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ETHNIC MINORITY SMALL BUSINESS:  
A COMPARATIVE ANALYSIS OF RESTAURANTS IN DENVER<sup>1</sup>

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*Abstract:* Significant ethnic minority business growth has occurred in the United States in the post-World War II period. The self-employment pattern of ethnic minority business, particularly the success of Asian-immigrant small business, is currently explained by two different hypotheses: the social resources explanation and the class resources explanation. While the former approach attributes the large number of small business enterprises and their success to the existence of such social resources as rotating credit associations, a protected market, and a labor source within Asian American communities, the latter argues that success instead is caused by greater investment of human and financial capital by these immigrants. The present study compares the self-employment pattern of the restaurant industry operated by African Americans and immigrant Chinese in Denver. Contrasts and similarities in ownership characteristics, start-up

capital, location, social networks, and economic significance prompted this study to conclude that alone neither explanation is satisfactory and more empirical studies are needed.

Significant ethnic business growth in the United States and Western Europe has occurred in the post-World War II period and has been the focus of a large number of scholarly investigations. While most of these studies have attempted to document empirically ethnic minority or immigrant businesses, a number of hypotheses and models have been constructed to describe conditions and processes contributing to the development of such enterprises in Western cities. The foundation of these conceptual frameworks was based largely on the well-known process of ecological succession that takes place in the natural environment. Subsequent to formulation of the familiar concentric zone model, the application of ecological succession to urban land-use changes was reflected in the works of Ratcliff (1949), Fisher and Fisher (1954), Andrews (1971), Bourne (1969, 1971), Lee (1974), and Wilder (1985), among others. One specific focus of land-use succession research involves explaining how the influx of an ethnic minority group into predominantly White neighborhoods can affect the land use of the neighborhood. For example, a variety of studies have examined business ownership patterns (Aldrich and Reiss, 1976), business performance and survival (Heilbrun and Conant, 1972), and commercial land-use succession trends and associated changes in economic structure (Rose, 1970; Schmidt and Lee, 1978).

This paper reports the results of an empirical analysis of the self-employment pattern of Denver restaurants owned and operated by two different ethnic minority groups, immigrant Chinese and African American. To provide a conceptual foundation for the empirical analysis, a review of the two ethnic minority self-employment explanations is given. Then, the framework for the Denver analysis and the research findings are presented. Finally, economic integration issues are discussed.

#### THE DYNAMICS OF ETHNIC MINORITY SMALL BUSINESS IN THE UNITED STATES

In the United States, various ethnic and racial minority groups, both American- and foreign-born, have developed self-employment small businesses with distinct characteristics. To understand ethnic minority self-employment patterns, at least two approaches have been developed: the social resources explanation and the class resources explanation.

##### *The Social Resources Explanation*

The sociological approach involves the use of cultural factors and social resources to explain the self-employment pattern and success of ethnic minority small business. Light (1972) argued that Asian immigrants in the United States have engaged in self-employment with great frequency because these immigrants are poor, visibly non-European, and subject to discrimination. Operating one's own business is seen as a way for these Asian immigrants to avoid discrimination (Light, 1972). Light further pointed out that since Asian immigrants share these disadvantages with African Americans, one would then

expect the latter group also to be well represented in self-employment. However, there has not been a parallel development among African Americans in self-employment. According to the social resources explanation, the disparity in self-employment between the two ethnic minority groups is created by the existence of social resources within the Asian-immigrant community and the absence of the same resources within the African American community (Light, 1972).

What specifically are the social resources that have allowed the Chinese, Japanese, Korean, and other Asian immigrants to establish small businesses in large numbers and, in many cases, to be successful in their operation? According to a number of studies of Asian-immigrant small businesses (Light, 1972, 1980; Aldrich et al., 1985; Waldinger, 1986; Light and Bonacich, 1988; Bates, 1994a, 1994b), at least three important social resources have been identified: rotating credit associations, a protected market, and a labor source. An important source of start-up capital for Asian-immigrant small business, the so-called rotating credit association, is an informal fund-raising means often used within Asian societies. All individuals in a group, typically with social ties, contribute equal amounts of money according to a schedule (such as monthly for a 12-month period), and the total sum collected each time is awarded to the member who bids the largest discount (each member contributing the amount less the discount). The process is rotated until each member has won the bid. Light (1972) identified this means as a major small business start-up capital source for Asian immigrants and pointed out that such a social resource does not exist within the African American community. The second resource for ethnic minority small businesses, the protected market, refers to a captive clientele for the products or services provided by these businesses as a result of ethnically based tastes. The third resource, source of labor, refers to the fact that ethnic immigrant small businesses often include family members and co-ethnics (through social networks).

The sociological approach has been developed more formally by Aldrich and his associates (1985), who examined the concept of "protected market" to describe the distinctive cultural tastes of ethnic minorities that can be served only by co-ethnic businesses. Employing the idea of social distance, they formulated several hypotheses related to the owner-customer relationship (Aldrich et al., 1985, p. 998):

1. A shopkeeper's ethnicity is positively related to the proportion of customers who have the same ethnic background.
2. Ethnic minority shopkeepers who offer special services to co-ethnics will serve more co-ethnics than those who do not offer them.
3. The proportion of ethnic minorities served is highly variable by business type. Businesses that require closer customer contact and have more knowledge of consumer tastes are likely to show stronger associations between owner's and customer's ethnicities than other types of business.

On the one hand, ethnic business owners have a protected market because of their knowledge of co-ethnics' special cultural tastes. On the other hand, business owners of the dominant group may refuse to serve customers from a particular ethnic minority group, thereby creating a "protected market" for ethnic owners. Underlying these hypotheses is

the assumption of shorter social distance between co-ethnics and longer social distance between the ethnic minority group and the dominant group.

Using the residential segregation approach, three hypotheses were also developed to address the interdependent roles of store location and residential distribution (Aldrich et al., 1985, pp. 998–999):

1. The proportion of ethnic minority customers served by a shop is strongly related to the proportion of ethnic minority residents in the area, regardless of owner ethnicity.
2. The presence of ethnic minority shops in an area increases the proportion of ethnic minorities served by all shops.
3. Customers' ethnicities depend heavily on local residential patterns, and thus shopkeepers need not explicitly orient their marketing strategies toward ethnic minorities' tastes as a method of soliciting their patronage.

Unlike social distance considerations, the residential segregation approach involves identifying the impact of store location upon the composition of customers. To serve an ethnic minority group, a location in the ethnic enclave would enable shopkeepers to capture a clientele without requiring them to exert substantial marketing efforts.

To test these six hypotheses, interview data from 571 Asian-owned (Pakistani, Indian, and West African) and White-owned retail/service stores in three British cities were used in a logistic regression analysis to explain the proportion of Asian customers. Analysis results indicated that residential segregation and social distance factors together accounted for 53% of the variation in store customer composition. All three social distance relationships and the first two residential segregation hypotheses were supported. These results led the investigators to conclude that the protected market was caused by both social and ecological factors and that the concentration of an ethnic minority group as well as a shopkeeper's ethnic background exerted strong and interdependent effects on store customer composition (Aldrich et al., 1985).

It is worth noting that, in a related research direction, Aldrich et al. (1989) used the same survey results to investigate ecological succession and ethnic enclaves in the inner city. Following the design used by Aldrich and Reiss (1976), which was also used by Rose (1970) and Schmidt and Lee (1978), Aldrich and his associates (1989) were able to determine that ecological succession of residential population and businesses in inner-city areas was a factor in the growth of ethnic enclaves.

Subsequent to examining the protected market concept, a model describing the conditions and processes for the development of ethnic businesses was formulated (Aldrich and Waldinger, 1990; Waldinger, Aldrich, and Ward, 1990). The model was built on three interactive components: group characteristics, opportunity structures, and strategies (Fig. 1). Group characteristics consist of two elements: predisposing factors and resource mobilization. A host of predisposing factors can be readily identified for ethnic immigrants, including unfamiliarity with host-country language, inappropriate skills, age, inclination toward risk-taking, and favorable views toward low-level work (Waldinger et al., 1990). Skills and goals brought to a host country by immigrants are the result of the process of selective migration. However, in a number of cases, members of an immigrant

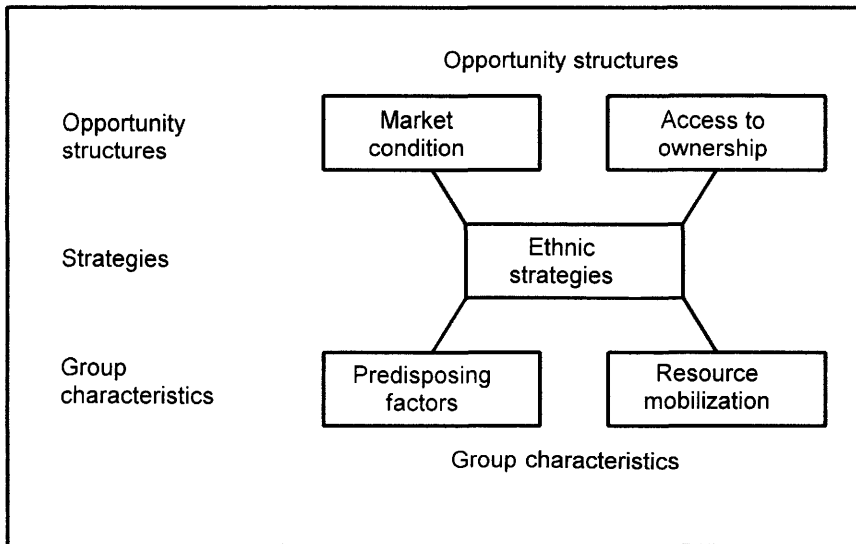


Fig. 1. Waldinger-Aldrich-Ward Ethnic Minority Small Business Development Model.

group have been unable to utilize their previous training and experience to secure employment similar to that held previously because they lack familiarity with the host-country language or required professional credentials. Often these immigrants have been driven into entrepreneurship (Aldrich and Waldinger, 1990).

In addition, settlement characteristics, such as the size of the ethnic minority community and the spatial concentration of its members in a residential area, are important predisposing factors for the development of ethnic minority business. They give rise to three different, often overlapping, markets: (1) local ethnic businesses serving the local co-ethnic clientele; (2) pseudo-middleman minority functions in which geographically dispersed ethnic businesses serve an out-group clientele; and (3) an ethnic enclave which is more diversified in business (than the local ethnic market) and is linked to the more general nonethnic market of the urban area (Aldrich and Waldinger, 1990).

The second component, opportunity structures, also includes two elements: market conditions and access to ownership. Market conditions refer both to products or services for an ethnic market and to products or services for the general market. Conditions favorable for the development of the market for ethnic products are created by an initial demand for the goods and services existing in the ethnic community itself. Also, when demand for products or services that are not ethnically oriented is underserved (or abandoned) by large mass-marketing organizations, ethnic business often fills this niche.

When market conditions are favorable, development of ethnic business further requires access to ownership opportunities. At least two conditions influence access to ownership positions: the level of interethnic competition for jobs and businesses, and government policies toward ethnic minorities. Interethnic competition can lead to two possible outcomes for business opportunities: (1) with strong competition, ethnic groups may concentrate on a limited variety of businesses; and (2) with very strong competition, an ethnic

group may be forced out of more lucrative enterprises and either forced into interstitial lines or pushed out of business entirely (Aldrich and Waldinger, 1990, p. 118). Actually, a third outcome of interethnic competition is also common, particularly within the restaurant business—one ethnic group providing products or services for the demand established by another ethnic group. A good example of this outcome is seen in some United States cities where a number of restaurants that are owned and operated by Asians who are not ethnically Chinese advertise themselves as Chinese restaurants.

Government influence on ownership access can occur in many ways. In the United States, a number of policies and programs have been developed to provide economic assistance to ethnic minorities and immigrants. These include the Small Business Administration loan program, the Economic Development Administration program, and the resettlement program for Indochinese refugees.

The third component concerns strategies available to ethnic minority owners. One set of strategies deals with acquiring necessary resources (e.g., labor and capital). In an ethnic minority community, two social networks, kinship and friendship, are often important sources of capital and labor. Information regarding permits, laws, management practices, reliable suppliers, and promising business lines for ethnic shop owners is typically obtained through social networks. Also, special capital-raising methods exist in some ethnic minority communities. For example, the rotating credit association is a common fund-raising mechanism for Asians in the United States (Aldrich and Waldinger, 1990).

Another set of strategies concerns managing a business. To develop and operate a business, ethnic minority owners typically confront many problems, including acquiring the knowledge to run a business, recruiting and efficiently managing an honest and inexpensive work force, managing relations with customers and suppliers, surviving business competition, and protecting themselves from political attacks. Some of the ethnic strategies include acquiring necessary skills by working as an employee before opening a business, providing specific services and extending credit to loyal customers, and dealing with competition through such strategies as self-exploitation, forward or backward business integration, and alliances through marriage (Aldrich and Waldinger, 1990).

### *The Class Resources Explanation*

The social resources explanation has been attacked by Bates for being based on uncertain empirical ground. Bates pointed out that, according to the social resources explanation, the high rate of self-employment among Asian immigrants and the success of their operations is caused by the existence of social resources within Asian communities, while the absence of these resources within the African American community has been used to explain the underrepresentation of African American self-employment; therefore, Asian-immigrant self-employment success is being treated as a group phenomenon (Bates, 1994a, 1994b). However, Bates argued, the evidence to support the social resources explanation has been derived from studies of Asians in a few specific United States cities, such as Koreans in Los Angeles (Light, 1980; Light and Bonacich, 1980) and Chinese in New York City (Waldinger, 1986). While these sociological studies of ethnic minority small businesses often have yielded interesting insights, generalization from their find-

ings is difficult not only because these were analyses of businesses in single geographical locations but also because the analyses rarely used sophisticated statistical techniques to identify reasons for business success (Bates, 1994a).

As a result, Bates offered an alternative: the class resources explanation. The support for this explanation came from two of Bates's empirical studies. Utilizing the business owners database compiled by the United States Bureau of the Census, Bates examined statistics on characteristics of firms founded during the time period 1979 to 1987 by non-minority individuals, nonminority males, African Americans, Korean immigrants, and Asian immigrants (Chinese, Korean, Asian Indian, Vietnamese, and Filipino). One important feature found by Bates was the markedly higher proportion of college graduates among the Asian-immigrant and Korean-immigrant business owners than among the owners of the other three groups (nonminority individuals, nonminority males, and African Americans). Furthermore, owners among the Asian- and Korean-immigrant groups out-invested, in terms of total financial investment, the owners of the other three groups (Bates, 1994a, 1994b).

In terms of sources of start-up capital, statistics examined by Bates showed that Korean-immigrant owners, African American owners, and nonminority male owners relied most heavily upon family and financial institutions for start-up capital (major debt sources). However, the Korean-immigrant owners also relied on loans by former owners as a source more than other groups did (Bates, 1994b). Although statistics indicated that Korean-immigrant owners were more than twice as likely as the African American owners to use loans from friends as start-up capital, the nature of the data used by Bates did not allow the identification of those owners using a rotating credit association.

With respect to the protected market as a social resource for ethnic-minority-owned small businesses, Bates found that the Korean-immigrant-owned firms that catered to a predominantly minority clientele were less profitable and were more likely to discontinue operation (by 1991) than firms—also owned by Korean immigrants—that served a racially diverse or largely nonminority market. Also, the former group of firms had fewer college graduates among their owners than the latter group (Bates, 1994b). Similar differences also existed among Asian-immigrant-owned small businesses. The firms that catered to a predominantly minority clientele were twice as likely to cease operation, were smaller in operation, and were less profitable than those that served a broader clientele (Bates, 1994a). These findings, therefore, do not lend support to the protected market as a social resource for ethnic-minority-owned small businesses.

The availability of loyal and low-cost co-ethnic labor also has been identified in sociological studies as a major social resource for Asian-immigrant-owned small business operation. From national statistics, Bates found that both Korean-immigrant and African American firms relied heavily upon a minority labor force (Bates, 1994b), but Asian-immigrant firms relied less heavily upon a minority labor force than did African American employers (Bates, 1994a). Unfortunately, Bates could not test this hypothesis because "minority" was not differentiated on the basis of ethnicity in his data.

To further support the class resources explanation, Bates performed two logistic regression analyses. The overall hypothesis for both analyses was that the greater the investment of human and financial capital, the greater the survival chances of small businesses owned by the ethnic minority groups. The explanatory variables included measures of owners'



human capital (such as the levels of education and managerial experience), labor-input quality (hours spent working and marital status), and certain demographic characteristics (age and gender). To test the social capital hypothesis of the social resources explanation, Bates also included the ethnic composition of the firm's clientele. The dependent variable, in both studies, was whether the business that was started in 1987 was still operating in 1991. The regression analysis results, along with the firms' sales statistics, allowed Bates to draw a number of conclusions. Overall, Bates claimed that the social resources explanation rests on an uncertain empirical foundation. More specifically, Bates argued that the term "success" may be inappropriately used to describe Asian-immigrant small businesses because, typically, these owners invested much more human and financial capital into their firms but the businesses generated substantially lower sales and profits than the firms operated by nonminority and African American owners (Bates, 1994a, 1994b). At the same time, Bates admitted that the quantitative analyses were too broad to reject the findings of the sociological studies of specific immigrant groups in individual geographical locations. Bates (1994a) cautioned, however, against making generalizations from these sociological studies.

Not surprisingly, the two explanations have different merits as well as shortcomings. The criticism by Bates that the social resources studies failed to employ sophisticated statistical methods is only partially true. While some of these studies attempted to draw conclusions from examining raw frequency statistics, a notable exception was the study reviewed above, by Aldrich et al. (1989), where logistic regression was used to test a number of hypotheses. This is the same statistical technique that Bates also employed later in his two studies. As to the second criticism, indeed it is risky to draw conclusions from empirical studies of a few geographical locations, no matter how reasonable social resources appear as explanatory factors of ethnic minority self-employment patterns.

The class resources approach is valuable primarily because of the nature of the data. The data used by Bates describe certain aspects of self-employment patterns of ethnic minority groups (as well as the nonminority sector) in the United States as a whole, and they lend themselves readily to the application of sophisticated statistical analyses. Self-employment characteristics identified by Bates as a result are representative. At the same time, the nature of the data restricts the identification of some of the more specific reasons for the ethnic minority self-employment patterns and makes it impossible to draw regional contrasts. For example, the class resources approach could not determine the validity of the rotating-credit mechanism as a source of start-up capital. Also, while the data set allowed for the analysis of the importance of factors such as the owner's education and prior experience, it could not be used to determine the importance of the co-ethnic labor force, the co-ethnic clientele, and the co-ethnic social networks.

At this point, evidence seems to point to a combination of social and class resources as a valid conceptual framework for explaining ethnic minority small business self-employment patterns in the United States. Asian-immigrant small business overrepresentation and success is explained by the protected market for the products and services, the social resources that exist in the community, and the heavy human-resources investment, which exceeds that of other ethnic minority and nonminority communities. Neither the social resources nor the class resources explanation excludes the other as a conceptual framework.

## A FRAMEWORK FOR THE DENVER COMPARATIVE ANALYSIS

### *Objectives*

As briefly mentioned earlier, this is a study of the self-employment pattern of the restaurant industry owned and operated by two different ethnic minority groups, immigrant-Chinese and African American (native-born Black), in metropolitan Denver. The original research design for this study was developed and the data collection was conducted before Bates's class resources explanation become available. The conceptual framework of the study, therefore, was modeled after the social resources approach. However, in contrasting the owner and operation characteristics, this study went beyond the social resources approach by including class resources data.

The choice of the restaurant business was made because, among the various ethnic-minority-owned businesses, the restaurant enterprise typically has the largest number of establishments, and pertinent information is relatively easy to obtain. It must be noted that in metropolitan Denver there are many restaurants owned and operated by Hispanic individuals (both native-born and immigrants). Ideally, a comprehensive analysis would involve restaurants owned and operated by all three ethnic minority groups. The present study is restricted to only the two groups primarily because of resource limitations.

The following section provides definitions and hypotheses used to guide the study. These definitions and hypotheses together readily describe the specific objectives of the study. In contrasting the two groups, total number of restaurants, location pattern, ownership and owner characteristics, start-up capital, professional service network, and personal service network are examined. Finally, the economic significance and economic integration issues are addressed.

### *Definitions and Hypotheses*

That the protected market hypothesis and the interactive model effectively illustrate the relationships between ethnicity and entrepreneurship is clear. However, one critical element these frameworks fail to recognize is the distinction between native-born ethnic minority and immigrant ethnic minority groups. Indeed, the social resources studies seem to suggest that conditions and processes leading to the development and operation of ethnic businesses owned and operated by the two groups can be treated equally. In fact, the two terms "ethnic" and "immigrant" do not necessarily refer to the same group of individuals. In the United States, one characteristic that clearly distinguishes them is in their differential command of the English language. Among the recent immigrants to the United States have been a large number of individuals from non-English-speaking regions. Many of these immigrants, such as those from Indochinese regions and other parts of East Asia, possess low levels of English skills. By way of contrast, English is the first language of such native-born ethnic community members as the African Americans.

The specific group of individuals being described by the two terms "ethnic" and "immigrant" is, in part, a function of the circumstances in which these terms are used. The U.S. government through the years has defined and collected population, business, and other census data regarding racial and ethnic minority Americans. For example, in 1977 the U.S. Office of Management and Budget revised previous definitions of race and ethnic

standards for federal statistics collection and administrative reporting purposes in its OMB Circular No. A-46. Definitions for race and ethnicity, as applied to the U.S. population, were outlined, and five basic categories were identified: American Indian or Alaska Native; Asian or Pacific Islander; Black, not of Hispanic origin; Hispanic; and White, not of Hispanic origin. However, if race and ethnicity are separated, only four racial categories are included (American Indian or Alaskan Native; Asian or Pacific Islander; Black; White) and only two ethnic categories are identified (Hispanic origin and not of Hispanic origin).

The term "immigrant Chinese" is used in this study to describe ethnic Chinese who are either naturalized citizens or legal aliens of the United States. In Denver, the majority of these ethnic Chinese immigrants came to the United States within the last 30 years or so from such regions as Hong Kong, Taiwan, South Vietnam, the People's Republic of China, South Korea, and even several countries in Central and South America. On the other hand, the term "native-born African American" refers to Blacks who are United States citizens by birth. According to the 1990 United States population census, the seven-county Denver metropolitan area had a total Black population of 97,769 and an ethnic Chinese population of 6,623. Apparently, the ethnic Chinese population included both immigrants and native-born Chinese.

The following eight hypotheses were formulated to guide the comparison of the self-employment pattern of the immigrant Chinese owners and the African American owners. These hypotheses are simple statements describing what would be expected of the restaurant business on the basis of the population size of the two ethnic minority groups in the metropolitan area, the market-accessibility requirement of the restaurant business, small business ownership, owner socioeconomic characteristics, the protected market concept, and the social distance concept.

The professional service network and personal service network hypotheses need additional explanation. The significance of social distance in explaining ethnic minority small business has been made abundantly clear by the social resources approach. Surprisingly, however, other than the logistic regression analysis of ethnic residential concentration and protected market hypotheses by Aldrich and his associates (1985), there has been a dearth of empirical studies of the specific nature of this factor. Two of the following hypotheses are designed to examine the influence of social distance. Instead of the approach taken by Aldrich, a number of essential services, both for the operation of the restaurant business and for personal needs, are identified for the ethnic minority owners, and the ethnic background of the service providers is tallied to describe the extent of the influence of social distance.

1. *The total number of restaurants.* Since the Black population is approximately 15 times larger than the ethnic Chinese population, it is expected that the total number of restaurants owned by the two ethnic groups in metropolitan Denver would reflect this ratio.
2. *Location pattern.* As a market-oriented tertiary economic activity, these restaurants are expected to be located in areas where residential populations, working populations, daytime populations, and evening/weekend populations are found. Such accessibility preference would result in these enterprises being found in a

variety of areas throughout metropolitan Denver. More generally, the two groups of restaurants take into account similar site-selection factors.

3. *Market profile.* (1) As a result of the ethnic product served by these establishments, it is expected that a significant proportion of their market comprises co-ethnic customers. (2) A substantial proportion of the market is expected to reflect the ethnicity of the area in which the establishment is located.

4. *Ownership and owner characteristics.* Despite differences in ethnic background, the two groups of restaurants are expected to display similar characteristics in terms of ownership, management, family involvement, and financing, as well as the owner's age, educational background, and prior business experience.

5. *Capital access.* As native-born citizens, the African American owners are expected to be better informed regarding various sources of start-up capital. As a result, they are likely to rely more heavily on formal sources. On the other hand, the immigrant Chinese are less familiar with formal capital networks and are expected to rely more heavily on informal sources.

6. *Professional-service network.* For start-up and daily operation, whenever possible, owners will employ co-ethnics for essential services such as legal, accounting, grocery supply, and printing. Therefore, the professional-service network for the two groups is expected to show a connectivity pattern characterized by "closedness." However, because the social distance between the African American restaurant owners and the dominant group is shorter than that for the immigrant Chinese owners, the network of the former group is expected to exhibit greater leakage and, therefore, be comparatively more open than that of the latter group.

7. *Personal-service network.* For essential personal services such as family doctor, dentist, lawyer, and church minister, it is expected that the owners engage co-ethnics as providers. Not unlike the connectivity pattern of the professional-service network, the personal-service network of the African American owners is expected to be more open than that of the immigrant Chinese.

8. *Kinship network.* It is hypothesized that the expected connectivity pattern of the professional and personal service networks of these minority owners is actually the result of the preference to employ relatives as service providers.

### *Data*

Initially, to describe the restaurant industry owned by the two ethnic minority groups in Denver, several sources were utilized. Since 1969, the United States Bureau of the Census has collected economic information for minority-owned businesses and published the series *Survey of Minority-Owned Business Enterprises*. The three minority groups covered in the series include Black; Hispanic; and Asian American, American Indian, and Other Minorities (AIAN). In collecting business census data for these groups, the Census Bureau utilizes racial identification from Internal Revenue Service forms (1040, 1065, or 11205) provided by the individual filer. Nationally, in 1987, the largest concentration of firms owned by Asian Americans and Pacific Islanders (API) was in the service sector,

accounting for 46.5% of all firms. In terms of volume of receipts, however, retail trade (29.8%) was the largest industry group (U.S. Department of Commerce, 1987b, p. 2). For Black-owned businesses, the greatest concentration also was in service industries (49% of all firms and 31% of gross receipts). Retail trade was the second largest, accounting for 15.6% of the firms and 29.8% of the receipts (U.S. Department of Commerce, 1987a, p. 2). Among the major industry groups surveyed by the Bureau of the Census, eating and drinking establishments (SIC 58) ranked fifth in terms of number of firms and third in receipts among API-owned businesses (U.S. Department of Commerce, 1987b, Table C). They ranked seventh and sixth, respectively, among Black-owned enterprises (U.S. Department of Commerce, 1987b, Table B).

While the Census minority business surveys also provide information by state and by Metropolitan Statistical Area, the statistics are available only for industry divisions (e.g., retail trade or personal services) and not for industry groups such as eating and drinking establishments. Furthermore, the statistics are aggregated in such a manner that it is not possible to contrast the number of African American-owned and immigrant-Chinese-owned firms in the seven-county metropolitan area (Denver, Adams, Arapahoe, Boulder, Douglas, Gilpin, and Jefferson Counties).

To determine the number of immigrant-Chinese-owned restaurants in the area, several additional information sources were employed. These included business and telephone directories, accounting firms specifically serving Chinese restaurants, and, of course, the restaurant owners themselves. Through these sources approximately 200 immigrant-Chinese-owned restaurants were identified.<sup>2</sup> All of these restaurants served an ethnic product, and within this ethnic product a variety of different regional Chinese cuisines were advertised.

Using a combination of one business directory, field work, and interviews, 24 African American-owned restaurants were found in the study area.<sup>3</sup> Two of the 24 restaurants were franchised fast-food chain restaurants that offered typical fast foods, and one other specialized in a foreign ethnic cuisine. The majority of the remaining restaurants advertised themselves, to varying degrees, as offering Black southern cooking, or soul food.

Several questionnaires were developed to obtain information on the enterprises. In addition, through telephone and personal interviews, the owners were asked several other questions concerning advantages and disadvantages of the present location, where they would relocate or start up a restaurant if the opportunity arose, reasons for entering the restaurant business, perceptions of the product they provide, and criteria they used for selecting service providers.<sup>4</sup> Information from a total of 60 immigrant Chinese owners and 22 African American owners was obtained for the first questionnaire (Table 1) and from 40 immigrant Chinese owners and 22 African American owners for the second and third questionnaires (Tables 2 and 3).<sup>5</sup>

## RESEARCH FINDINGS

### *Location Pattern and Operational Characteristics*

The difference between approximately 200 immigrant-Chinese-owned restaurants and 24 African American-owned restaurants clearly does not support the hypothesis regarding the total number of establishments when one considers the two ethnic population bases in

**TABLE 1.** —CHARACTERISTICS OF IMMIGRANT-CHINESE-OWNED AND AFRICAN AMERICAN-OWNED RESTAURANTS IN METROPOLITAN DENVER

Characteristic	% Immigrant Chinese ( <i>N</i> = 60)	% African American ( <i>N</i> = 22 owners) ( <i>N</i> = 23 restaurants)
I. Years in business		
Less than 1 year	5.0	26.1
1–5 years	51.7	30.4
5–10 years	40.0	17.4
More than 10 years	3.3	26.1
II. Ownership		
Family	70.0	52.2
Partnership	6.7	8.7
Individual	23.7	39.1
III. Owner background		
Age		
<30	3.3	0.0
31–40	25.0	13.6
41–50	36.7	36.4
51–60	20.0	27.3
>60	15.0	22.7
Sex		
Male	85.0	81.8
Female	15.0	18.1
Education		
Post-college	0.0	13.6
College	20.0	45.5
High school	56.6	36.3
Elementary school	23.4	4.5
Prior professional experience		
yes	95.0	81.8
no	5.0	18.1
Origin		
Hong Kong	38.3	
Taiwan	31.6	
Vietnam	15.0	
Mainland China	8.3	
Korea	6.7	
South		72.7
Colorado		9.1
Mid-West and other regions		18.1
Years in U.S. before start-up		
<1 year	3.3	N/A
1–5 years	10.0	N/A
>5 years	86.6	N/A

**TABLE 1. (CONTINUED)—CHARACTERISTICS OF IMMIGRANT-CHINESE-OWNED AND AFRICAN AMERICAN-OWNED RESTAURANTS IN METROPOLITAN DENVER**

Characteristic	% Immigrant Chinese ( <i>N</i> = 60)	% African American ( <i>N</i> = 22 owners) ( <i>N</i> = 23 restaurants)
IV. Start-up capital		
Own	28.3	65.2
SBA	0.0	4.3
Own/SBA	5.0	0.0
Own/bank	21.6	8.7
Own/personal loan	23.3	8.7
Own/seller financed	20.0	0.0
Own/bank/personal loan	1.6	0.0
Bank	0.0	4.3
Own/SBA/bank	0.0	4.3
EDA	0.0	4.3
V. Management		
Self	95.0	82.6
Hire	5.0	4.3
Self/hire	0.0	13.0
VI. Role of family members		
Dining area/bar	48.3	17.4
Dining area/kitchen	23.3	47.8
Kitchen	1.6	4.3
None	26.6	30.4
VII. Tenure		
Own	6.6	26.1
Lease	93.3	73.9
VIII. Location		
Free-standing	31.6	34.8
Strip mall	53.3	17.4
Shopping mall	6.6	0.0
Shopping mall food court	8.3	0.0
Ribbon	0.0	47.8
IX. Market profile (% customers) <sup>a</sup>		
100% non-Chinese	17.5	
90–99% non-Chinese	57.5	
80–89% non-Chinese	2.5	
Below 80% non-Chinese	22.5	
>90% Black		13.0
50–89% Black		56.5
50–90% Black and Hispanic		13.0
40–49% Black and Hispanic		8.7
<20% Black		8.7

<sup>a</sup>Market profile statistics came from the second questionnaire and, therefore, were for 40 immigrant-Chinese-owned restaurants and 23 African American-owned restaurants.

**TABLE 2.—IMMIGRANT CHINESE AND AFRICAN AMERICAN RESTAURANT OWNER PROFESSIONAL-SERVICE NETWORK (IN PERCENTAGES)<sup>a</sup>**

	Lawyer	Accountant	Insurance agent	Construction contractor	Commercial printer	Equipment supplier	grocer	Real estate agent
Chinese	27.6	N/A	40.5	16.6	69.7	22.2	15.8	57.1
Non-Chinese	72.4	N/A	55.0	83.3	27.3	36.1	26.3	39.3
Chinese and non-Chinese <sup>b</sup>	0.0	N/A	5.0	0.0	3.0	41.7	57.9	3.6
Relative	0.0	N/A	5.0	5.0	0.0	0.0	0.0	3.6
African American	50.5	61.1	36.8	63.2	52.9	20.0	4.5	66.7
White	35.7	27.8	52.6	10.5	23.5	60.0	supermarket	33.3
African American and White <sup>b</sup>	14.3	11.1	10.5	26.3	23.5	20.0	95.5	0.0
Relative	7.1	22.2	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup>For the professional-service network survey, 40 immigrant-Chinese-owned restaurants and 22 African American-owned restaurants were included. Figures are proportions of the number of restaurants that actually used a certain service provider.

<sup>b</sup>“Chinese and non-Chinese” and “African American and White” refer to percentage of owners using both ethnic and nonethnic providers.

**TABLE 3.—IMMIGRANT CHINESE AND AFRICAN AMERICAN RESTAURANT OWNER PERSONAL-SERVICE NETWORK (IN PERCENTAGES)**

	Family doctor	Dentist	Lawyer	Insurance agent	Church minister	Stockbroker	Travel agent	Real estate agent
Chinese	42.3	14.7	43.3	34.2	71.4	38.5	86.7	60.0
Non-Chinese	50.0	82.4	50.0	55.3	28.6	61.5	10.0	33.3
Chinese and non-Chinese	7.7	2.9	6.7	10.5	0.0	0.0	3.3	6.6
Relative	3.8	0.0	3.3	5.3	0.0	15.4	0.0	0.0
African American	68.7	53.8	55.6	44.4	66.7	0.0	77.8	76.9
White	31.3	46.2	33.3	50.5	16.7	100.0	22.2	15.4
African American and White <sup>b</sup>	0.0	0.0	11.1	5.6	16.7	0.0	0.0	7.7
Relative	6.7	7.7	11.1	0.0	5.6	0.0	11.1	15.4

<sup>a</sup>For the personal-service network, 40 immigrant Chinese restaurant owners and 22 African American restaurant owners were included.

<sup>b</sup>“Chinese and non-Chinese” and “African American and White” refer to percentage of owners using both ethnic and nonethnic providers.



the area. As noted earlier, the population disparity in 1990 between the two groups was large. There appear to be an underrepresentation by the African American community and an overrepresentation by the ethnic Chinese community in restaurant self-employment in Denver. Also, there are a number of locational and operational differences between the two owner groups that are either readily observable or that emerge from the survey and interviews.

The location patterns of the two groups of restaurants also are markedly different (Fig. 2). The immigrant-Chinese-owned restaurants surveyed were found in a variety of areas that included downtown Denver, the central city, outlying shopping districts, outlying downtowns, and other suburban areas.<sup>6</sup> In terms of specific location type, the strip mall was strongly favored by more than half of these restaurants (Table 1). These malls vary in size and typically are anchored by at least one large supermarket or retail store. Overall, the shopping mall location (strip and enclosed) accounted for two-thirds of the sites. Within shopping malls, food court arrangement has become popular; on the other hand, freestanding sites are also common (32%), particularly among the restaurants in suburban areas.

The dispersed pattern of the immigrant-Chinese-owned facilities stands in marked contrast to the highly clustered distribution among the African American enterprises. With only two exceptions, the African American businesses were located within the central city of Denver, and the majority of them were concentrated in three neighborhoods (Curtis Park, Curtis Park East, and Capitol Hill). Relatively small in area, these adjacent neighborhoods are situated to the north and northeast of downtown Denver and include relatively high concentrations of Black and Hispanic residents. Two types of locations dominated the 24 African American restaurants: (1) older commercial ribbons in the central city of Denver (11 establishments), and (2) freestanding sites in old residential neighborhoods of the central city (6 establishments). Only four were located in strip malls (relatively older and smaller than those selected by the immigrant-Chinese-owned establishments). Among the remaining three, one was located in a freestanding building of a warehouse district, the second was inside a city park, and the third was in a relatively new suburban strip mall.

Differences in product and service mix are, in part, a reflection of locational choice. Concentration of the African American-owned establishments in a lower-income area of the central city can be seen in the nature of the physical facilities, including equipment as well as layout. Among the 23 African American establishments whose owners were interviewed, seven displayed a "transient" or "temporary" appearance, suggesting that the business required little start-up capital and would be relatively easy to terminate without great financial loss. Indeed, the simple and basic manner in which the kitchen and dining areas were equipped, the presence of soft-drink vending machines, the absence of separate dining-area personnel, limited menu items, and the use of disposable dinnerware reinforced this impression.

Five of the African American-owned restaurants were dominated by alcohol and entertainment services; food service seemed a secondary concern. The kitchen was leased to other individuals to operate (often an African American or an Asian American). Most of the other restaurants, however, did not have a liquor license. At least three enterprises were involved in catering activities; in fact, serving walk-in customers appeared to be a less significant operation. Two of the businesses were franchised fast-food restaurants of a major national chain.

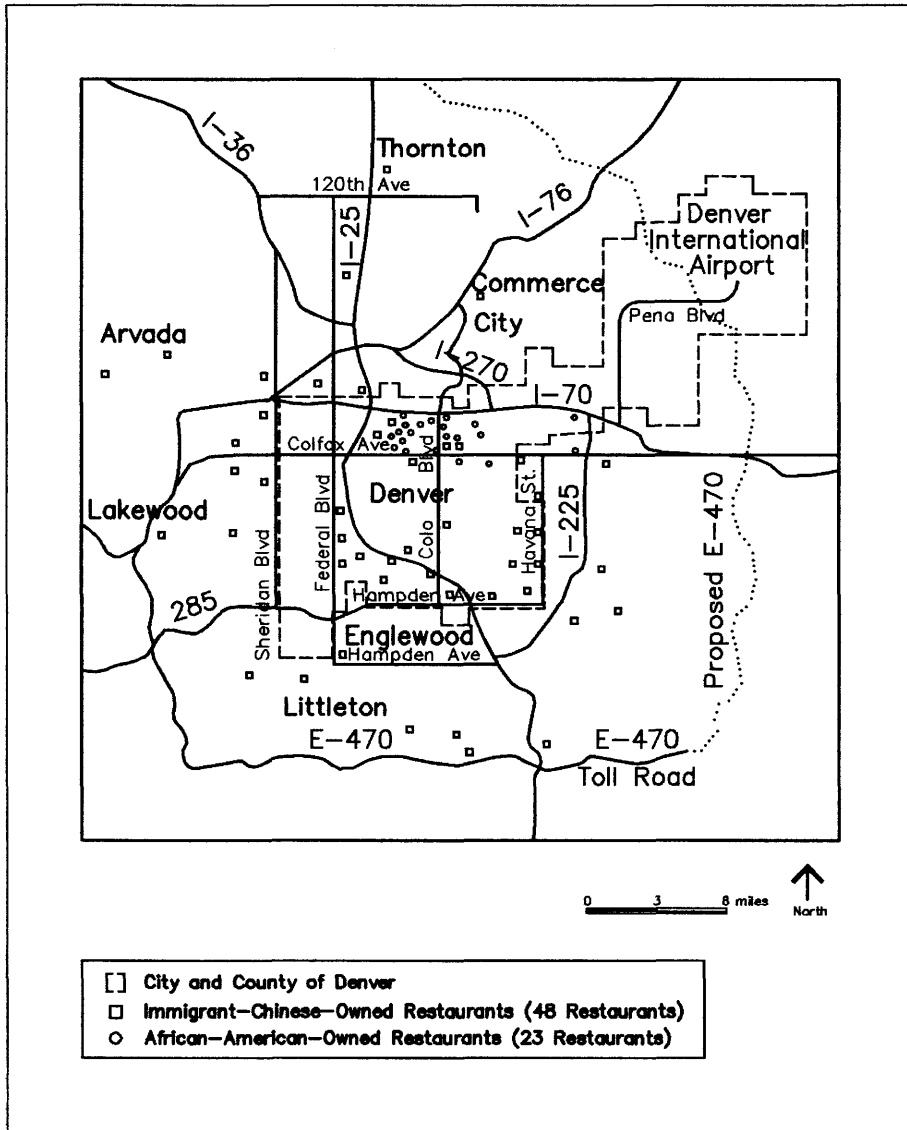


Fig. 2. Distribution of immigrant-Chinese-owned restaurants and African American-owned restaurants in metropolitan Denver.

The operational features of the surveyed immigrant-Chinese-owned establishments were distinctly different. For example, the majority were substantially larger, with greater seating capacity. Unlike some of the African American-owned restaurants with a half dozen or so dining tables, the typical immigrant-Chinese-owned operation had a seating capacity of 100 persons. None of the outlets reflected a transient appearance, and most appeared to have required substantial start-up capital. In particular, the dining areas and the kitchens were elaborately equipped and staffed, with one of every two licensed to

serve alcoholic beverages. It was common for these restaurants to have a full-service bar, located separately from the dining area.

Unlike the African American owners, none of the immigrant Chinese owners operated a catering service, and the lounge-restaurant arrangements found among the African American establishments also were absent. Only 1 of the 60 immigrant-Chinese-owned facilities provided some form of entertainment, but even that was designed to promote business for the restaurant itself. However, several operators provided food delivery to customers. In Denver, there are a number of immigrant-Chinese-owned establishments that have a very small dining area but employ several drivers; the delivery business constitutes the majority of their sales revenue.

### *Ownership and Owner Characteristics*

The establishment dates of the surveyed restaurants indicate a marked expansion of the Chinese restaurant industry in Denver since the late 1970s (Table 1). Only two of the firms surveyed were in business prior to 1979. In the Denver area, the number of Chinese restaurants listed in the *Yellow Pages* expanded from 18 in 1972 to 110 in 1984. The establishment dates of the African American group are more evenly distributed and describe less but more stable industry growth. While one-fourth of the restaurants surveyed were less than a year old, an equal number had been in business since 1977.

As expected among small businesses (Aldrich and Waldinger, 1990), both groups displayed a strong family ownership, with the majority of owners possessing prior restaurant experience (Table 1). An overwhelming number of these restaurants were self-managed (95% for the immigrant Chinese and 86% for the African Americans) with only a few of them in both groups supplemented by hired managers. Family members often played an important role, in the dining/bar area, the kitchen, or both. Most of the owners in both groups leased their premises, citing most often the lack of capital and the unwillingness to make long-term investments as the primary reasons for such a strategy.

In terms of the origin of the owners, Hong Kong and Taiwan dominated the immigrant-Chinese sample.<sup>7</sup> The influx of Indochinese refugees into the Denver area since the mid-1970s is reflected in the fact that 15% of the sampled owners were from Vietnam. More surprisingly, four of the owners were ethnic Chinese from South Korea. Among the African Americans, nearly three-fourths of the owners were from southern states (Texas, Louisiana, Alabama, Arkansas, Tennessee, Mississippi, and Oklahoma), with Texas accounting for over one-third of the total. These entrepreneurs cited "southern ties" as the major reason their industry in Denver was dominated by traditional fried seafood and barbecued ribs.

Among the various sociological studies reviewed by Aldrich and Waldinger (1990), little attention has been given to the relationship between self-employment patterns and owner characteristics such as educational background, prior professional experience, and age distribution. Included in Bates's two logistic regression equations were measures of the owners' educational level, management experience, and age. The present study also included a survey of these owner characteristics. Herein lies a surprising contrast with Bates's class resources explanation. As noted earlier, one of Bates's major contentions is that the Asian-immigrant small businesses were more successful than the African American small businesses because of the larger investments made and the impressive educa-

tional credentials of the Asian owners (Bates, 1994a, 1994b). Among the restaurant owners surveyed for this study, the African American owners as a group possessed substantially more formal education than their immigrant Chinese counterparts, with nearly 60% having some post-secondary school experience and nearly 14% having college degrees. Most of the immigrant Chinese owners (80%) had received only an elementary or high school education.

This survey finding is intriguing because of a predisposing factor recognized in sociological studies—that is, that immigrants have “a more favorable view of low-level work” (Waldinger et al., 1990). It is a prevailing view among this group of immigrant Chinese owners that the restaurant business is not a “well-respected” profession. The majority of these owners noted that, had they been better educated, they would have engaged in more “respectable endeavors.” In other words, these immigrant Chinese did not necessarily have a more favorable view toward the restaurant business; they were in this business because their low educational levels did not allow them to engage in other professional endeavors. Conversely, the African American owners did not express similar views. A number of them, particularly the younger owners, chose the profession because it was a family business and remained even after they received post-secondary education. It must also be noted that a number of the African American owners indicated that the restaurant business was not the only alternative available to them.

As expected, prior restaurant experience played a vital role for both groups, with 95% of the immigrant Chinese owners and nearly 82% of the African American owners having worked in or owned restaurants previously. What is not revealed by these statistics is the process by which the majority of the immigrant Chinese owners entered the profession. None were in the restaurant business prior to moving to the United States, and 95% acquired the needed experiences after arriving. Over 85% waited at least five years before starting their own restaurants. In the interim, they worked in restaurants in various capacities to acquire the appropriate business skills to establish essential contacts, to accumulate capital, and even to seek out business partners.

Much has been written about the importance of prior experience as a necessary condition for immigrants' business success. Examples include Jewish immigrants to Western Europe and the United States and Greek immigrants to the United States. However, some immigrant groups have not been able to utilize their previous education and experience in the host country, primarily because of language problems and lack of appropriate credentials. These immigrants are likely to turn to entrepreneurship (Aldrich and Waldinger, 1990), the path followed by many of the Denver immigrant Chinese restaurant owners.

Migration, particularly international migration, is a selective process. This is exemplified by the Cuban and Korean migrations to the United States and the migration to Paris by the ethnic Chinese from Vietnam (Aldrich and Waldinger, 1990). Although formal surveys of the immigrant Chinese community in Denver do not exist, it is apparent that recent immigration included at least two distinct groups: (1) a group made up of individuals (with family members) who were blue-collar workers, office workers, and small business merchants in their countries of origin; and (2) another group of individuals who came to the United States as students, visiting scholars, or researchers and, upon completing their education, chose to remain in the United States. The immigrant Chinese restaurant owners included in this survey are primarily from the first group.

The age distribution of the immigrant Chinese owners reflects the dominance of individuals above 40 years of age. Interestingly, a similar age distribution pattern is displayed by the African American owners. It is safe to assume that different processes led to the two age distribution patterns. What specifically contributed to the similarity is not clear, however. Perhaps the requirements for obtaining start-up capital, developing professional experience, and establishing labor and other contacts necessary to start and operate a restaurant might be met more effectively by individuals (ethnic minority or otherwise) who are in the middle stage of their professional career than by those who are just beginning.

### *Start-Up Capital*

Several trends are readily apparent from the start-up capital statistics in Table 1. First of all, in terms of personal capital, the evidence does not support the capital access hypothesis. There is no clear evidence that the African American owners relied more heavily on formal sources than the immigrant Chinese owners. (Formal sources refer to Small Business Administration loans, the Economic Development Administration program, and bank loans. Informal sources refer to a person's own capital, personal loans, and loans carried by the sellers.) It is surprising to note that only 28% (17 restaurants) of the immigrant Chinese owners started their business solely with their own capital. Of the remaining 43 immigrant-Chinese-owned restaurants, 26 were started with other informal funds, such as personal loans and owner-seller financial arrangements. By way of contrast, the majority of the African American-owned restaurants in the study (65%) began solely with owner capital. Among the remaining 35%, six were started with SBA loans, the EDA program, bank loans, or a combination of the three sources.

The start-up capital survey results are in marked contrast to what has been observed previously. In a number of sociological studies, an argument has been made that Asians in the United States benefited from capital-raising mechanisms that existed only within their communities and that U.S. Blacks lacked such means and were thereby considered to be at a disadvantage (Light, 1972; Aldrich and Waldinger, 1990). Clearly, for the two groups of restaurant owners in this study, the tendency to rely on formal sources of start-up capital was stronger among the immigrant Chinese owners than among the African American owners. Furthermore, the start-up capital pattern among the immigrant Chinese owners in this study also differs from that found for Korean business owners elsewhere in the United States. In Atlanta, for example, the great majority of Korean small business owners started with personal savings and funds from their families (Aldrich and Waldinger, 1990).

### *Market Profile*

The ethnic composition of customers for the two groups of restaurants constitutes a third major difference. It appears to reflect the different locational considerations. According to the owners surveyed, 77.5% of the 40 immigrant-Chinese-owned restaurants served at least 80% non-Chinese customers (Table 1), and surprisingly not a single Chinese restaurant among those surveyed served primarily (90% or above) co-ethnic customers. By way of contrast, 82.5% of the African American-owned restaurants served at least 50% ethnic minority (African American and Hispanic). Only two restaurants, or

8.7% of the total, served less than a 20% co-ethnic market. The market profile of the African American group supports the expectations of the market profile hypotheses, that the market is dominated by co-ethnic customers and that the market reflects the ethnicity of the neighborhoods where the facilities are located. On the other hand, the market profile of the immigrant-Chinese-owned restaurants also reflects the ethnicity of the areas surrounding their locations (non-Chinese), but the ethnic product (Chinese food) does not attract a large number of co-ethnic customers.

The contrasts in market profile between the two restaurant groups are the result of different approaches to market accessibility. The immigrant Chinese owners selected locations accessible to working, shopping, daytime, and evening populations. Such emphasis produced a variety of locations. The African American restaurant owners also selected locations based on market accessibility, but for co-ethnic, residential populations. The concentration of the Denver metropolitan Black population within the central city, coupled with its spatial integration with the Hispanic population, led to a distinctly clustered location pattern and a significant Hispanic component in the market profile.

Two important site-selection considerations were revealed in the survey of the two owner groups. First, when asked for an explanation for the absence of African American-owned restaurants in the more modern suburban shopping malls, this group of owners unanimously identified the prohibitively high rent associated with such locations. Second, the immigrant Chinese owners overwhelmingly identified the importance of accessibility to the market (various population groups) and the traffic pattern in site selection. These two different considerations seem to describe two different location-selection approaches. The immigrant Chinese owners preferred locations that would maximize business volume, but the African American owners preferred locations that had minimum costs.

The contrasts in the restaurant market profile seem to lend support to one of Bates's contentions and analysis findings. As noted earlier, Bates found that, among the Korean-immigrant-owned and Asian-immigrant-owned firms, the firms that catered to a predominantly minority clientele were less profitable and more likely to cease operation than those that served a racially diverse or largely nonminority market. Although data on sales volume and profits for the two restaurant groups in the study area are unavailable, there are indications that the immigrant Chinese restaurant industry in metropolitan Denver is economically more viable than the African American restaurant industry. The immigrant-Chinese-owned restaurants surveyed served largely a nonminority market, while the African American-owned restaurants served largely an ethnic minority market.

### *Professional-Service Network*

Before examining the frequency statistics in the two social network tables (Tables 2 and 3), it may be beneficial to discuss factors and reasons for these ethnic minority owners to select service providers. For many recent Chinese immigrants in Denver, the choice of co-ethnic service providers is primarily dictated by two factors that cannot be underestimated: ability to communicate in the Chinese language and ability to meet special demands. A number of restaurant owners require that service providers be able to communicate in their regional Chinese dialects (such as Cantonese or Mandarin). At the same time, there are special demands placed on the lawyers, accountants, and commercial printers who meet their business needs, and medical specialists and real estate agents hired to

respond to their personal needs. With co-ethnics as their service providers, these owners enjoy accessibility to these professionals even after the traditional business hours, as well as on weekends and holidays.

The ability to communicate in a specific spoken Chinese dialect actually has created an interesting phenomenon among the owners of small businesses throughout metropolitan Denver. Service providers who are capable of speaking two or more of the major Chinese dialects invariably serve a clientele that comprises ethnic Chinese from different regions, while those who can communicate in only one dialect maintain a more limited clientele reflective of their dialect.

While dialect and special needs are compelling reasons for many of the immigrant Chinese restaurant owners to select co-ethnic service providers, there are other immigrant Chinese owners who believe that matters concerning their business, and even personal matters, might be communicated to their co-ethnic competitors and other co-ethnics through the co-ethnic service providers. This concern is particularly strong given the small size of the Chinese community in Denver. Such a risk is not perceived to exist when non-Chinese service providers are utilized, since they are not likely to have much contact with other Chinese and also are perceived to be more capable of maintaining confidentiality. In other words, the shorter social distance between ethnic Chinese, on the one hand, and the longer social distance between ethnic Chinese and non-Chinese, on the other hand, sometimes account for nonselection of co-ethnic service providers.

The choice of service providers among the African American restaurant owners is also dictated by several factors. As expected, the desire to transfer benefits to co-ethnics is cited by the majority of these owners. However, they also point to quality and cost of service as selection factors. The prevailing attitude among this group is that, *ceteris paribus*, they would select co-ethnic professionals. When quality and costs are not equal, or there are specific requirements that cannot be met by co-ethnics, the choice is not made on the basis of ethnicity.

In examining the selection process, it must be noted that the choice of service providers is often influenced by the availability of co-ethnic professionals. Therefore, interpretation of the survey results included in Tables 2 and 3 must also take into consideration the number of co-ethnics who are doctors, lawyers, accountants, real estate agents, and other professionals practicing in the region. Unfortunately, isolating the supply factor entails detailed labor surveys that would be impractical even among the relatively small African American and Chinese communities of Denver.<sup>8</sup>

Given that the two social networks (professional service and personal service) were defined specifically for the present study, several guidelines were established for interpreting the survey results. With a number of immeasurable factors influencing choice, it would seem unreasonable to use 100% as an indication of a closed social network within which only co-ethnic service providers are used. In the absence of an established standard, 50% is used as the threshold, above which a preference for co-ethnic providers is said to exist among the owners. Furthermore, when three of four owners (75%) engage co-ethnic providers, a tendency toward closed-ness is said to exist. Based on these two guidelines, the overall impression is that the professional networks for the two groups of owners are far from being closed (Table 2). In general, the data do not lend support to the professional service network hypothesis. Networks for both groups fail to show any clear

preference toward closed-ness. Unexpectedly, the immigrant Chinese systems are evidently more open than those of the African American counterpart. Specifically, in the case of the immigrant Chinese owners, only two of the seven professional services (commercial printer and real estate agent) display any co-ethnic preference (70% and 57%, respectively). For these two services, the explanation appears to be related to the special need factor cited previously. Chinese restaurant menus typically contain English and Chinese languages and the production can be handled only by printers with special equipment and knowledge of the language. Therefore, printers are dominated by the few Chinese-owned companies in Denver as well as those located in larger cities such as Los Angeles, San Francisco, and New York. Similarly, real estate agents who specialize in Chinese restaurants often are ethnic Chinese. Since a prospective restaurant owner needs to communicate clearly his specific requirements, and since new restaurants often occupy sites that previously were Chinese restaurants, the service of such co-ethnic agents is particularly useful. However, the absence of a stronger preference for co-ethnic real estate agents cannot be readily explained.

Although an overall openness in the professional-service network is reflected in both groups, the tendency on the part of the African American owners to engage co-ethnics is more evident. At least 50% frequencies are recorded for services by co-ethnic lawyers, accountants, construction contractors, commercial printers, and real estate agents, but none show any tendency toward closed-ness. In the case of grocery supplies, the African American business owners usually do not have to communicate with an individual person (unlike the case with a lawyer, accountant, or insurance agent). The supply of groceries is usually accomplished without the owner's knowledge of whether the supermarkets or wholesalers are minority-owned enterprises. Overall, it is not readily clear why these African American owners did not engage more co-ethnic professional-service providers.

#### *Personal Service and Kinship Networks*

The connectivity pattern of the personal-service network (Table 3) is similar to that of the professional-service network. Again, a preference to engage co-ethnics does not exist for the immigrant Chinese owners for the majority of activities selected. Only one service, travel agent (86.7%), displays a tendency toward closed-ness. Two other services, church minister (71.4%) and real estate agent (60.0%), display a preference for co-ethnic providers. The few immigrant Chinese owners who were church attendees often selected churches with ethnic Chinese ministers at least in part as the result of aggressive recruitment efforts aimed at the local community by several recently established Chinese churches.

The strong preference for ethnic-Chinese-owned travel agencies can be easily explained. There are travel agencies in Denver, and many other United States cities, that provide substantial discounts from the ticket face value to ethnic Chinese residing in the United States for international trips to such regions as Hong Kong, Taiwan, and Singapore. Typically there are nearly 10 United States and foreign airlines that compete for these American-Asian routes, and a number of large ethnic-Chinese-owned travel broker-



age firms purchase seat reservations in bulk and sell them in blocks to ethnic-Chinese-owned travel agents who in turn sell the tickets directly to their customers at a discount.

The preference for ethnic Chinese real estate agents stems from the desire to communicate directly with the agents regarding the customers' tastes and preferences. The restaurant owners, many of whom possess insufficient English language skills, rely heavily upon real estate agents who possess the requisite language skills. However, the need to communicate proficiently with other providers of essential services does not seem to be as pressing. For family medical, legal, and insurance services, the available data indicate a preference for nonethnics. In these cases, the restaurant owners exhibit a much greater willingness to rely on other Chinese as interpreters.

The personal-service network for the African American restaurant owners shows a stronger overall preference for co-ethnics, with only two exceptions among the eight service categories (stock broker and insurance agent). A tendency toward closed-ness is associated with travel agent and real estate agent services. Other than the generally expressed desire to use co-ethnics, specific explanations for such preference patterns are not readily identifiable. Regarding the preference for co-ethnic personal-service providers, evidence to support the hypothesis is much stronger for the African American entrepreneurs than it is for the immigrant Chinese; the African American owners displayed a stronger tendency than the immigrant Chinese owners to engage co-ethnic personal-service providers. Additionally, the co-ethnic orientation of the African American owners was stronger for personal-service providers than for professional-service providers.

One choice pattern among the immigrant Chinese owners has emerged from examining the two social networks. For services that these immigrant Chinese have a direct understanding of and in matters directly associated with restaurant operation (such as finding the restaurant, purchasing groceries, printing the menu, and arranging trips to Asia), these owners prefer co-ethnic providers. On the other hand, when it comes to matters that are too technical for these owners to comprehend or matters not directly related to the day-to-day operation of the business, such as legal, medical/dental, insurance, and even investment, these same owners tend to engage nonethnics.

Examination of the kinship hypothesis was unfortunately hampered by the existence of very few relatives of these two groups of owners who were engaged in the professional and personal services included in this analysis. While the tendency to use a relative for personal services seems strong for both groups, the small number of relatives makes the interpretation of association between the preference for co-ethnics and the use of relatives risky (Tables 2 and 3).

In sum, the African American owners displayed a stronger preference for engaging co-ethnic service providers than their immigrant Chinese counterparts, but it is evident that such preference by both minority groups was relatively weak. The preference on the part of the African American owners was mainly the result of a desire to transfer benefits to co-ethnics. The preference on the part of the immigrant Chinese owners was the result of the need to conduct business or personal activities in the Chinese language. At the same time, a number of the immigrant Chinese owners deliberately used nonethnic service providers in order to maintain confidentiality. Therefore, it seems that social distance can work for or against the selection of co-ethnic service providers.

## ECONOMIC INTEGRATION ISSUES

The survey and analysis results describe different pictures of the restaurant businesses owned and operated by two ethnic minority groups in Denver. While the possible explanations and interpretations of the different operational characteristics and contrasts are by themselves interesting, a number of relevant questions can be raised in an effort to gain a broader understanding of ethnic minority small businesses and economic integration of immigrants in United States cities. For example, what is the significance of the restaurant business to the economy of these two ethnic minority communities in Denver? Have the immigrant Chinese been successful in utilizing the restaurant business as a vehicle for economic integration? Have conflicts been created between the two groups as a result of competition for customers and land use? And, given the current state of the African American-owned restaurant business in Denver, will this community in particular, and the metropolitan area in general, benefit by having a stronger African American restaurant sector? If so, what measures can be taken to induce such growth?

The economic significance of the restaurant business could be measured by the income and employment generated for the ethnic communities and the metropolitan area. Since revenue and payroll information is inaccessible, alternative approaches are used here. *Black Pages, 1991-92* lists 243 categories of professions, services, and products, including an estimated 1,700 firms or individuals. Among these, only 15 are restaurants. By comparison, 72 listings are included under the personal care category (barber shops, beauty consultants, beauty salons, beauty schools, and beauty supplies). Of course, as in the case of restaurants, it is safe to assume that not all such listings were entirely African American-owned. It seems clear, however, that the African American-owned restaurant businesses identified in this study represent a very small proportion of the total number of African American-owned businesses in Denver and in Colorado, and, therefore, the economic significance of these businesses is likely to be relatively small.

In estimating the specific employment opportunities among the 24 African American-owned restaurants, the potential for job generation is further complicated by the nature of this business. Not all jobs are full-time; it is common for waiters, waitresses, and some other personnel to work a limited number of hours. In addition, not all of the workers are co-ethnics. The larger restaurants in this study, including the two African American-owned fast-food establishments, employed nonethnics as kitchen helpers and food servers. Furthermore, many of the restaurants were small, with the owner(s) working as cook, receptionist, and cashier while other family members assisted; staff size ranged from 2 to 6 individuals. Among the larger establishments, there were 8 to 15 employees. The average for all African American-owned restaurants was approximately 6 co-ethnic individuals and 7 total employees. Using such averages, the restaurants generated 144 co-ethnic jobs and 168 total jobs. The total number of co-ethnic jobs represented only 1.47% of the total African American population found in the seven-county study area in 1990.

The economic significance of immigrant-Chinese-owned restaurants is markedly different. The 19 business and professional categories listed in *Chinese Business Information Systems* (1991) include 4 grocery and food product stores, 3 insurance agents, 5 accounting firms, 3 auto repair shops, 4 real estate agents, 6 travel agencies, and 93 restaurants. Although this source is incomplete, it is still clear that the restaurants represent a dominant employment source within the ethnic Chinese community. Employment for the restau-

rants surveyed varied from 4 individuals to over 20 per establishment, with an average of 13 (including 8 ethnic Chinese). The estimated number of co-ethnic jobs was 1,600 (of a total of 2,600), which constituted over 24% of the immigrant Chinese population.

These estimates describe the clearly differing economic significance of the restaurant businesses owned and operated by the two ethnic minority groups. The African American-owned restaurant businesses provide an estimated 144 jobs for co-ethnics, or 1.47% of the total African American population, and an estimated 24 additional jobs for the rest of the metropolitan area. In contrast, the immigrant Chinese restaurant businesses in the metropolitan area employ one of every four ethnic Chinese, or 24% of the total ethnic Chinese population, and provide about 1,000 additional jobs for the metropolitan community.

The fact that one in four ethnic Chinese in the metropolitan area works in the restaurant business does not fully describe the economic significance of this small business. The multiplier effect is also seen in the jobs created (for co-ethnics and nonethnics alike) through the professional-service and personal-service networks described previously. The growth of the Chinese restaurant business in the metropolitan area, the nonethnic market served, and the significance of the business to the ethnic community are indicators of the effectiveness of this activity as a mechanism for achieving economic integration for the immigrant Chinese.

To a varying degree, all restaurants in a city, regardless of ownership, type of food, or location, compete for customers. However, the co-ethnic market orientation and highly clustered central-city locations that characterize the African American-owned restaurants contribute to a spatial monopoly relative to the many dispersed Chinese-immigrant-owned restaurants. Will a larger and healthier African American-owned sector be beneficial to the minority community and to metropolitan Denver? It seems reasonable to assume that a larger sector would improve economic independence for the community, a condition which, in turn, would bring a variety of social benefits to the metropolitan area as a whole.

What measures can be taken to improve the visibility, acceptance, and competitiveness of the African American restaurant business in Denver? The answers appear to be related to the two causes identified by a number of the owners themselves to explain the relatively small number of restaurants found in Denver. First, there exists a perception among many individuals that traditional southern cooking of fried foods, grilled meats, and ribs is unhealthy. Second, contrary to the implications of statistics regarding start-up capital, it is actually difficult for African American individuals to obtain government and bank loans.

With the ever-increasing health-consciousness of the American public, major changes seem necessary regarding the nature and marketing of food served by African American-owned restaurants. In this regard, the successful transition of the Chinese restaurant business in the United States could serve as an example—from the pre-1970 domination of the traditional American Cantonese cuisine to the post-1970 period when a wide variety of regional Chinese cuisines became available and many Chinese restaurants began to promote the health and nutritional value of their food. If African American restaurants gained a wider acceptance (by modifying the types of food served), they would not have to be restricted to (almost exclusively) co-ethnic neighborhood sites.

According to the African American owners surveyed, the difficulty experienced by some owners in obtaining government and bank loans is, in part, associated with the lack of an acceptable credit history and the lengthy application process. To make start-up capital more accessible, lending agencies must provide more assistance to prospective restaurateurs in terms of market and product research as well as site selection.

### SUMMARY AND CONCLUSIONS

Several interesting results have emerged from this comparative analysis. Some of the findings support the self-employment pattern of ethnic minority small businesses found in other United States cities, and other results seem to set apart the immigrant-Chinese-owned and African American-owned restaurant businesses in metropolitan Denver from the general trends. First and foremost, the self-employment representation pattern of Asian immigrants and African Americans in the United States is reflected in this study. On the basis of the population size of the two ethnic minority communities in the metropolitan area, there is a marked underrepresentation of the African American community and a marked overrepresentation by the immigrant Chinese community in the restaurant business. Furthermore, while immigrant-Chinese-owned restaurants are ubiquitous in the metropolitan area, the two dozen or so African American-owned restaurants are confined to a highly clustered pattern in the central city.

Second, and more specifically, some of the survey results of the two groups of ethnic minority owners and restaurants appear to be inconsistent with either the class resources explanation or the social resources explanation. Bates's explanation of greater human and financial investment on the part of the Asian-immigrant small business owners is not evident here. Not only did the African American owners in the study area possess more formal education than the immigrant Chinese owners surveyed, but also they relied more often on personal funds as business start-up capital. Additionally, the market profile of the two groups of restaurants displayed features that differed from what the social distance and protected market hypotheses predicted. The African American-owned restaurants served primarily co-ethnics and Hispanics, and the immigrant-Chinese-owned restaurants served a predominantly non-co-ethnic market.

Third, in terms of the two social networks, despite the shorter social distance within the ethnic Chinese community and a longer social distance to the dominant group, the immigrant Chinese owners displayed a weaker tendency than the African American owners toward engaging co-ethnic service providers, particularly in the case of professional services. The tendency of the immigrant Chinese owners to use co-ethnics was somewhat stronger for personal services, but the propensity to choose non-co-ethnics was evident.

Although only raw frequency statistics were examined in this study, there was sufficient evidence to reject the hypotheses focusing on the total number of restaurants, the location pattern, and the social networks. Since only two crude measures were available, the economic significance of the restaurant enterprise to the two minority communities remains speculative. Evidently, the restaurant business was relatively unimportant in the African American community and metropolitan Denver, but was the largest employment source for the ethnic Chinese community. The restaurant business has created many jobs for ethnic Chinese and nonethnics alike. Indeed, the restaurant business was used successfully by these immigrants as a vehicle for economic integration.

What appears evident from this empirical study is that neither the social resources explanation nor the class resources explanation alone provides a satisfactory explanation of the ethnic minority self-employment pattern in the United States. The pattern must, at the very least, be explained by social distance, a protected market, and the investment of human and financial capital, whether ownership is by native-born ethnic minority or immigrant ethnic minority. What seems critical in ethnic minority self-employment research is the need for more empirical studies of ethnic minority business in various United States cities as a foundation for developing a more definitive conceptual explanation.

Given the distinctly different nature of the restaurant enterprises operated by the two ethnic minority groups, competition and conflict did not seem to exist between them. However, since long-term benefits can be realized from a larger and healthier African American restaurant business, two policy measures are noteworthy. It appears necessary to change the product served by these restaurants in order to broaden the customer base. Also, government and lending institutions must take a more active role in assisting in the start-up of African American restaurants by being more willing to provide capital and technical assistance.

What value, if any, do these findings have for similar analyses of other United States cities? In a number of urban regions, such as San Francisco, New York, Los Angeles, and Chicago, a spatially well-defined ethnic Chinese community exists. In such cases, one would expect the distribution of restaurants and their market profiles to be different from those in Denver. Also, in cities with a larger Black population, such as New York and Dallas, one is likely to find a more robust African American-owned restaurant business. However, the surveys and research design developed for the Denver study could be applied to analyzing ethnic minority small businesses in other United States cities, and similarities and differences found in these investigations will certainly be valuable in formulating theories for the analysis of ethnic minority business ownership in Western cities.

#### NOTES

<sup>1</sup>Partial financial support for this project was provided by a grant from the Office of Sponsored Programs of the University of Colorado at Denver, 1991–92. The assistance and cooperation of the many restaurant owners is gratefully acknowledged. Both Professor Howard Aldrich (University of North Carolina) and Professor Roger Waldinger (UCLA) provided useful comments on a preliminary version of this paper. Any errors or omissions, however, remain the sole responsibility of the authors.

<sup>2</sup>There are two business directories for the Asian American and Chinese communities in Colorado and Denver. *Colorado Asian American Business Directory* lists 31 restaurants (pp. 68–73) in its 1992 edition. *CBIS* (Chinese Business Information Systems), the St. Louis and Denver 1991 edition, includes 93 Denver restaurants (pp. 83–90). However, 195 Chinese restaurants are recorded in *The Yellow Pages* (1991–92 edition). Although not all Chinese restaurants are listed, and not all those listed are owned by Chinese immigrants, interviews with restaurant owners and other individuals indicated that the number of immigrant-Chinese-owned restaurants was approximately 200.

<sup>3</sup>There is only one publication, *The Black Pages*, that advertises Black-owned businesses in metropolitan areas of Colorado. In the 1991–92 issue, 15 entries for restaurants were recorded. However, several of those advertised were Mexican restaurants owned by non-Black Hispanics, and three others had ceased operation. As a result only six restaurants listed were relevant to the current

study. However, through eight months of interviewing owners and other individuals (May to December, 1992), a total of 23 African American owners and 24 restaurants were identified.

<sup>4</sup>One questionnaire sought information on the date the restaurant was established, ownership, owner background, start-up capital, management, family member roles, lease arrangements, and location type (Table 1). A second questionnaire (Table 2) contained questions regarding services essential to the start-up and operation of the business (including lawyer, accountant, real estate agent, insurance agent, grocer, equipment supplier, printer, construction contractor, and church minister). The last questionnaire (Table 3) contained requests for information on essential personal services (including family doctor, dentist, lawyer, insurance agent, stockbroker, travel agent, real estate agent, and church minister). Information on the two service network questionnaires focused simply on whether a given service was available and, if so, if the service provider was a co-ethnic. Concurrently, the owners were asked if a particular service provider was a relative and if the owners had relatives who also owned restaurants in the Denver area.

<sup>5</sup>Of the 60 immigrant-Chinese-owned businesses, 57 were clients of a local accounting firm that provided the data for the first questionnaire. However, personal interviews with a number of these 57 owners were necessary to complete the questionnaire. Copies of the other two questionnaires were mailed through the accounting firm to all 57, and 37 responded. Information from three additional restaurants came from personal interviews. These three were owned by several members of the same family and were not clients of the accounting firm. As a result, the sample size for the immigrant-Chinese-owned restaurants was 60 for the first questionnaire and 40 for the second and third surveys. The 22 African American restaurant owners represented 22 of a total of 23 owners and 23 of an estimated 24 restaurants operating at the time of the survey. Information for all three survey questionnaires came from personal interviews with 16 owners and telephone interviews with six others. One person who was interviewed owned two restaurants and one other person was not available for an interview. It would have been ideal if all of the approximately 200 immigrant Chinese restaurant owners could have been surveyed. While the sample size is a reasonably large proportion of the total, a possible bias might have been introduced—that is, responses were from clients of the same accounting firm. It is reasonable to suspect that an accounting firm specializing in immigrant Chinese restaurant tax matters might tend to attract owners from similar overseas regions, from restaurants that are located only in certain parts of the metropolitan area, or from those that specialize in certain cuisines. Therefore, one must be cognizant of the possible existence of such sampling bias when interpreting the survey results. Subsequent discussions of the findings suggest, however, that this bias does not exist.

<sup>6</sup>Figure 2 includes 48 of the Chinese restaurants; the remaining 12 lie outside of the map coverage area. The dispersed locational pattern suggests that the data obtained from the accounting firm has not produced a locational bias in the sample.

<sup>7</sup>The diverse ethnic origins of the immigrant Chinese owners included in the survey adds further credence to the absence of bias in the sample data from the accounting firm; specifically, this firm includes clients from two different regions that do not speak the same dialect.

<sup>8</sup>Only a general perspective is available. A total of 234 categories of professions, services, and products are listed in *Black Pages*, whereas only 19 different categories are recorded in the *CBIS* directory. The African American community in Denver has been in existence for a considerable period of time, whereas the Chinese American community is a more recent phenomenon.

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