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Determinants of entrepreneurial intentions: Mexican immigrants in Chicago

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Abstract

This paper focuses on Mexican immigrants who are considering to start a business but do not so for various reasons (latent entrepreneurs). The research design is unusual in that it queries the individuals at the very preliminary stages of the process when they are contemplating the alternatives, so it is well suited to learn about the determinants of business ownership. First, the findings demonstrate the potential value of personality measures (e.g., risk disposition) for predicting who will want to start a business. Second, the results underscore that having close family members in business exposes individuals to role models and sources of financial and nonfinancial help that might put business ownership within reach of people with modest resources. Third, economic resources in the household, in the form of financial investments, also affect the wish to start a business because they furnish available capital for the start-up. © 2001 Elsevier Science Inc. All rights reserved.

1. Introduction

Trinidad is a 28-year-old Mexican immigrant who arrived in the U.S. in 1972. He is married to Juanita, a housewife who takes care of their two American born kids. Trinidad is a construction worker who earns \$1,280 per month. He supplements his earnings with part-time self-employment in house repair from which he earns another \$324 per month on average. Since 1994 he has been thinking about starting a construction and home repair business. The suggestion was made to him by his friend Ricardo, who is also a construction worker. Both live in a predominantly Mexican neighborhood in Chicago, and often talk about being partners in the prospective business. Trinidad and Ricardo have the specific skills to run a construction and repair business because they work in this line of business in

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their main and informal jobs. To realize their idea Trinidad was looking for a location and equipment but had not started the business when we interviewed him. When asked to identify the main barrier to implementation, Trinidad mentions money. He cannot leave his salaried job because he is responsible for his family's well-being, and it is a risk to leave a stable salaried job before something else is secured. Like the majority of the residents in Little Village, Trinidad does not know about agencies or individuals that could help him. But he is still thinking about it and hopes to start a business in the future.

Trinidad's story is only one among many that exemplify the desire of Mexican immigrants to improve their economic situation in the U.S. by entering the world of small business. Although Trinidad has not succeeded yet in realizing his dream to start a business, he differs from other Mexican immigrants who are not interested in doing so. Trinidad aspires to become an entrepreneur.

Becoming an entrepreneur is like setting out for a journey. One must make the decision to go, where to go, and how to get there, before one begins the trip. Many studies of entrepreneurs describe the journey after the trip has begun. The main contribution of the present study is that it provides information about what precedes that journey, namely becoming an entrepreneur. Its aim is to identify a profile of individuals who have the makings of small business owners. Its unique design allows for an exploratory analysis of individuals who, like Trinidad, often think of starting a business but do not do so for various reasons (hereafter this group is also labeled "latent entrepreneurs" to identify them as individuals predisposed to open a business). The research design is unusual in that it queries the individuals at the very preliminary stages of the process when they are contemplating the alternatives, so it is well suited to learn about the determinants of business ownership.¹

Research on ethnic entrepreneurship has suggested that because of their low class background, Mexican immigrants in the U.S. represent a wage labor pool destined for blue collar and service jobs in the U.S., not for business ownership (Portes & Bach, 1985). Whether by design or default, Mexicans are said to lack the drive, the resources, and the circumstances considered necessary for becoming entrepreneurs (Portes & Manning, 1986; Light & Bonacich, 1988; Portes & Zhou, 1992). These arguments are primarily based on available census data that show low rates of self-employment for Mexicans compared with other ethnic groups. However, virtually no documentation exists on the enterprising activities of Mexicans because most studies have focused on groups (e.g., Koreans, Cubans, Chinese) whose high visibility in small businesses has been taken as evidence of unique entrepreneurial predispositions (Kim, 1981, 1987; Portes & Stepick, 1985; Light & Bonacich, 1988; Min, 1988; Engstrom & McCready, 1990; Yoon, 1991; Zhou, 1992). Findings from a case study on a Mexican community in the city of Chicago challenge these assertions in several grounds. Entrepreneurial activity is quite prevalent in that community, reflected in the number of businesses operating in the neighborhood and also in the number of individuals involved in informal self-employment. The invisibility of Mexican self-employment based on conventional census data stems from the inability of current reporting categories to capture a variety of informal activities (such as street vending, house repairs and child care services) that figure prominently in the income packaging strategies of immigrant families (Raijman, 1996; Tienda & Raijman, 2000, forthcoming).

As stated, this paper focuses on the subpopulation of Mexican immigrants who aspire to

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