Collective Bootstrapping: Immigrant Entrepreneurs' Financing of New Businesses is a 'Family Affair'

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ABSTRACT

This research leverages a depth exploration of extant literature bases to establish a conceptual proposition of United States immigrant entrepreneurs' processes for financing new businesses. Empirical exemplars are provided to support approaches of their meeting capital needs through bootstrapping, where it intersects with constraints of "common wisdom" related to financial knowledge, aversion to "institutional trust", and cultural collectivism. Moreover, through initial review of the literature, while a scarcity of academic scholarly research exists, from myriad popular sources indicators abound to suggest that certain approaches to small business capitalization are indeed very creative. These may also be driven by attitudes of trust (or lack thereof) in the banking system, nonexistent to inadequate credit history, along with cultural and otherwise obvious language barriers. Any or all of such conditions and impediments may serve to prevent or dissuade these immigrant entrepreneurs from accessing traditional means of capitalization such as small business loans or even personal credit cards. Combined with the broader trend toward upward growth in home-based businesses, self-employment, freelancing, and what is otherwise colloquially referred to as the "gig economy," this research explores attitudes and logistics of seemingly unique and culturally-influenced capitalization habits (as compared to "native" Americans). These circumstances may also be juxtaposed against a broader reality that newly created start-ups, regardless of immigrant or native status, are rarely beneficiaries of "venture capital" backing or debt financing. Given that entrepreneurship plays an important role in the economy as a whole, and immigrant entrepreneurship occupies a not insignificant piece of that, a provisional theoretical framework is presented that intends to instigate further investigation on the part of future scholarly researchers.

Keywords: small business, immigrant entrepreneurship, start-up financing, bootstrapping, gig economy

INTRODUCTION

Particularly in some states and economic sectors, immigrants make significant contributions toward business formation and income in the United States (Fairlie, 2008). Fifty-one percent of America's startup companies that are valued at $1 billion dollars or more have involved at least one immigrant as being connected with the founding of each firm (Anderson, 2016). Further, 40.2 percent of *Fortune* 500 firms in 2016 had at least one founder who was the child of immigrants, or immigrated to the U.S., where 2.9 million foreign-born entrepreneurs have founded businesses ("Reason for reform: Entrepreneurship," 2016). Besides involvement as founders, foreign-born personnel also occupy many top positions in such firms. Although Australia, the United Kingdom and Western European countries, along with Canada and the U.S., are all "major immigrant receiving countries" (Zolin, Chang, Yang, & Ho, 2016), this present conceptual paper is primarily focused on financing methods that may be employed by immigrant families in the United States. These methods often entail entrepreneurial "bootstrapping" (Arora, 2002; Bhide, 1992; Lahm, 2005), which refers to the use of creative techniques to launch and operate a business.

According to the United States Federal Reserve, one challenge that is presented on the lending side of startup financing is that there is a paucity of reliable public information about the performance of most small businesses, and hence creditworthiness and risk assessment are very difficult to determine ("Report to the Congress on the availability of credit to small businesses," 2017). During the Great Recession, lending standards were severely tightened and loan costs were increased by banks and other lending institutions as applicable to small and medium firms as well as large businesses (Fairlie, Robb, & Hinson, 2010). However, according to a report by the U.S. Small Business Administration's Office of Advocacy entitled, *Small business lending in the United States 2013*, although banks have since loosened their credit terms following the financial crisis, this does not apply equally to all types of borrowers. In particular, small firms encounter credit terms from banks that "remain relatively tight" (V. Williams, 2014, p. 15).

Nothwithstanding the above, even in economic cycles during which lending standards may be looser, small businesses confront startup financing issues for other reasons. As observed by Kariv and Coleman (2015):

> Costs relating to the initial lending decision and to the ongoing monitoring are referred to as "transaction costs." Typically these costs are added into the cost of the loan through either a higher interest rate or additional fees. In the case of large companies, however, the lender may absorb some of the transaction costs because the size of the loan and the potential for additional business with that customer makes it desirable to do so. In the case of very small companies, there is no incentive to do this. (p. 200)

Given the lack of incentive to extend credit (or implicitly, a disincentive relative to focusing on lending to larger firms and the greater rewards therefrom), many entrepreneurs are forced to engage in boostrapping. This is not to suggest that there may not be some entrepreneurs who opt in favor of bootstrapping for other reasons, including maintaining control of their startup endeavor (Lahm, 2005). Indeed, there are myriad variations representing different possibilities and circumstances entailed in starting a new business.

These variations may even include situations that are more strained than merely facing cash shortage problems. Examples include instances where the loss of a job that proves difficult or seemingly impossible to relace leads to a forced startup effort or other alternative work arrangement, such as freelancing just to get by (L. F. Katz & Krueger, 2016; Manyika et al., 2016; Peter van der, Thurik, Verheul, & Hessels, 2016); in the case of forced migration on the part of a refugee immigrant, this may lead as well to a forced business startup (Bizri, 2017; N. Williams & Krasniqi, 2018). Add other exacerbating difficulties including possible language and cultural differences (Fairlie et al., 2010; Kumar & Krueger, 2013), and barriers to immigrant entrepreneurs may verge on being profound.

REVIEW OF THE LITERATURE

For this present paper, a general search strategy has been to focus on two overarching topics: 1) entrepreneurial bootstrapping and its primary typological variants (e.g., credit cards, owner funding, family funding, etc.), and 2) immigrant entrepreneurship. Additional existing (local) databases and a prior research stream has been established on the part of one of the authors pertaining to bootstrapping generally; another author has extensive direct personal contact with immigrant entrepreneurship. Both researchers have extensive professional experience consulting with small businesses about matters pertaining to finance, startup capitalization, operations, marketing, growth, and like concerns.

It is well established that bootstrapping is a widespread phenomenon, yet there is at the same time a paucity of scholarly research to pin this method of startup down with much precision at all. Various proxies may be used to try to estimate proportions in some dimensions. For instance, if one notes that personal credit cards are a widely used tool among bootstrappers, and then accepts that the very smallest discernable category of entrepreneurs is nonemployers, then multiplying these two numbers against one another could produce an estimate by proxy. According to a publication of the Federal Reserve entitled, *Report to the Congress on the use of credit cards by small businesses and the credit card market for small businesses*, in 2009 64 percent of small businesses used small business credit cards, and 41 percent used personal credit cards; 83 percent of small businesses used one or both types of credit cards as of the end of 2009 (*Report to the Congress on the use of credit cards by small businesses and the credit card market for small businesses*, 2010). In the same year, 2009, there were 21.1 million nonemployer firms reported by the U.S. Census Bureau; of these, 18.7 million firms were organized as sole proprietorships, 1.4 million were corporations and 1.0 million were partnerships ("Number of nonemployer firms shrinks again in 2009, Census Bureau reports," 2011). Thus, 8,651,000 nonemployer firms in 2009 could be characterized as being suspect bootstrappers. However, such an estimate by proxy is vulnerable to other known attributes, including the age of a firm, and the fact that entrepreneurs may — even with employees — engage in other forms of bootstrapping. Indeed, because bootstrapping itself leverages creative techniques to finance and grow their businesses, entrepreneurial bootstrappers are known to “use the system to beat the system” (Mamis, 1991).

Difficulties in mapping all of the possible variations in behaviors and in-turn connecting them with definitive data may help explain why coverage of bootstrapping exists in the scholarly literature that is associated with small business and entrepreneurship, but such coverage can hardly be characterized as robust. It is also understandable that much of what does exist is case-based research that explores the behaviors and perceptions of bootstrappers through direct observation. We understand its general nature, and that the phenomenon is widespread; otherwise, the rest is often "well informed speculation." For purposes of further supporting the stated assessment that the entrepreneurship-related scholarly literature is lacking, Version 9 of the list entitled, "*Core publications in entrepreneurship and related fields: A guide to getting published,*" compiled and maintained by Katz (2018) has been regarded as an authoritative resource.

Notwithstanding the challenges discussed above, a local computer database comprised of 280 items has been compiled for developing this present paper; of these, approximately 10 percent (29 items) are related to research methods as compared to the topic(s) at hand. The typical information that is needed for maintaining proper citations (so as to leave a breadcrumb trail for future researchers) is incorporated into this database, which also allows for multiple attachments in various file formats (e.g., Excel, PDF, images and compressed files). External library databases have been extensively queried using prescribed methods for expanding or narrowing results as appropriate. Example databases that have been utilized include those from Ebsco, ABI/INFORM Complete, and ProQuest.

Entrepreneurship is multidisciplinary in its very nature. Thus, artifacts have been collected from numerous other sources besides library databases. As most researchers in the entrepreneurship discipline are aware, there is substantial interchange among entities in the development of reporting. For instance, the Federal Reserve, U.S. Small Business Administration (SBA), and others, may rely on the U.S. Census Bureau for underlying data in reports. The SBA's Office of Advocacy often contracts with scholarly researchers for papers and analysis. Organizations such as the Kauffman Foundation and NFIB (National Federation of Independent Businesses) Research Foundation, engage in ongoing efforts track the entrepreneurial ecosphere. GEM (the Global Entrepreneurship Monitor) is another key resource. Notwithstanding such sources of more authoritative data, much of what is collected and analyzed in this ecosphere is reliant on survey responses (i.e., self-reports) as their undergirding data sources. On the other hand, the business popular press tends to produce pieces that use vignettes of entrepreneurs who describe their startup stories, experiences and methods.

As further examples, government documents may also serve as key resources. Finally, a summary assessment of the literature would conclude that existing scholarly research may not be robust enough to represent the entrepreneurial bootstrapping phenomenon as well as it perhaps should. Nevertheless, sources such as blogs, business periodicals, and others, have regularly proven to be more current and useful (i.e., items appearing in a popular press outlet *might* at least point to a more authoritative source).

THE SMALL BUSINESS ECONOMY

Because the vast majority of small businesses (24.3 million, or 80 percent) are "nonemployer" firms ("Frequently asked questions about small business," 2018), data collection is also made even more challenging. The fact that the importance of such firms is also regarded dismissively by many entities due to their relatively small gross receipts[1] – as compared to larger firms with employees (5.9 million, or 20 percent) (*Ibid.*) – tends to exacerbate the difficulties in peering into the inner workings of these very small non-employer firms which may not

[1] "Nonemployer firms account for 3 percent of the annual receipts of US businesses and employer firms account for the remaining 97 percent" ("A look at nonemployer businesses," 2018).

necessarily be new, but are certainly more likely to be the breeding grounds of firms that might grow. “Nonemployers are important in creating the stock of businesses from which employers arise; in providing learning opportunities for future businesses or expansions; and in generating flexible work options, economic cushion, and empowerment” (Acs, Headd, & Agwara, 2009, p. 2). As another example of a certain sublte disregard for fledgling firms, an article in the *Wall Street Journal* suggested that “small businesses are important, but when it comes to job creation, age — not size — matters most” ("Notable & quotable: Immigrant entrepreneurs," 2016). However, while it is true that established firms are more often in a position to take on employees and stay aloft, businesses must be born in the first place, before they can grow old(er).

Due to their typically low levels of capital and investment costs, microenterprises may be more resilient to economic shock, which would allow for contributing toward more stable econonomies (Jha & Depoo, 2017). “The contribution of micro-enterprises is significant to the U.S. economy and thus for sustained economic recovery, it is vital that micro-businesses be able to realize their full potential” (Jha & Depoo, 2017). As shown in Table 1 (Appendix), based on 2016 Census data covering that same year (the latest available at the time of this writing), there were 5,716,809 million businesses with 0 to 49 employees ("2016 SUSB annual data tables by establishment industry," 2018).

Zhang, Wong and Ho (2016) studied VC behaviors in Silicon Valley with particular interest in the investor-side of relationships. They observed that some well-known VCs in Silicon Valley originally were Chinese and Indian entrepreneurs who founded successful Asian-led high-tech ventures in the 1980s (p. 320). “Asian immigrants, including entrepreneurs, VCs, and others, created social and professional networks among themselves on the basis of common languages, culture, or educational and professional experiences” (p. 322). Among the stated limitations of their study, one on particular stands out here: “as in most VC studies, we obtained data only on transacted investment deals, and we did not have information about investment deals that did not materialize” (p. 332).

To apply analogous logic, numerous activities of entrepreneurial bootstrappers are not necessarily documented or incorporated into the transactional record of a business start-up. Colloquially stated, bootstrappers are well-known for flying under the radar. In other words, as per findings from the Federal Reserve: “Fully comprehensive data that directly measure the financing activities of small businesses do not exist” ("Report to the Congress on the availability of credit to small businesses," 2017, p. 8).

SMALL BUSINESS FINANCIAL CAPITAL

“The financing needs are very different for a ‘mom and pop’ grocery store, a microenterprise in the inner city, a high-tech start-up firm, a business that is ready to expand from early-stage growth to the next higher level, or a business that has neared the point of issuing public debt or equity” ("Report to the Congress on the availability of credit to small businesses," 2017, p. 15). Every four years, beginning in 1982, the National Federation of Independent Businesses (NFIB) has published a report entitled, *Small Business Problems & Priorities*. The methodology in brief for these reports entails collecting responses from small business owners to a survey that includes 75 items (i.e., suggested problems); respondents are asked to rank these items in terms of severity. In the most recent iteration of these reports (Wade, 2016, 9th Edition), findings indicate that the number one problem for small business owners surveyed is the (high) cost of health insurance (the top ranking of this problem has remained the case for the past 30 years).

Discussion in the report relates longitudinal findings and differences. For instance, in more recent years difficulty in obtaining Internet service has been reported as less and less of a problem. In keeping with this same notion that a given problem may be regarded as one that may diminish over time, discussion also includes coverage regarding business capitalization and financing:

> Four years ago more small-business owners experienced difficulty obtaining financing due to stricter lending policies and an increased number of distressed borrowers due to the economic slowdown. Since 2012, financing has become a less significant issue for many owners with fewer interested in borrowing due to slow economic growth. Federal Reserve policies continue to flush banks with cheap money to encourage consumer and small-business lending, but small-business owners are not experiencing the type of economic growth to support increased borrowing. (p. 11).

Unfortunately, the reporting includes “0 to 4 employees” as a grouping, thereby failing to distinguish nonemployers from those with one or more employees. Referring back to Table 1 (*Ibid*.), in 2016 there were 3,665,182 firms with 0 to 4 employees according to U.S. Census data. Generally, very small, new businesses, may be users of microcredit. “Clients in microcredit are typically very low-income borrowers who lack verifiable credit history and the ability to provide collateral, and, therefore, have no access the traditional commercial banking” (Jha & Depoo, 2017).

BOOTSTRAPPING

If it is not clear by now in this present paper, it does not appear that an exact percentage, number of, or other precise description as to the extent entrepreneurs engage in bootstrapping is available to be found (and regularly tracked/reported by reliable sources). Nevertheless, by proxy and inference, one can discern some dimensions of this phenomenon of bootstrapping, such as “small, medium, or large.” As suggested by Harvey (2014), it is likely that bootstrapping is part of the history of almost all successful companies. To name a few, one would include Dell Computers, FaceBook, Apple, Clorox, Coca-Cola, Hewlett-Packard, Microsoft, Oracle, eBay, Cisco Systems, and SAP, on the list of initially bootstrapped startups (*Ibid*.).

In describing the opposite end of a spectrum, e.g., Venture Capital (VC), only a tiny percentage of all firms receive the attention and support of VC funding. “Venture capital is an important source of financing for the subset of small businesses that are *young and have the potential for high growth* [italics added for emphasis]” ("Report to the Congress on the availability of credit to small businesses," 2017, p. 47). However, overall, venture capital funding is relatively rare. According to the most recently published quarterly data published jointly by PitchBook, Inc. and the National Venture Capital Association (NVCA), the *PitchBook-NVCA Venture Monitor*, for the year 2018 as a whole the VC industry invested $130.9 billion in 8,948 venture deals in the U.S. ("PitchBook NVCA venture monitor [4Q 2018]," 2019). Relating this number back to the total number of small businesses (using the U.S. Small Business Administration’s definition), or nonemployers, et cetera, demonstrates that on a percentage basis, the chances of receiving VC funding initially and otherwise, are very slim. As such, “bootstrapping may occur as a result of an entrepreneur having no other choice (lacking knowledge, skills, or opportunities)” (Lahm, 2005).

According to Bhide (1992), writing in *Harvard Business Review*, would-be founders of entrepreneurial ventures may misplace their energies: “Believing in a ‘big money’ model of entrepreneurship, they spend a lot of time trying to attract investors instead of using wits and hustle to get their ideas off the ground.” Bootstrapping methods, in broad brushstrokes, may entail efforts to slow down supplier payments while speeding-up collections, starting on a part-time basis as a home-based business, office sharing arrangements, leasing equipment, and bartering for services and products (McCune, 1999).

The Board of Governors of the Federal Reserve System must submit a report to Congress every five years that addresses the state of small business lending. The latest of these reports was published in September 2017, and covers the five-year period between 2012 and 2017. Prescribed subtopics which are (must be) addressed include the demand and availability of credit for small businesses, types of credit, small business’s needs, assessed lending risks (and others that may be deemed fitting for informing policy decisions). Not too surprisingly, according to this most recent report’s findings, whereas older more established firms tend to receive funding from traditional sources of credit, younger firms are more likely to use informal sources of funding such as those from family or friends, or owner(s) resources; “owner financing was the most commonly used type, followed by financing from banks and other finance companies” ("Report to the Congress on the availability of credit to small businesses," 2017, p. 1).

According to the latest available report produced by the Organisation for Economic Co-operation and Development (OECD), which is comprised of 36 member countries, as it pertains to new enterprise births, the largest source of employment creation (across countries) has been in the service sector ("Entrepreneurship at a glance: 2018 highlights," 2018). This may be relevant, because “almost by definition, a bootstrapper must avoid industries that call for lots of equipment” (Mamis, 1991, p. 54). Research conducted by Glackin (2004) explored barriers in terms of costs and constraints associated with obtaining a microloan in the U.S., observing that attaining such loans requires skills and knowledge as well as time and effort on the part of the borrower (and, at a certain point, the overall opportunity cost may become too much). By logical inference, all forms of credit require effort.

The reason that many small business start-ups use credit cards, for instance, is that funds from such sources – so-called “business credit cards” versus personal credit cards – are generally more readily available than some other forms of credit, including small business loans ("Credit card companies targeting more small businesses," 2008; Dennis, 2008; Janis, 2007; *The role of credit cards in small business financing: Hearings before the U.S. House of Representatives, Committee on Small Business [testimony of Robert J. Lahm, Jr.]*, 2008, April 3; Tozzi, 2008).

SMALL BUSINESS SOCIAL CAPITAL

> Although physical capital is an important determinant of entrepreneurship and has been seen as an important factor by economists, there are potentially other factors that may impact on the individual’s decision of setting up a business. Sociologists have stressed the importance of social capital as a determinant of entrepreneurship: entrepreneurs rely on their contacts for information and services. (Wahba & Zenou, 2012).

"Resources for the new venture are typically mobilized from individuals (henceforth, 'helpers') based on prior social (family, friendship or professional) relationships with the entrepreneur" (Kotha & George, 2012). Evidence suggests that the reach and impact of social capital may even be extended beyond a firm's founder. Research conducted by Chua, Chrisman, Kellermanns, and Wu (2011) has suggested that access to debt financing by a new venture can be improved both directly and indirectly through family involvement. They use and explain the term "borrowing" in a footnote (number 4, page 473) as follows: "to indicate the temporary use of other people's social capital until the venture develops its own organizational social capital."

As implied above, their research was predicated on the notion that new firms may lack enough social capital. Thus, "the greater ability to borrow family social capital should, in turn, augment the venture's ability to build relationships with lenders, obtain third party guarantees, and achieve higher levels of debt financing" (Chua et al., 2011, p. 476). Sanders and Nee (1996) also observed greater access to financial capital by immigrant groups, especially those with "middle-class or elite origins" (p. 232).

IMPORTANCE OF IMMIGRANT ENTREPRENEURSHIP

While this present paper is focused on immigrant startups at their earlier stages, which more often than not include the use of bootstrapping methods, for purposes of providing context at the other end of the spectrum there are some compelling instances of extraordinary successes on the part of immigrant founded businesses. Research funded by a grant from the Ewing Marion Kauffman Foundation and conducted by the National Foundation for American Policy (NFAP) examined "immigrants and billion dollar startups" (Anderson, 2016). As suggested by its title, information was collected and interviews were conducted in connection with a population of U.S. startup companies that were valued at over $1 billion as of January 1, 2016. According to the research, of 87 $1 billion startups, just over half of such companies (i.e., 44 of the 87) were privately-held, immigrant-founded firms. The list was identified from information tracked by the *Wall Street Journal* and Dow Jones VentureSource.

These startup companies were all reported to be privately-held and to have received venture funding. Yet, notwithstanding their status of being privately-held (at the time the research was conducted), these companies were regarded as having the potential to become publicly traded. The 44 immigrant-founded companies were valued at $168 billion collectively, and responsible for employing approximately 760 employees each, on average per company. Two firms mentioned in the research that have risen in status to become household names are SpaceX and Uber.

According to a report by the organization New American Economy, which describes itself as a bi-partisan advocate for immigration reforms, there are millions of foreign-born entrepreneurs currently in the United States, who not only provide for themselves, but are also creating employment opportunities for other American workers ("Reason for reform: Entrepreneurship," 2016). Despite representing 13.2 percent of the U.S. population overall in 2014, immigrants made up 20.6 percent of all entrepreneurs in the country (*Ibid*.). One subgroup of immigrants, refugees, has a high rate of entrepreneurship relative to the foreign-born population: As compared to 11.5 percent of non-refugee immigrants, 13 percent of refugees are business owners (Kosten, 2018). Among *Fortune* 500 firms in 2016, approximately four out of ten (40.2 percent of firms) had at least one founder who was either an immigrant or the child of an immigrant (*Ibid*.).

Although their contributions tend to vary across sectors of the economy, immigrants are also associated with both the lowest and the highest skill sectors in several occupations and industries. Figure 1 (see Appendix) depicts low-skilled immigrant entrepreneurship (based on 2015 data) published by NewAmericanEconomy.org. Immigrants own more than one-fifth of businesses in the arts, entertainment, and recreation industry, along with other services, transportation, and wholesale and retail trade (Fairlie, 2008). Hunt (2011) conducted research that examined immigrants based on types of entry visa and their relative performance (in the context of contributions to U.S. economic productivity) and found that, "conditional on education, immigrants are more likely than natives to start a company with more than 10 workers, suggesting that immigrants have a niche in start-ups based on technical knowledge from master's and doctoral degrees" (pp. 422 and 443).

IMMIGRANT ENTREPRENEURS' CHALLENGES

Many immigrants may face limited employment opportunities and therefore turn to self-employment as a more viable path to upward mobility (Sanders & Nee, 1996). "Limited personal and family savings and lack of access to credit are seen to severely limit the growth prospects of promising startups in developing countries" (Wahba & Zenou, 2012). "The family may be involved in the venture during its ideation, at its outset, and on through ownership, governance, or management" (Chua et al., 2011, p. 476). In the executive summary of research conducted under contract for the SBA's Office of Advocacy, which investigated access to capital (or the lack of it) by immigrant entrepreneurs and small business owners, Fairlie (2012) observed:

> A better understanding of the constraints faced by immigrant entrepreneurs may shed light on whether there is untapped potential for this group and whether their contributions to the U.S. economy can be even greater. One area in which knowledge is especially lacking is access to and use of financial capital among immigrant entrepreneurs. The main reason for the lack of research on access to financial capital among immigrant entrepreneurs is data availability. (p. ii)

Besides limited savings or assets in what one might characterize as a more normal set of circumstances, some immigrants may be encumbered by more extreme circumstances stemming from their origins and reasons for relocating in the first place. This could include, for instance, forced migration due to conflict. "Economies experiencing conflict experience significant levels of forced migration as a result of war as well as ongoing economic and demographic challenges following the cessation of war" (N. Williams & Krasniqi, 2018, p. 302). In such instances, it may be the case that the only method an immigrant might have available is to leverage human and social capital (*Ibid*.).

Then, there are policy issues (a thorough exploration of which is beyond the scope of this present paper). For example, "unlike more than a dozen other countries, the United States has no visa for immigrant entrepreneurs" ("Notable & quotable: Immigrant entrepreneurs," 2016). However, some immigrants may face significant barriers in achieving such adaptation, as assimilating to given cultural context could take years, if not decades. Such adaptation may be accelerated or inhibited based on one's starting position as well. A language barrier, for one, is difficult to overcome. An article publish by *Forbes* (online) suggests, "if you're coming to the U.S. to succeed, you have to adapt to the business practices in the U.S. and investors' interests" (Newlands, 2017).

Some immigrants possess their own investment capital (Sanders & Nee, 1996), but they could be sevely impeded by other significant barriers. For instance, "limited English language ability may make it difficult to communicate with potential customers and suppliers, and learn about regulations" (Fairlie et al., 2010). Graauw, Gleeson and Bloemraed (2013) conducted research that was focused on immigration and its relation to geography and accommodations via public/private social services organizations, e.g., in gateway cities versus suburbs. Although the nature and scope of their work differs from this present paper, one observation in common is that there are many immigrants who often face "linguistic, economic, social, and cultural challenges" (p. 81) when migrating to the United States. Immigrants may also face forms of subtle and not so subtle discrimination based on stereotypes of outright prejudices. In an interview published by *Business North Carolina*, Vivek Wadhwa, executive in residence at Duke University's Pratt School of Engineering (a technology entrepreneur born in India) related:

> In 1997, when I started my own company, I started calling local venture capitalists, but none would take my phone calls. I had to go through my Silicon Valley contacts and network back. Why the cool reception? The local VCs told me, "You people don't make good CEOs. You make good engineers." I was stunned. That was the mindset here. If you speak to Indians in Silicon Valley, that was the mindset there 25 to 30 years ago. My people had to prove that they're more than just engineers, that they can build and run companies. We find it very hard to get our phone calls returned even today. ("Immigrant entrepreneurs need a warmer welcome," 2007)

IMMIGRANT ENTREPRENEURS' LIVED EXPERIENCE

Interest in the topic as a whole and experience with the phenomenon of immigrant entrepreneurship (and its concomitant needs for capitalization) stems from direct experiences on the part of the authors. What the following exhibition represents is the culmination and analysis of the authors' personal relations/contact and or extensive small business consulting experiences both at large and more specifically with immigrant entrepreneurs. As well, the impetus for initial efforts to further understand bootstrapping on the part of immigrant entrepreneurs (and bootsrapping generally) have been inspired by such lived experiences.

Qualitative researchers use a constructivist approach to analyzing lived experiences in an effort to develop relevant, substantive theoretical frameworks (Barry, 1996; Schwandt, 1994). Artifacts (e.g., interviews and interactions) comprise sources of data that may in-turn be analyzed under a qualitative research frame of reference (Creswell, 1994; Hodder, 1994; Strauss & Corbin, 1994). The role of the present research, then, is to interpret meaning based upon identifying patterns and themes in such data, where that data represents their collective experience in counseling and working with immigrant entrepreneurs. When multiple data sources indicate the same patterns or those that are similar, triangulation helps to increase confidence in researchers' conclusions along with further supporting the legitimacy of findings (Caporaso, 1995; Maxwell, 1992).

Qualitative researchers are, in essence, exploring gestalt experience and generalizing interpretation to the essence of the phenomenon in question (Creswell, 1994). This, as opposed to hypothetico-deductive methods, which aim to generalize particularistic findings to a greater population, viz. central limit theorem. As should be the case under any research framework, a lack of veracity or disconnectedness from a phenomenon under study should result in arousing suspicion and/or lead to questioning data itself, methods of analysis, and findings derived therefrom (Caporaso, 1995).

Exemplar of Southeast Asian Immigrant Entrepreneurs' Lived Experience

As previously introduced, this research is predominantly conceptual and represents an effort to frame ongoing questions and possible scholarly responses so as to ultimately fill gaps in the body of knowledge. Leveraging qualitative methods mentioned in the paragraph above, directly hereafter the authors provide a prototypical scenario presented to them in their roles as small business counselors working with immigrant entrepreneurs. Please note that the exemplar provided here is an aggregate of the characteristics presented to them in but one scenario, albeit a relatively common one: Southeast Asian entrepreneurs' startup of "nail shops" (i.e., manicure and pedicure services to predominantly American female customers). The amalgam of experience presented here is interpreted through the authors' experience in working with more than one set of entrepreneurs in this regard. As such, generalizations of these immigrant entrepreneurs' lived experience are necessary and useful to capture the essence of their start-up trajectory. Deviation from the basic processes presented in the following scenario has proved relatively marginal.

> Mr. Thanh Nguyen's [fictitious name] business was slowly growing. Like many such ventures at its stage, more capital would help him grow faster. But he reluctantly approached the small business counselors at his local university who were, he was told, supposedly able to help. He had been encouraged to do so by an American friend, a neighbor and businessman who had helped him when he first arrived to the United States years ago with various issues like obtaining insurance and getting his driver's license. Like many other Vietnamese immigrants, Mr. Nguyen's aunts and uncles shared a harrowing story of barely escaping the perils of casting off to sea during the 1990s on a small skiff with hopes of being picked up by an international merchant ship. Fortunately, that happened for them, and decades later they ultimately sponsored their nephew Mr. Nguyen as a family member "chain immigrant" to the United States. He brought with him only a suitcase of clothes, an older generation smartphone, and his birth certificate and health records. Like many others, he immediately set out to work with the family members who had immigrated before him, and began to build an entrepreneurial venture that would support himself and his family.
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> Although Mr. Nguyen brought relatively few physical possessions with him, he did bring a stalwart determination and, invariably, culture predispositions, which would naturally influence his decisions as a budding entrepreneur. First and foremost, with no financial assets to his name and certainly no history as a credit-worthy borrower, he set about working with relatives to pool together money necessary to open his nail shop. His female cousin, who had come to the United States a few years before him, joined him to live in a tiny apartment. Between the two they reached out to other family members in the

United States and abroad to pool together a relatively small amount of money (sent to them via Western Union wire). He could trust her, because she was family and not a stranger, and she too wanted to set her own course as a business owner. They had no formal documentation to establish the venture. They did no other research than to make sure no other nail shop (most likely also operated by Vietnamese) was "nearby". It went unsaid that the investment, work, and payoff between them would, for the foreseeable future, be "50/50". They ate instant noodles daily, used the same towel and toiletries, and slept on the bare floor with a thin mattress. There was no indication of anything other than the most essential, spartan living necessities. An American contractor would estimate their total capital requirements to open a 1,000 square-foot nail shop adjacent to a nearby strip mall to be no less than $60,000. While still meeting building code and health/sanitary requirements, the couple would end up building out the space for about one-third of that figure.

They began bootstrapping by working as apprentices in other nearby nail shops. Notably, as of the time of this research, there is and has recently been a general shortage of nail technicians in many small- and medium-sized American cities (like the one they lived in), where long days of relatively intensive labor lead to high demand and therefore good wages (along with accompanying cash tips). Once Mr. Nguyen and his cousin neared the capital amount necessary for their shop, they began to put the word out for other immigrants to employ as the contractors necessary to upfit the modest retail location. A "word of mouth" immigrant community of like-minded frugal plumbers, electricians, carpenters, and general laborers were at the ready. Although his English was too limited to interact with bankers and small business financiers, face-to-face meetings with the workers necessary to materialize his dream, even those who didn't speak Vietnamese, commenced. With its windows covered by newspapers until the work was complete, he enjoyed this modest start on his shop. Contracts were non-existent, and trust, personal reputation, and cash deposits ensured start-up and progress.

Where Mr. Nguyen had immigrated from "cash is king" and the idea of "credit" harkened back to an intangible quality from an older time of commerce. Although it would never come to fruition, contractors could put a "lien" of their own kind on any work that went unpaid. If he were to reject the workers mid-stream, or refuse to pay them, word would quickly get around that Mr. Nguyen had defaulted on his debts, including that of finishing the work with the said contractors. Nobody in the community would ever do business with him or his cousin again. Cash paid the bills for his tiny apartment, groceries and provisions that it contained, and electric bill (Internet was considered a luxury, and between the two of them Mr. Nguyen and his cousin shared a pre-paid smartphone). Likewise, cash maintained the workers, along with the camaraderie, shared meals, and ultimately shared living space necessary to accommodate some of the contractors who would come from another city hours away. Previously a successful licensed attorney in his home country of Vietnam, as a young boy Mr. Nguyen watched his immediate family lose everything – property and bank accounts included – in the Communist takeover that ended the war in 1975. He placed no credence or trust in banks, much less the government, even though he knew both institutions were "probably" more trustworthy in the United States. Essentially, everything was "hand-to-mouth".

Once the nail shop was complete, he humbly decorated it with bamboo and buffalo landscape paintings he had done at night (his former hobby when not practicing law was art) using a roll of brown packing paper and an amateur paint set given to him by a friend who knew of his penchant for painting. He and his cousin relied solely at first on foot traffic coming to the other stores in the plaza, hoping they would note the neon "Open" sign he had found used on Craigslist and hung himself in the window. The months and probably years ahead would find them changing little in terms of their living habits (and therefore expenses) other than his solicitation of a nephew who was states away and nearing graduation from high school to come work at the shop. His nephew came in short order, his unquestioned obligation to his uncle being the only incentive he needed, and joined Mr. Nguyen and his cousin in their tiny apartment and as an integral, trusted part of their growing business.

From the above scenario, which is coupled with the authors' collective professional experience as small business counselors working with such immigrant entrepreneurs, and all together filtered through the foregoing literature review and its findings as a basis for informed interpretation, a provisional theoretical framework is hereafter presented that characterizes aspects of the phenomenon of immigrant entrepreneurship and capitalization (see Figure 2). The intention is to engender a starting point for further, future exploration of the phenomenon.

"Common Sense" Limitations

The world of financing new businesses has its own parameters, vocabulary, jargon, and underlying assumptions. By and large, basic mechanisms available for financing new businesses might be considered "common sense" that entrepreneurs are expected to be apprised of. However, even for someone born in the United States, who has some degree of business prowess, "fluency" in this area can be elusive. Moreover, it is exacerbated for immigrant entrepreneurs; many of whom are not even aware of options or boundaries (i.e., "they don't know what they don't know"). At the most basic level, knowing that financing can occur through not only personal channels but also loans and even ceding equity is lost on most of them. Even if aware of these options, knowing how to take steps to capitalize on them (literally) requires a depth of knowledge that despite having help from small business counselors, is still bewildering or, depending on their country/cultures of origin, unbelievable. Some immigrant entrepreneurs have struggled with the concepts such as an "objective third party" banker who will, with collateral, provide them a loan or, moreover, a stranger with expectations of return such as an "angel investor" will write them a check in exchange for a piece of the business. The tendency is to consider in wonder these options, while still retreating to the familiar auspices of "home" and family. Despite the "logic" (and fiduciary considerations) lodged in the third party financing model, cultural programming likely prevails here as well (Hofstede 1980).

The (Often) Cryptic World of "Credit Scores" and Credit Histories

Combined with a lack of knowledge about the opportunity of "standard" financing through bank loans, there exists another related area of ignorance for many immigrant entrepreneurs: potentially confusing world of credit scores and credit histories. First, an assumption that the "system" for tracking these institutions is reliable and to be trusted is an altogether foreign concept to many immigrant entrepreneurs. Their home countries and cultures rarely provide such infrastructure to begin with and, if it were offered, is held in skepticism or would inevitably be facilitated by governments (which, in turn, would solicit additional and often more pronounced skepticism). An "unquestioned" database of information, accompanied by numerical scores generated as a result of some mystical algorithm (with inner-workings that are also a mystery for many "native" Americans), housed and maintained (as a business in and of itself) by third party, non-governmental vendors (e.g., Equifax), is simply beyond the ability for many immigrant entrepreneurs to comprehend or, moreover and more importantly, believe in.

Even if this phenomenon is understood, knowing how to navigate (i.e., establish, build, check, and correct credit scores) and cultivate (i.e., credit history) the "system" takes time to process, both in terms getting an early start to "build up" credit (cf. many Americans who start as early as high school) and time to maintain and manage in terms of a trajectory that ensures "solvency" in the "big data" profile of the world of credit. Immigrant entrepreneurs often arrive (literally in terms of emigrating and figuratively in terms of entrepreneurship) later in life and certainly cannot "port over" any legacy of credit/collateral from their home countries. Moreover, the "transaction costs" necessarily incurred in order to get a late start in establishing and managing credit are often at the sacrifice of doing what immigrants know best: building and running a business in order to ensure their livelihoods. Taken together with the aforementioned lack of "common sense" about the boundaries of capitalization, a shortfall in understanding even the basics of the credit system could result in a pair of categories that together represent "Tacit Knowledge" (as depicted in Figure 2, left).

Distrust of Institutions

Coupled with ignorance of prevailing "systems" of financing and credit, another set of factors that acutely affect immigrant entrepreneurs might be labeled "Cultural Predisposition" (as depicted in Figure 2, right). Many immigrant entrepreneurs, and likely ones immigrating as political refugees and/or leaving countries rife with corruption, poor infrastructure, and flailing/failing economies, bring with them a healthy dose of skepticism when it comes to banks and "institutions" in general. Perhaps fleeing runaway inflation, lost/dissolved savings ("FDIC" is a decidedly American concept compared to their home countries), the collusion between government and banks, and the cronyism that ensures those well-connected are also well-heeled, means many immigrant entrepreneurs completely close off consideration of bank loans for financing. What Americans take for granted, that their money will simply be there, and moreover that a bank will be fair and transparent with regard to lending practices, can be exotic and unbelievable to immigrants – especially in cases where they may have suffered negative experiences in their country of origin. Instead, they turn inward toward their own sources of capital, which means not just individual capabilities, but that of their relatives.

A Family Affair

Probably the most prominent characteristic among immigrant entrepreneurs is an often unspoken obligation that "immediate" and relatively more distant family members will contribute to the new venture both in financial terms as well as operations. This can be thought of as "collective bootstrapping" (as depicted in Figure 2, center). Where a lack of savings might be the case, a "no questions asked" sacrifice in terms of incrementally financing the new venture is often in play before the business even starts. Able to live humbly (which might even be more luxurious than conditions of their home countries), immigrant entrepreneurs exhibit a "beans and rice" mentality in their daily affairs, scrimping and saving so as to build up enough money to establish a lease and/or buy basic equipment for a new business. A "DIY" approach to building, repairing, and finding ways to make things happen is predominant. Everyone in the family is often expected to make a sacrifice of time and money, or even take basic employment in order to generate cash flow – all with the aim of instigating the venture at some point in the future. Whereas American culture might not necessarily prevent a similar tact, the high degree of individualism (Hofstede 1980) and deciding upon one's own fate makes it less likely.

Conversely, many of the cultures represented by immigrant entrepreneurs (in fact, most of the world) exhibits relatively lower pre-disposition for individual agency. Rather, collectivist tendency (cultural, not necessarily political), which is more conducive to the aforementioned sacrifices, is the norm. Toward this end, "personal" bootstrapping, which is a precursor to business bootstrapping, is not seen at all as a sacrifice, but rather a duty that members of these cultures enjoy, so as to ensure the prosperity of their group (i.e., family). (Hofstede 1980). Where financial capital is concerned, in the case of some immigrant entrepreneurs, at the entry point for the new venture various family members, likely elder ones, may in fact have some cash at their disposal. In this case, it is aggregated and dispensed, without contract or contention, in an effort to avoid "traditional" means of financing (i.e., bank loans) if and where that was even possible in the first place.

Of note here is the lack of expectation of interest on use of the funds. Avoiding these financial costs, along with the transaction, opportunity, and administrative costs of bank loans, provides for not only an injection of capital, but a rejection of considerations that naturally encumber traditional borrowers.

CONCLUSION

The importance of immigrant entrepreneurs to the economy of the United States is broadly recognized by policy makers, researchers and many media outlets (Kumar & Krueger, 2013, p. 112). The objective, and by one important measure, financial impact of immigrant entrepreneurship on innovation, employment, and economic growth for the United States has been well-established. Despite a veritable "Hollywood style" preoccupation with exotic (and decidedly American) "big money" capitalization schemes (think *Shark Tank* and "VC culture"), as this research discovered, most early stage funding does not occur under such auspices. Moreover, even where more "conventional" means of financing are available (e.g., bank loans, personal credit), it is often regarded with confusion, held in suspicion, and ultimately not considered by immigrant entrepreneurs.

As this research endeavored to illuminate, a rigorous review of literature points to a scarcity of empirical information both about the process that immigrants leverage when starting up a business as well as the primary means by which they do it: collective bootstrapping. The current paper attempted to both expose this precedent as well as provide the incept of an emergent theoretical framework of consideration for moving forward with redressing this knowledge gap.

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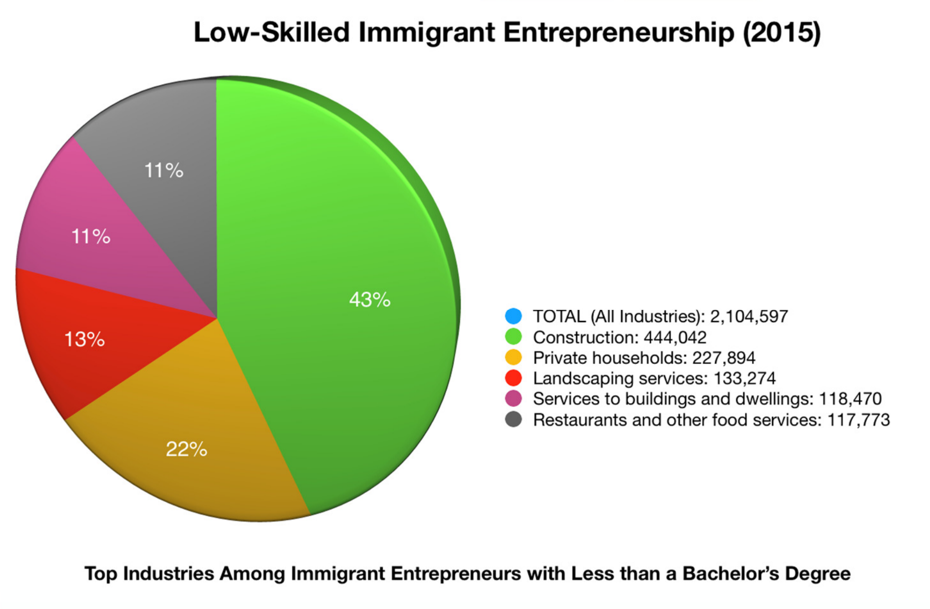
APPENDIX

Table 1

Table 1: 2016 Small Enterprise Employment Sizes			
ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	NUMBER OF ESTABLISHMENTS	EMPLOYMENT
0-4	3,665,182	3,671,901	5,923,452
5-9	1,013,878	1,025,690	6,681,968
10-14	410,948	426,489	4,810,110
15-19	215,952	231,292	3,622,411
20-24	135,402	150,549	2,951,968
25-29	90,358	104,193	2,424,123
30-34	65,616	79,526	2,089,128
35-39	49,519	61,968	1,824,834
40-49	69,954	94,069	3,083,247
TOTAL	**5,716,809**	**5,845,677**	**33,411,241**

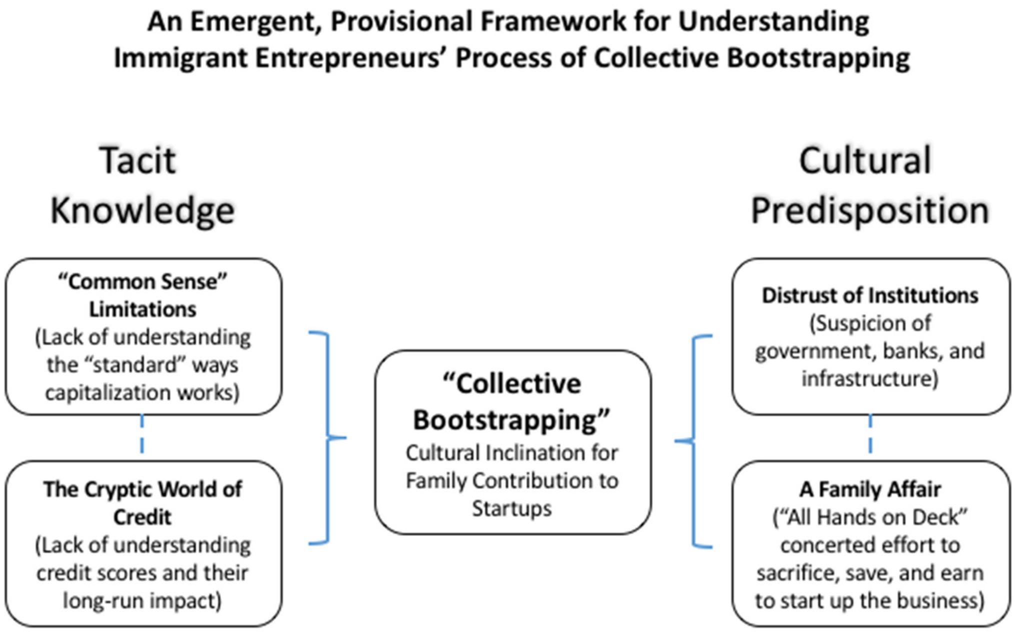
Source: Derived from U.S. Census Bureau Number of Firms, Number of Establishments, Employment, and Annual Payroll by Small Enterprise Employment Sizes for the United States, NAICS Sectors: 2016. Retrieved April 4, 2019, from https://www.census.gov/data/tables/2016/econ/susb/2016-susb-annual.html

Figure 1



Recreated from data published by NewAmericanEconomy.org [excerpted from a section entitled, "Low-Skilled Entrepreneurship"]. Percentages in chart presented are rounded. Retrieved April 4, 2019, from https://www.newamericaneconomy.org/issues/entrepreneurship/

Figure 2


An Emergent, Provisional Framework for Understanding Immigrant Entrepreneurs' Process of Collective Bootstrapping
Tacit Knowledge
"Common Sense" Limitations
(Lack of understanding the "standard" ways capitalization works)
The Cryptic World of Credit
(Lack of understanding credit scores and their long-run impact)
"Collective Bootstrapping"
Cultural Inclination for Family Contribution to Startups
Cultural Predisposition
Distrust of Institutions
(Suspicion of government, banks, and infrastructure)
A Family Affair
("All Hands on Deck" concerted effort to sacrifice, save, and earn to start up the business)