to determine if the factors that influence the success of the firm differ based on the type of firm. To achieve these objectives, we used cluster analysis to identify the types of transnational firms and then used MANCOVA to test five hypotheses related to the identified types of firms and their relationship with transnational entrepreneur characteristics and perceptions.

Our findings shed light on some of the factors at play in the transnational economic environment, and provide additional clarity regarding the relationships among the transnational entrepreneur's perceptions, social network, engagement in the home country, and firm type. In particular, we gain insight into the important role that embeddedness in the home country plays in both the type of firm that the transnational entrepreneur chooses to start as well as the determinants of success of these firms. The cluster patterns for the circuit, cultural, and ethnic firms are in line with the descriptions and characteristics of these types of firms as suggested by Landolt et al. (1999). The empirical validation of this typology is a major contribution of our study. The contribution of our study, however, goes well beyond merely validating the Landolt et al. typology using a different sample. By theoretically identifying specific antecedents such as attitude toward the host country and the degree of embeddedness in the home country to predict the type of firm that an immigrant chooses to start and by empirically demonstrating that there is systematic variation in the determinants of the success of each type, we believe that we have extended the work of Landolt et al. in important ways. First, by generating and testing predictions about each of the types, we have been able to place the Landolt typology within a theoretical network of predictions, and demonstrate its nomological validity (Bagozzi, 1980; Venkatraman & Grant, 1986). Second, our empirical results suggest that this classification scheme can be a useful framework for further theoretical and empirical work on immigrant entrepreneurship. Thus, we believe that our findings hold theoretical, practical, and policy implications.

The phenomenon of immigrant entrepreneurship has gained greater research attention in recent years in multiple academic disciplines, ranging from sociology and management to economics. The considerable variation that has been observed between and within immigrant communities with regard to both the extent and type of entrepreneurship clearly requires explanation. While the development of such an explanation is both theoretically challenging and practically relevant, progress has been limited in the past due to the absence of a typology for immigrant entrepreneurship and the unavailability of reliable immigrant data. Given the considerable heterogeneity among immigrant enterprises, the typology developed by Landolt et al. (1999) is a helpful contribution, and our study was able to demonstrate its generalizability beyond the sample of Salvadoran immigrant entrepreneurs on which it was based. We consider our testing of the typology by using a different sample and a different methodology to be a significant contribution to

the study of transnational entrepreneurship given that valid, reliable, and replicable classification schemes are essential to the development of cumulative knowledge in a field. The CIEP of the Center for Migration and Development now provides a rich source of data on immigrant entrepreneurs. The study of the founding and subsequent success of entrepreneurial ventures is at the heart of entrepreneurship research. Principally, the main theoretical contribution of our study is that we identify some of the important antecedents of both the founding of transnational enterprises and their owner's perceived determinants of success. The study also contributes by theoretically arguing and empirically demonstrating that there is systematic variation in the salience of these antecedents based on the type of transnational enterprise.

Our study's results have practical implications as well. Understanding the antecedents of transnational firm type is important since long-term success of the firm, in terms of its growth and profits, may be influenced by whether it is a circuit, ethnic, or cultural enterprise. High potential businesses can play a significant role in inner-city revitalization, employment growth in the city as a whole, and the immigrant community in particular, as well as provide needed services such as charitable contributions and sponsorship. This success will, in turn, enable the firm to contribute to the host country's economy. Economic growth resulting in poverty reduction within the immigrant community is another major benefit of understanding the complexities of transnational entrepreneurship.

The type of firms that are established within a community may also determine the types of entrepreneurial support provided in terms of programs and public policy. Small business assistance agencies both within and outside immigrant communities can gain insight from our findings, resulting in an enhanced ability to assist in the development and maintenance of transnational business ventures that have greater size and impact. Policies that are in place by these agencies, as well as those of community financial institutions, could be adjusted based on firm type, allowing those businesses that have higher potential better access to funds. In this study, we demonstrated that a greater degree of embeddedness in the home country influences the choice of venture type. Assisting immigrant entrepreneurs in maintaining their ties as well as developing new ties in the home country could impact the type and size of businesses that they begin. The development of community agencies that can facilitate and/or sponsor trade-enhancing trips to the home countries of immigrants could also lead to the development of networks that result in the start-up of higher potential businesses that transcend the typical ethnic enterprise.

Finally, the policy implications of our study's findings must also be mentioned. Immigrant economic progress can often occur with the development of entrepreneurial support programs. Thus, clarity regarding the factors that influence immigrant firm formation is relevant for national and state governing bodies, and other policy makers. Many transnationalism researchers view transnational entrepreneurship as an alternative form of the immigrant's successful incorporation/adaptation and an avenue for income mobility in the host country (see Portes et al., 2002). Understanding the factors that influence the formation of transnational firms may play a role in the integration process of immigrants worldwide. Research indicates that transnational entrepreneurs play a facilitating role in international trade, particularly exports. Therefore, growth in international trade and investment, both in the host and home countries, can be long-term benefits of clarifying the antecedents of transnational firm type and firm success. Dependent on firm type, growth of transnational networks, and access to new knowledge and untapped markets can also be additional benefits for both home and host countries.

## Limitations and Future Research

While interpreting the results of this study, it is important to bear in mind some of its limitations. The first limitation is that the sample for this study was drawn from immigrant entrepreneurs of three South American countries. It is possible that immigrants from other parts of the world, especially those arriving with higher human, financial, or social capital, may pursue patterns of entrepreneurial activity quite different from the ones observed with our current sample. Thus, further examination of the generalizability of the typology used in this study would shed light on the commonalities and differences that exist across different immigrant groups. Second, our research does not control for the opportunities available to entrepreneurs. As Shane (2000) pointed out, opportunity exploitation is endogenous to opportunity discovery because individual characteristics are correlated with opportunity discovery. The design of our study is cross-sectional, and hence it is subject to the inherent limitations of cross-sectional studies.

Additional limitations in the specific case of our examination of transnational entrepreneurs relate to direction of causation and evolutionary patterns. We argued throughout the article that immigrant attitudes toward the host country and their degree of embeddedness in the home country determine the specific type of transnational enterprise that an immigrant is likely to start. Given our cross-sectional design, possibilities of either reverse causation or reciprocal causation cannot be ruled out. That is, it is possible that the type of transnational firm that an immigrant starts can subsequently shape his attitudes toward the host country and embeddedness in the home country. Similarly, it is possible that embeddedness or attitude toward the host country determines the type of transnational business, but once started it can influence both these factors. That is, the potential for endogeneity issues cannot be ruled out because of the possibility of reverse causality. Second, the cross-sectional nature of our study makes it difficult to comment on the subsequent evolutionary patterns of these transnational entrepreneurial firms. It would be interesting to investigate to what extent their transnational status either facilitated or hindered their success over time. A longitudinal investigation would also present opportunities to identify patterns of movement of these transnational enterprises from one category to another as a result of contextual changes or changes in the composition of personal networks. Expanding the sample to include immigrants from other geographic areas, examining additional antecedents, and investigating the patterns of success and failure will go a long way toward a richer and more complete understanding of the phenomenon of transnational entrepreneurship.

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