Business Social Networks and Immigrant Entrepreneurs from China

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INTRODUCTION

This chapter looks at the businesses started by a number of recent immigrants to Toronto from the People’s Republic of China (PRC). These immigrants arrived as a wave of skilled workers who seek professional work. Some established enterprises in China, others wished to start businesses in Toronto because of problems in the Canadian job market. We show the ways social networks may help them get resources to start businesses.

In recent years, researchers single out the importance of social networks in the business successes of Diasporic Chinese (Chen, 2000; Faist, 2000; Kiong & Kee, 1998; Peng, 2000; Perkins, 2000). Before emigrating, they often had family businesses or partner with professional colleagues. Abroad, they draw on networks within the ethnic community, and link to their home countries. But there are limits to social network support (Chu, 1996; Portes, 1998). It takes some time for cohesive communities to emerge among immigrants, and for new immigrants to connect to such networks (Zhou, Bankston, & Kim, 2002). Social networks in immigrant communities may lack a broad business base. They may be unable to connect business networks at home and abroad (Light, 1992; Rodriguez, 2000). Without these supportive networks, immigrant entrepreneurs have a narrow scope, which especially limits professional businesses.

Our study draws on a data base of 100 skilled PRC workers that we studied over time. They immigrated to Toronto at the end of the 1990s, armed with technical and professional credentials, yet bereft of social ties. We first describe types of entrepreneurial networks and how they work. We outline the entrepreneurial backgrounds in China which can help them do business abroad. The historical patterns of Chinese immigration to Canada provide some understanding of how newcomers can build useful local business networks. We then explore the forms of entrepreneurship and the social networks our respondents use.

Entrepreneurial Networks

In contrast to earlier explanations of entrepreneurs as brave, ambitious, achieving individuals, recent entrepreneurship research focuses on the connections between founders and their communities (Aldrich, 1999). Four sorts of social networks figure in business start-ups: family, collegial, transnational, and ethnic, and Chinese participate in most of them (Wellman, Chen & Dong, 2002; Wong and Salaff, 1998).

business. They also pool funds, materials, labor, and social support, experience and contacts for second generation self-employment (Sanders & Nee, 1996). The efficient workings of the Chinese family economy enabled many migrants from Shanghai in the 1950s to start businesses again in Hong Kong (Hamilton & Kao 1990; Wong, 1988). Young emigrant members of the Indian business community apprentice in a compatriot's firm abroad before opening their own (Poros, 2001).

Colleagues can give even more useful help than family for those that sell professional goods and services (Birley, 1985; Marger, 1992; Westhead, 1995). Friends and colleagues from school or earlier jobs not only can provide new business entrants with expertise, lines of credit, and links to suppliers and customers (Leonard & Tibrewal, 1993; Waldinger, 1986). They also share specialized knowledge. North American Chinese-owned IT businesses were located in a handful of communities, suggesting the clustering of knowledge (Fong, 1994).

Immigrants often draw on business communities from their home country and from the receiving country, referred to as transnational networks, our third business network. The rapid development of telecommunications and business travel spurs transnational networks. Hong Kong Chinese immigrant entrepreneurs mobilize their Hong Kong based enterprises to start businesses in British Columbia (Wong & Ng, 1998). Salvadorians make use of their home ties to establish businesses in North American coethnic communities (Landolt, 2001). These transnational entrepreneurs reinvest in firms back home while remaining abroad. Other migrants may return to their original country, bringing with them new business connections. After the IT bubble burst, many Taiwanese and East Indian engineers who had worked in California’s Silicon Valley returned home to invest in new software firms, armed with knowledge and contacts from their North American jobs (Mahroum, 2000; Misra, 2001; Tseng & Jou, 2000).

Migration creates momentum. As migrants pass along their experiences, other emigrants follow suit. They often congregate with coethnics with whom they feel comfortable, forming ethnic enclaves, a fourth kind of business network support. An enclave has been described as a self-enclosed immigrant community (Wilson & Portes, 1980). However, Wellman (1999) argues that communities should be seen as a network which need not necessarily take a spatial form. Since an immigrant network can cross different geographical locations, we will use the term ethnic economy instead of ethnic enclave. Established migrants become newcomers’ social resources in starting businesses. An immigrant community creates demand for ethnic products (Aldrich & Zimmer, 1986). The supporting ethnic community draws together resources for investment. Employers can find new employees, and customers can find the ethnic products they seek more easily (Bates, 1994; Bonacich, 1973; Light, 1992; Park, 1990; Peterson & Roquebert, 1993; Sanders & Nee, 1996; Waldinger, 1994; Zhou, 1992). Thus, the Chinese who are concentrated in New York and Los Angeles, where there are large coethnic communities, have a greater likelihood of becoming self-employed than Chinese in the United States overall (Portes & Zhou, 1999:157).
Structural features in business networks. By relying on network relations to help them pull together what they need to start their firms, the structure of the network affects the essential resources entrepreneurs mobilize (Gereffi, 1998). Social networks are comprised of ties that people have with each other. A central feature of direct ties is their extent of overlap. Two people can share economic, friendship, or kinship roles, and thereby form multiplex networks (Granovetter, 1985; Portes & Sensenbrenner, 1993). Multiplex networks are likely to be overlaid with trust and can enforce social control. Those in densely networked circles of relations may feel obligated to meet a request for advice or funds and trust the borrower to return the favor. People may call on someone they know in a totally different context to help with a business. For these reasons, multiplex ties are useful in business. However, densely clustered social networks restrict the resources to what those in the circle can offer.

In contrast, single stranded social networks are larger and contain more indirect ties. People often know others from different contexts, who may not know each other but still may be able to draw on each other’s contacts. For instance, people with few business contacts themselves may have a friend that can introduce them to other entrepreneurs (Aldrich, 1999). Such people can reach further to get help. When networks do not connect, we say that there are structural holes between them. Those that can connect two otherwise unconnected networks bridge structural holes (Burt, 1992).

New entrepreneurs go between their different networks to start a business (Greve & Salaff, 2003). They get ideas from diverse contacts, bridging structural holes and combining resources in novel ways, which is essential to starting a profitable business (Burt, 1992). Next, to get their start up resources, they are likely to draw on multiplex ties to obtain capital and partners, and employees that are committed to them (Greve, 1995). Finally, to develop the business further, businessmen widen their contacts by bridging to other business circles. Business formation depends closely on structural properties of the entrepreneur’s networks.

Immigrants’ business networks. In these ways, it is often thought that immigrants, who partake in the ethnic economy, where their social networks are underlaid by multiplex interpersonal ties, can easily start a business. Coethnics may know the same people. Concentrated ethnic communities makes social connections even more visible. Even if coethnics do not personally know each other, those that are connected through multiplex ties may share perspectives, trust and make things easy for each other, which Light and Bonacich (1988) refer to as ethnic facilitation. Newcomers intending to do business may draw on multiplex relations for advice, information about business opportunities, access to credit, and customers, central to entrepreneurship (Aldrich, 1999; Light, 1972, 1992). For these reasons, the ethnic economy draws heavily on multiplex networks.

Ethnic bridging further widens immigrants’ networks. Diverse networks can reveal structural holes and help immigrants do business. For instance, immigrants can join together previously unconnected direct and indirect ties in their countries of origin and destination (Landolt, 2001). From these historical examples and conceptual bases,
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Researchers predict that the newest PRC skilled immigrants from China will use social networks to start their own firms.

However, new immigrants often do not have the right kinds of contacts for setting up businesses relevant to the local scene. They are likely to face a dense network of established relations in old and mature markets, where supplier and vendor networks are institutionalized (Burt, 1992). There may be no structural holes for outsiders to fill. New immigrants who do not have contacts with non-ethnics may only be able to set up firms in their own community but not outside it. In the end, newcomers that want to go beyond the ethnic community and build contacts in the local business community cannot get in. This most creates problems for professional entrepreneurs that do not sell ethnic goods.

Entrepreneurs’ contacts must be embedded in a business environment (Granovetter, 1985). The challenge for new immigrants is finding social resources to start a business in a new and foreign land. Some draw on the social networks they developed before emigration to connect the new business to transnational networks. Others combine resources in the new country with those of the home country in order to create a business that appeals to the local market. If they do not expand their networks more widely, entrepreneurship remains limited to the ethnic economy.

The Development of Professional Entrepreneurial Networks in China

Entrepreneurs draw on diverse networks at different stages of their business start-ups. Let us first consider the kinds of social networks which these professionals and skilled men and women, drawing from the societal structure and their personal life course, were likely to mobilize in China before they emigrated to Canada.

From state-sector careers to market economy in China. For those from a post-Socialist country, with a short history of private enterprise, getting business inputs is particularly problematic. Since the market for labor, capital, or land is incompletely institutionalized, new entrepreneurs developed personal networks to get a wide range of inputs that elsewhere might be gotten through the market (Keister, 2000, 2001). Hence, PRC businesses today rely on social networks to pull together the needed resources for business.

Before the 1980s, people looked down upon entrepreneurs as parasites. They could not run their own firms and, at its worst, former businessmen were physically attacked during successive political campaigns. While it is true that prior to the 1980s, the poorest members of the population resorted to self-foraging, petty social exchanges, and a black market to sustain a living, little of this entrepreneurial activity was considered respectable or legal.

The Chinese educational system had produced well trained technicians and professionals, but private business was allowed only after 1978. When young professionals graduated from college, they were assigned to state-sector jobs, finished their ap-
prenticeships, became certified, and moved up the organizational ladder. They enjoyed security and expected lifetime employment (referred to as the “iron rice bowl”) in this prestigious sector. They had many perks, albeit a modest wage (Walder, 1986). State-sector employment was congruent with a tradition that valued officials and intellectuals (Li, C, 2000).

The restructuring of the Chinese economy loosened fetters on business ventures. Peasants, industrial workers, or urban youth “sent down” to villages and towns during the Cultural Revolution formed the first business enterprises. Small-scale private enterprises emerged early in manufacturing, construction, and transportation industries, followed by the professional services sector. By 1998, there were an estimated two million registered private enterprise owners. This includes enterprises of seven or more employees; smaller enterprises need not register (Unger, 1996: Zhou, 2000:326).

Joint ventures gave the biggest push to the private-sector. A joint venture is a company set up by two other firms, usually a cooperation between a private foreign firm and a Chinese public sector firm. In this cooperative venture, joint ventures provide capital, machinery, and new products. State firms supply organizational and political networks, local know-how and labor (Pearson, 1997). State firms also second engineers and other skilled employees to joint ventures with which they have contracts.

In this manner, technocrats, who had started their careers in large bureaucracies, entered private enterprises as extensions of their organizational networks (Foster, 2002; Gipouloux, 2000). As joint ventures brought China into the global capitalist economy, new career opportunities emerged. State firms, joint ventures, and transnational firms sent employees abroad for meetings, contract negotiations, and training, giving many their first chance to travel outside China. Professionals got a positive view of the private sector, and were keen to develop themselves further.

As the market developed, occupational preferences changed as well. For instance, the importance of getting sales experience and business degrees for the new market economy became apparent. No longer disdaining business, many professionals left state or joint venture enterprises to start their own companies to meet new market needs. In many cases joint ventures created these niches. However, although it became easier to start private firms offering professional services in general, entrepreneurship was uneven, flourishing in some cities, for instance in Shanghai, but not Harbin (Hsu, 2002; Yeung & Li, 1999).

In this historical context, we may ask in which forms of business networks entrepreneurs engage? Upon which can they draw when they go abroad? We earlier identified four types of immigrant entrepreneur social networks: (1) family entrepreneurship, (2) collegial, organizational and work ties, (3) transnational networks and (4) ethnic “enclave” or ethnic community networks. The first two networks are rooted in social structures in China. The third network connects the two countries. Participating as an ethnic minority in a foreign land, the fourth, is chiefly an immigrant scenario.

Family entrepreneurship is historically recent. Young professionals and skilled workers are not likely to get training, contacts, or funds from family firms. However, in
the few years during which private enterprises were launched, many entrepreneurs left state firms, agencies or joint ventures to start a business of their own (Pearson, 1997). They retain close ties, and get licenses, orders, materials, and funding through these organizational and political networks (Wank, 1999). Often small entrepreneurs mobilize colleagues to share the financing risks, since it is hard to raise loans from state banks. They hire those with whom they had once worked, and get accounts from former clients as well. Having worked in the field alerts them to shortages of many commodities and services, and they bridge structural holes to provide them. Chinese professionals mainly start businesses through such organizational, career based and collegial networks.

In the third form of social support for entrepreneurship, Chinese businesses are starting to network internationally (Chen, 2000; Yeung, 2000; Zhou, 2000). Even state firms are beginning to work with private enterprises abroad.

The social structure of business in China fosters particular business combinations for those selling professional goods and services. Family firms are least common, and entrepreneurs establish firms based on networks from their prior employers and professions. Private firms may set up international links. Young emigrants in our study that draw on China-based ties to assist them with entrepreneurship abroad, are likely to choose one of these three main forms.

Waves of Chinese Immigration to Canada

The structure of ethnic community networks shapes how new immigrants establish businesses. Coethnics may extend or withhold help. We pinpoint two key elements in the structure of the immigrant community: first, whether community members identify with each other; second, the ethnic economy in which they hope to participate. These variables affect how much help the Toronto Chinese community can extend to men and women that wish to set up businesses after immigrating from the PRC.

The ethnic community. The timing of migration, the social class of the migrants, and their dialect, or sub-ethnic, backgrounds shape the cohesiveness of the ethnic community (Benton & Gomez, 2000). Chinese immigration in Canada has a particularly varied history. There have been breaks and sharp shifts in Chinese migration. As a result, Chinese do not form a single Diaspora. They come from diverse dialect groups and places, and even those from the same original area came at different times and represent different cohorts (Luk & Lee, 1996; Wong, 1999). Such diverse backgrounds affect how helpful the local community is, and whether it will reach out to these newest immigrants from China who want to start a business.

Limited by Canadian racial-based policies, Mainland Chinese trickled into Canada in the middle of the 20th century. Entry was virtually halted by the Pacific War, the break in political relations between the People’s Republic of China and the United States, and subsequent Chinese isolation (Boyd & Vickers, 2000; Li, 2002; Zhao, 2002). After the end of WWII, there was a modest increase in immigration as families reunited. Until this point, Chinese immigrants from the Mainland were the longest re-
siding Chinese in Canada. However, after the 1949 Chinese revolution, those that arrived prior to the 1950s were separated from their homeland. For those that came afterwards, Mainland China was not their last place of residence.

The introduction of the point system in Canadian immigration policies in 1967 was a turning point for skilled Chinese without Canadian kin who became eligible to immigrate. Hong Kong residents were the earliest and most numerous of the Chinese populations to take advantage of the broadened immigration criteria. Through 1998, numerous Hong Kong students studied in Canadian institutions and many graduates found jobs and later became citizens. Many Hong Kong Chinese immigrated in the skilled worker and business categories surrounding the 1997 political reversion of Hong Kong to China. Hong Kong Chinese have since built up a number of dense residential communities with varied businesses (Li, 1993).

The June 4, 1989, Tiananmen incident sparked a new influx from the Mainland. An estimated 6,000 Chinese students already in Canada were permitted to remain (Zweig & Chen, 1995). However, this policy was short-lived. The current influx of educated Chinese from the PRC marks a new flow of immigrants from Mainland China. In the mid-1990s, China relaxed the “pass” system, allowed freedom of movement, and eased restrictions on passport applications. When Canadian regulations permitted independent applicants from the PRC to apply like any other population, numbers swelled. By 1998, Mainland Chinese became the largest body of migrants. The urban educated with tertiary schooling who enter as independent immigrants are most typical (Liang, 2001). The professionals in this study are part of this flow.

As a result of starts and stops in Chinese migration, the experiences and statuses of Chinese residents in Toronto are highly varied (Benton & Gomez, 2000; Luk, 1999). PRC immigrants do not share a common language, education, or other cultural background with those from Hong Kong or Taiwan. They may live near by and shop at the same Chinese stores, but they do not share the same social space. They do not share a common identity with their Hong Kong brethren. Peter Li (1993) concludes that local Chinese businesses in Canada have diversified beyond the narrow catering business of fast food outlets and restaurants into diverse sectors. Nevertheless, while Chinese from Hong Kong may extend PRC professionals a place in their firms as workers, it will take more time for them to take them in as partners. Their unequal resources may lead to exploitative exchanges (Kwong, 1998). Although there is limited research, we suspect that Chinese networks in Toronto are not multiplex. Mutual help may not be forthcoming.

Mainland refugees from the June 4th Tiananmen incident and recent PRC immigrants do share an identity. However, their needs differ. Nor do the earlier compatriots have a lot of resources. Sympathetic, they are unable to give much help in starting a business to newly arrived professionals from China (Li, 2000).

Social networks of professional businesses. Building a professional business requires helpful ties, that arise from widely ranging diverse circles. We stress here mainly business networks. Professionals usually call upon colleagues and organizations more than kinship. Co-ethnic ties are less likely to support entrepreneurship.
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Professional ties are also built up over time, through a wide range of historical contacts. Families’ friends or professional school mates may come forward with resources useful to the entrepreneur. Newcomers to a country cannot count on easily locating such ties.

Apart from business networks, the theme of this paper, we also note that establishing a firm based on a profession requires more than personal ties. Social structures must fit the immigrants’ needs. Key professional associations routinely exclude those that trained and qualified internationally. Hence new immigrants from these professions have to jump hurdles to become certified, creating further burdens to some business people (Salaff, Greve, & Xu, 2002). Bank loans may not be forthcoming. Lines of supply and demand are well established, and hard for newcomers to break into.

Even older Chinese immigrants may not be well integrated into local professional institutions. How then can newcomers access diverse networks of professionals? The difficulties of newcomers in making inroads to local professional sectors is a central dilemma.

Current PRC skilled worker immigrants are pioneers. Forging their own paths, they rely little on established migration chains, although they may produce them. Entry to Canada is a defining event that unifies them, but may not provide enough support for business start-ups. To whom do new, skilled immigrants who want to start a business in Canada turn for help. Can their networks provide resources to start a business?

**SAMPLE AND METHODS**

We studied 100 immigrants (50 married couples) from the People’s Republic of China (PRC) with high education and skills. Our interviews focus on how they go about re-establishing their careers in Canada.

When we met them, respondents were between the ages of 25 and 50 when we met, with young families, and have arrived since the late 1990s. We selected this demographic group because we wanted to learn how people with modest financial resources (they were not business immigrants) and who had to earn a living found work. We recruited most of our sample soon after they arrived, and trace the business and employment experiences of our sample from point of landing to the point at which they become citizens.

We drew half of our sample from the rosters of a large non-governmental organization (NGO) in Toronto serving new immigrants and half by snowball sampling. We recruited half from the NGO, and these respondents in turn introduced us to others that were eligible for our study.

In this paper we discuss solely those who have done business in China or Canada. We define an entrepreneur as a person who establishes, runs, and assumes the risk of an enterprise by either investing or registering a firm (Aldrich, Kalleberg, Marsden, & Cassell, 1989; Wilken, 1979). This definition follows the North American research tra-
condition, as well as Revenue Canada tax rules. Those in the preparatory stage, working on a business plan, are not considered entrepreneurs in this article.

We conducted semi-structured interviews with each couple (each lasting from two to three hours), collecting work and family histories. We followed up one and two years later to learn of their progress in the job and business markets.

The immigrants in our sample embody considerable human capital, reflecting the requirements of Canadian immigration policy. In 46 of the couples, husbands were the chief applicants. They had relatively more technical education and skills than their wives, and were also more keen on emigrating.

The men had technical and professional degrees, mostly in engineering and science subjects. A minority had studied non-engineering fields. Almost all held university degrees with many having M.A. and Ph.D. degrees. Wives were also educated, and majored in diverse fields such as accounting, library science, nursing, medicine, and foreign languages.

It might be useful to consider the biases of this sample. These immigrants embody considerable human capital, reflecting the Canadian immigration policy. They turned to the NGO primarily for help developing their resume and job finding skills. The agency’s rosters are undoubtedly slanted towards those who have few contacts who can furnish them with job leads, suggesting their limited social networks. Certainly those most frustrated in their job search had most reason to sign up for a workshop. Nevertheless, while we do not claim that the sample represents the entire new arrivals from China, they can help us to learn how those with slim social resources start businesses in a new land.

RESULTS

Doing Business in China

Having trained as professionals and technically skilled workers, the careers of these men and women were more varied than before in Chinese history. After graduation, most respondents took jobs in their fields of study in state organizations. At the time they got into the labor force and developed their careers, these structures were undergoing change, and they could chart new courses. By the time they left China, 38 men and 15 women worked in JVs or private firms. Although private business is new in China, 12 men went on to begin full time businesses of their own.

Their occupation, location, and organizational contacts prompted opportunities to open a business. Engineers were among the earliest to take jobs in joint ventures, after which some started firms of their own. Non-professionals in marketing and sales jobs who were also exposed to the private sector opened firms of their own early on. Eventually, professional and technically skilled employees in a wide range of occupations saw a chance to become entrepreneurs.
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It should be pointed out that the majority did not entertain running businesses. Doctors, teachers and professors, and scientists, among other professionals, preferred careers in large state and private sector organizations. However, as restructuring gained momentum state sector firms downsized. Soon state concerns privatized, and their employees entered the private sector.

Leaving the iron rice bowl was risky and couples wanted a fixed income on which to depend (Lee, 2000). Wives earned good livings in state positions. Since they also had take care of children, including education, and husbands and other kin, they were willing to remain in the less arduous state sector. Only men could work long hours establishing a market based firm (Salaff & Greve, 2001).

Entrepreneurship networks in China. None of our respondent couples’ families had mature businesses. Nevertheless, within a few years after our couples entered the labor market, as many as 16 had parents or siblings who became entrepreneurs. Private enterprise was in the air, stimulating both generations. Most of their parents’ businesses were linked to agriculture or village crafts. For instance, the father of a bank employee in China was a petty trader, buying coal, processing it, and selling it as coke to village vendors. This type of business did not attract our educated respondents.

Only one couple’s parents ran a modern manufacturing firm. The firm’s founder, who had a B.Sc. in chemistry, went from a state to a joint venture, and on to his own factory making paint solvent. He hired both his children, including his daughter, an accountant with an overseas MBA, and her husband with an M.Sc. in biochemistry, who were our respondents. Our respondent couple left their first jobs in order to manage a branch of the family firm. They then emigrated to Canada, to help arrange suppliers and buyers for the products of the parent firm. At the same time, the husband took an M.Sc. in Computer Science, and the wife a second accounting degree. Subsequently, the founder had a heart attack and the husband returned to Guangzhou and assumed a central role in his father-in-law’s business. Unusual in our sample, these transnational activities may presage future activities of others.

Rather than following the lead of family firms, most of our graduates in engineering, computer science, and others, started businesses within their professional fields. They partnered with colleagues. They designed, manufactured or assembled or marketed products, in such diverse fields as pharmaceuticals, computer software, water-treatment chemicals, and rugs. One entered the property business to get quick returns. They drew their employees or clients and ideas of products from earlier jobs. Those that knew about their earlier achievements gave financial backing.

Case study. Shanghai business became connected to the global market early on, and many found dynamic opportunities around them to do business (Gu & Tang, 2002). On graduation from a 2 year college in English in Shanghai, Jin was slated to become a teacher. He instead sought a more dynamic job in Shanghai’s large transportation industry. Jin’s parents were managers in state sector firms, and knew many people. The husband of Jin’s mother’s colleague told Jin of an opening in the state transportation firm, where he worked. Jin’s strength in English fit its business development needs and he passed the interview. This big company provided opportunities
for further training, and Jin moved from sea freight to air cargo. The unit was transferred to a newly set up joint venture, and Jin became department manager. As opportunities opened up, Jin thought he could progress faster on his own. He and two colleagues set up a transportation company, each in charge of air, sea, and sales operations. Unable to get a bank loan, Jin borrowed 2 million rmb (Chinese dollars) to start up from a dozen of his friends. “They all knew that it was a sure win since I had the contacts and was not starting from scratch.” Drawing from the customer pool he had built, he recruited staff 30 by the time he emigrated. We asked, “Do you need guanxi (networks) to set up your business?” “Of course you need guanxi. You always find friends of friends to help. It’s subtle. I myself didn’t even need to reach out to ask. Sometimes they come to you to initiate the help. I didn’t need to pay or bribe them. We just ate and entertained together and talked, and things got done afterwards.” Profits were high and he repaid the loan in a short time. However, as business became more competitive, Jin considered expanding in another direction. “Why emigrate? The biggest transportation business is in North America. I always wanted to develop something in the North American market. I was quite enthusiastic about coming.” Although Jin emigrated to increase the avenues of his firm, he became an ordinary employee. He was still in his area of expertise, in a 7-person department working on Asian shipping orders for a European shipping company. His manager was a long-term Hong Kong immigrant and the rest were Mainland immigrants. He did not reveal that he owned a company, “Of course I wouldn’t tell since I just applied for a low position. I said I was a manager in my company.” He spent a month getting familiar with the local standards by doing daily operations. In a small way, he links his original business to his present one. “Now the Shanghai company uses us as transportation agency in Canada. But the Canadian company only knows that I used to work there...” He did not have any future business plan for the time being. By becoming an employee, Jin can only suggest areas in which one firm can become a client of another. As Jin’s case suggests, it is a long process to link businesses together.

In China, our professional and skilled employees started up businesses through career based networks. They developed markets for products whose need was suggested by their jobs, and drew on colleagues for wide ranging help. To start a firm of their own in Canada is harder.

Doing Business in Canada

There is considerable interest in doing business in Canada, and many couples take a hand at it and this point is crucial. But without local networks, these newcomers cannot set up businesses in their professional career lines. Whereas in China, colleagues helped co-finance their business, previous clients provided markets, they hired their coworkers from earlier jobs, in Canada, few can still tap those social networks. Nor do newcomers have local contacts they need to set up a business, and it is hard to build new social networks that might aid entrepreneurship.
Poverty of local networks. Immigrants in the skilled worker category arrive through their own efforts. They do not need jobs or kin in Canada to be admitted. As a result, being newcomers, our respondents are not embedded in multiplex relations that are committed to help with business.

Eleven couples knew no one at all in North America before landing. Close kin (the husband’s father, the wife’s sister) preceded only two couples to Toronto. The remaining 38 couples had one or more acquaintances in Canada. Some had known them in China. Others asked around after deciding to emigrate until they located distant acquaintances in Toronto.

Contacts that came in the late 1980s extended some help. One respondent's engineering professor, now behind the counter of a small corner grocery store, hired our respondent couple on weekends. An employee of IBM in China, who contacted former IBM employees, had more recent contacts before arriving who gave him job searching advice. Former classmates from a Shanghai MBA program formed a social group. More distant links brought them: someone a neighbor knew, a daughter’s primary school classmate’s parents, the wife’s father’s friend. Others contacted complete strangers through the internet: the listserv of PRC Chinese students at the University of Toronto turned up folk that fetched them at the airport and found them a temporary place to live. By helping the newer immigrants in small ways, their own country men started building community.

Few respondent couples have local contacts that can serve as business resources. First, few of these were involved in reciprocal relationships that might underwrite a business venture (Faist, 2000). Moreover, well known or not, not many are well placed to help them in their professional ventures. Most acquaintances also arrived recently, and had little time to establish themselves. These contacts were not embedded in local networks that could provide resources for our respondents’ business ventures.

Types of businesses. Lacking helpful business networks, there is little continuity between running a business in China and Canada. In most cases, neither the product, the persons, nor the underlying business networks are the same or complementary.

The numbers: Of those that currently do business in Toronto full time:

- nine work as individuals;
- four husband and wife couples run ventures together, in the kitchen and behind the counter of fast food and corner stores, as marketers for consumer products.

We have not included in our count:

- two men that remain in China running their business full time, while their wives and children live and work in Toronto. They are colloquially called “astronauts,” because they fly so often between their families and their businesses;
• two in the early planning stages of setting up transnational firms between China and North America in their original professions;
• several part-timers who sell on their own account, while working full time for another firm.
• Finally, two have closed down their failing registered companies.

Who does business: There is little continuity between running a business in China and Canada. Although several had hoped to expand their business abroad, they have not done so. Local knowledge of product niches, and the variety of contacts needed to start businesses are barriers.

This lack of continuity is seen when comparing who ran businesses in China with Canadian entrepreneurs: Six former businessmen immigrated with the idea of connecting markets in China to those in Canada, but have not succeeded in rebuilding their professional networks like those that had supported their business in China. Three of the 12 that had done business in China also run businesses in Toronto, but their products changed completely. Ten new entrepreneurs had not intended to open businesses, but after several bad labor jobs, they started small stores.

What they do. In contrast to China, where our professional entrepreneurs in China made and sold products and services that were based on their professions, in Canada most businesses depart from their professional education.

Their business networks. Most do business as sole proprietors who registered their own firms. This contrasts with China, in which most had partnerships with colleagues. Lacking backers, they choose products with low start up costs. The majority engage in marketing and sales ventures affiliated with larger companies. For instance, they are concentrated in work as multi-level marketers affiliated with an American based firm selling health products. Finally, four independent business people sell insurance, stocks, and other financial products affiliated with a large North American insurance corporation. These ventures do not need much capital to get started, and ease of entry makes this the largest group.

Other proprietorships which include property and equipment, such as an office, bedrooms, or fixtures, cost more and are harder to enter. Among our sample, such sole proprietors include two hostels that rent rooms to new immigrants, and four small food industry outlets. For instance, two former engineers, whose wives were accountants, are now in the catering business. Selling stir fry vegetables in small malls has little to do with their training. “We did not even cook much at home,” said one wife from behind the counter in her fast food outlet. They trained for a month to learn the ropes from their former proprietor.

Three draw on transnational professional contacts to run a business in their line of training. A chemical sales woman started training programs for PRC chemists to support the clients of the multinational employer for which she had worked. A former engineer raises capital from former colleagues to invest in the steam machinery company in which he is employed in Toronto. The founder of a chemical company in China
sought new contacts abroad through his daughter and son-in-law’s immigrant status. In transnational enterprises like these small ventures, they did not need to advance much capital. However, without international contacts, few as yet have such opportunities.

The rest start businesses serving the ethnic community. They draw on their ethnic cultural capital, not professional achievements. They sell products identified with their community, their supply lines or clients are Chinese. Their small businesses are on the margins of the economy and employ only family members. To launch the business, they borrow capital from kin and draw on their own savings, supplemented by small business loans. For these highly trained professionals, such enterprises reflect desperation, not choice.

To establish a professionally meaningful business in Toronto, new PRC immigrants must find a niche, or bridge structural holes. Three accounts reveal some of the difficulties doing so: (1) An engineer acted as a broker between suppliers and vendors in water treatment equipment in China, but could not broker networks in Canada; (2) A former pediatrician in China, who cannot practice in Ontario, opened a hostel and also sells cosmetics and health products to new immigrants; (3) A former saleswoman of pharmaceutical products is meeting the need for professionals in the PRC to get training in Toronto.

(1) An engineer doing business in China, without networks in Canada. Liu, an engineer and former businessman, desired to start his own firm in Canada. Graduating from a Hydroelectric Institute, Liu was first assigned to a state-owned power plant, then transferred to its research institute as project manager. He worked closely with an official in the state power bureau. When the bureau joined a joint venture that supplied equipment to water treatment projects, the official appointed Liu to head its technical department. The department dealt with American suppliers of chemical water treatment products. When Liu and his colleague quit the JV to set up their own company, they became dedicated agent to one of them. “There is a kind of connection with my former experience... During our work, we found no people doing business in this field, so we thought we’d found a gap and could try... But although the products were the same, the work was not. Our company sells chemicals for water treatment, it’s different from doing engineering projects.” They rented an office with a downstairs warehouse. Former colleagues from his first two jobs directed prospective customers from other companies to them. “Our biggest problem was that we had little experience dealing with the tax department and the industrial and trading departments. We solved it by asking people who knew those things to help us lobby. We looked for acquaintances–whoever we could find. In China, you must have some acquaintances.”

As an immigrant, this former self-employed engineer looked in vain for ways to extend his prior firm to Canada. Liu became a process design assistant in a small Canadian-owned company that handles water treatment. “I’ve thought of setting up my own business in Canada, but not all the conditions exist and it seems impossible. First is language. You must communicate very well with others... Then you should know how people here do business, and if there is a market here... Relationships are impor-
tast of course.” In China, a setting abundant in structural holes, Liu established connections to new companies that needed to set up supplier-vendor relations. He turned his rich relations to the task of finding and bridging structural holes. In Canada, Liu was hired because of his experience, but without the same rich fabric of ties, he could not find a niche to start up on his own. Newcomers face a business setting with supplier-vendor relations that are already institutionalized, and which they do not know how to access. In the end, Liu may be satisfied to remain an employee in his field.

(2) Transformation of professional to entrepreneur. The credentials of Lei Min, a pediatrician, and her husband, a mechanical engineer, were not recognized in Canada. After several manual labor jobs, they ended as unskilled clerical workers in a large warehouse. The couple devoted themselves to the PRC immigrant community. Volunteering in local agencies gave them a large network of friends who became their support. Lei Min started her entrepreneurial career by opening their roomy house to rent rooms to new immigrants, a natural fit to their volunteer work. Their enterprise drew on family labor and money from the kin group. Well-off kin in China lent them small sums for the down-payment and renovations of their house. Their 13-year old daughter spent her summer holiday answering phone calls and greeting guests. Guests who learn about the hostel from their home page, internet ads and articles in local Chinese papers, are met at the airport. After the new immigrants eat their first breakfast of familiar rice congee, Lei Min passes on a detailed check list of how to apply for a Social Insurance Number, bank account and provincial health card, and gives them transportation tokens and a city map. In their first few months of operation, they received twenty guests from China. “We believe we can be of some help to the new immigrants by owning a house.”

Next, Lei Min became an agent selling dietary supplements and household products for an American multi-level marketing company. She markets the products mainly to Chinese immigrants. Drawing on her medical know-how, she advises clients to balance their personal regimen. Cultural norms and trust surround this unregulated arena and she promotes her medical skills to the ethnic community. Lei Min finds dual purpose in helping Chinese immigrants adjust to Canadian life and earning her living from their success. “It’s not that I’m making friends because I want to do business. It is because we are friends that I share business with them.” Lei Min’s Canadian-Chinese grass roots social networks start enterprises that draw on knowledge from but do not build a career in medicine.

(3) Establishing a transnational business. Cathay, also a newcomer to business, could not find good employment in Canada until she opened a business to train Chinese colleagues in Canadian firms. After her B.Sc., Cathay worked in a state owned enterprise in the pharmaceutical industry, then in a Sino-Belgian pharmaceutical firm, where she marketed non-prescription drugs wholesale to hospitals and other large organizations. After Cathay and her husband emigrated to Canada, the company contacted her to undertake transnational training. They desired professionals from China to take short courses from Canadian experts in China and Canada. The University of
Toronto School of Medicine ran a workshop to market their services. From them, Cathay learned how to find medical practitioners, others in the field of pharmaceuticals, and those making policy on new drugs to run workshops for Chinese professionals. She is one of the few in our study that uses her connection with her field in China to start a new transnational business, an example of spanning a structural hole (Burt, 1992). Cathay is a respondent who has opened a business based on her past training. Is this the future of entrepreneurship for our Chinese respondents? Or is she an unusual case?

Their stories reveal the importance of social connections in entrepreneurship. Most of the PRC immigrants we met through our study that have started a business provide low value added, non-professional services, on the periphery of the Canadian market. Without broad ranging social contacts that match their professional skills and interests, they cannot set up a business in their line of work in Canada.

**DISCUSSION AND CONCLUSIONS**

We explore how those starting businesses use four forms of business social networks. In China, some had exposure to entrepreneurship, starting businesses that drew on professional contacts. In Canada, excluded from their professions, and without social networks built over past years, most work outside their professions. They instead tap into the ethnic market. Such endeavors are small scale, arduous and do not have a chance to develop far into the future.

Doing business proved daunting for these professionals and skilled immigrants. Those who had formerly provided professional services could neither migrate their Chinese based resources to Canada, nor graft their businesses onto Canadian roots. Consequently, there is little continuity between those that tried entrepreneurship, their businesses, and the social networks that underlay these in China and Canada.

These attempts at starting new businesses in Canada underscore how networks contain resources. Most of our respondents’ Canadian networks support firms that are easily set up and dismantled. To establish viable professional businesses in the new country, immigrant entrepreneurs need professional certification and recognition, and they need to become integrated into local business networks, and build trust and legitimacy. Without connections to local business networks, they have trouble finding structural holes to bridge different network clusters.
REFERENCES


Business social networks and immigrants


