The value of the psychological capital of immigrant entrepreneurs

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Abstract: Immigrant entrepreneurs have always played a critical role in the economies of countries around the world. Although considerable attention has been devoted to the importance of economic and financial capital, we examine three overlooked forms of capital that may enhance the success of immigrant entrepreneurs: human, social, and psychological capital. Special attention is given to the positive psychological capital strengths of hope, self-efficacy/confidence, optimism, and resiliency. We propose that successful immigrant entrepreneurs are those who not only possess, but also seek to further develop and leverage this newly recognised form of capital in themselves and their associates.

Keywords: immigrant entrepreneurs; psychological capital; entrepreneurs’ hope; entrepreneurs’ efficacy; entrepreneurs’ optimism; entrepreneurs’ resilience; entrepreneurs’ psychological capital.


Biographical notes: Fred Luthans is University Distinguished Professor of Management at the University of Nebraska. A former President of the Academy of Management and currently editor of three journals, his current research is focused on positive organisational behaviour and psychological capital.
1 Introduction

Entrepreneurs have always played a significant role in the world economy. In fact, one of the recognised key features of successful economies around the world is the presence of successful entrepreneurs that create an environment for innovation and the creation of new businesses (Baumol, 2004). With the current trends of downsizing that is occurring in organisations, and the fact that interest rates are low to provide start-up financial capital, more and more people are opening their own businesses. In fact, a recent survey by the Kauffman Foundation, a Center for Entrepreneurship Research based in Kansas City, showed that at any given time, approximately 10 million people are attempting to start a business in the USA. Of those, approximately one-third will actually open its doors. Interestingly, a majority of those that do open new businesses are immigrants to the host nation. Studies also show that immigrants are more likely to set up their own businesses than are those native born (Koretz, 2001) and these immigrant entrepreneurs impact a variety of industries, not just small stores. For example, a recent issue of Research Perspectives in Migration states “it’s estimated that approximately one quarter of Silicon Valley firms were established by immigrants” and Cuban immigrants are widely credited with resuscitating Miami, “rescuing the city from stagnation and transforming it into a thriving, export-driven economy”.

The impact of immigrant entrepreneurs on the US economy has been a topic of intense debate. One argument is that immigrants actually have no discernable impact on the overall level of US entrepreneurship and only serve as an economic drain (Camarota, 2000). However, counter data from the US Small Business Administration indicates that in 1997 alone, businesses launched by Asian immigrants generated $275 billion in revenue and employed over 1.9 million people, while Hispanic-owned businesses generated $184 billion in revenue and employed nearly 1.5 million people. Further, other studies indicate that immigrants are net contributors to the US tax base, contributing roughly $1,800 per person more in taxes than they receive in public benefits (Smith and Edmonston, 1997).

While sufficient data is not yet available on the definitive number of jobs and amount of wealth created by immigrant entrepreneurs, it is clearly evident that entrepreneurship is increasingly viewed as an important alternative to wage labour for immigrants around the world. Like natives, immigrants start businesses for the appeal of being their own boss and having greater control of their destiny. In addition, immigrants may also create their own companies if they lack the criteria needed to succeed in existing large
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businesses. Such criteria may include language proficiency, proper education, and other
such credentials that established firms normally seek (Aldrich and Waldinger, 1990).

Regardless of the motives for launching a new venture, starting and succeeding at
your own business is a very risky undertaking. A 2002 Small Business Administration
study found that approximately two-thirds of new firms are still operating after two years,
but only approximately 40% of these businesses make it to their sixth year of operation.
Yet, success is possible, as evidenced by well-known success stories such as Yahoo and
Hotmail, both founded by immigrants (Saxenian, 2000).

There is increasing recognition that being a successful entrepreneur requires more
than venture capital (Crane and Sohl, 2004). In this article, we suggest that in order to be
successful, immigrant entrepreneurs need to go beyond the traditional prescriptions of
success such as having financial and physical capital. These are obviously necessary, but
we would suggest are no longer sufficient in today’s hyper-competitive environment.
We propose that to be successful, immigrant entrepreneurs also need to recognise,
develop, invest, and leverage in their own and their associates human, social, and
especially their psychological capital.

After clarifying what we mean by immigrant entrepreneurs as used here, we will give
a brief overview of each of the newly recognised forms of capital. We will first discuss
human capital and its specific role when examining immigrant entrepreneurs. There are
certain skills, education, and experiences that are invaluable to a successful entrepreneur.
Next, we will discuss the need for immigrant entrepreneurs to develop appropriate social
capital in order to build the necessary network of relationships that can increase their
chances of success. Finally, we will introduce psychological capital or what is simply
being called PsyCap (Luthans et al., 2004a, 2007; Luthans and Youssef, 2004) and its
importance in starting a business and succeeding in the long-term. We will support the
notion that these three newly recognised forms of capital cannot only by themselves lead
to more successful immigrant entrepreneurs and their organisations, but in combination
can have a powerful synergistic effect for competitive advantage in today’s global
economy.

2 How we define entrepreneurs

There are many definitions and approaches to examining entrepreneurship. Some
have focused on the entrepreneur as one that is attempting to or starts a business
(Learned, 1992) or creates a new enterprise (Aldrich and Waldinger, 1990; Low and
MacMillan, 1988). In this view, the role of entrepreneurship ends when the business is
operational. Others have viewed entrepreneurs to be the promoters and seekers of
innovation (Schumpeter, 1934; Low, 2001; Baumol, 2004), as prospectors (Miles and
Snow, 1978), or as exploiters of opportunities (Ireland et al., 2001).

Our use of the term entrepreneur is a combination of these definitions. Our definition
of an immigrant entrepreneur is one who is born and largely raised in another country,
establishes permanent residence, founds/starts, owns, and participates in operating a
business enterprise. This immigrant entrepreneur also is one who seeks opportunities to
exploit in order to enhance business success. If an immigrant is successful in starting and
running just a single business, then that person will fit into our definition of an immigrant
entrepreneur. Likewise, one who constantly looks for new business opportunities is also
an immigrant entrepreneur. Thus, we are using a broad-based, integrative definition in
our discussion of immigrant entrepreneurs. We will now turn to a brief overview of the human, social, and especially psychological capital of such immigrant entrepreneurs that we propose can increase their effectiveness and competitive advantage in global competition.

3 Human capital of immigrant entrepreneurs

Human capital is one of many factors that have been examined as a source of success for any human endeavour. Human capital is generally defined as including the education, knowledge, skills, abilities, and experiences that people bring with them to any situation. Human capital is specific to the individual and is related to a resource-based view of human potential for entrepreneurial and organisational performance. When examining human capital, several benefits seem very apparent for immigrant entrepreneurs. In fact, Bianchi’s (1993) review of personal characteristics of entrepreneurs suggests that simply being an immigrant (or child of immigrants) positively impacts the likelihood that a person will become an entrepreneur. Immigrants tend to have a more global and cross-cultural perspective, as well as a more entrepreneurial spirit (Youssef and Luthans, 2003). Since immigrants, by definition, come from another country than the host country, they bring a different perspective. This unique perspective opens up different ways of looking at problems and can therefore provide an additive benefit to effective entrepreneurship. As we become a more culturally diverse global society, entrepreneurs must have a better understanding of other cultures in order to increase opportunities and be successful. Immigrant entrepreneurs meet this criterion.

In addition, immigrants are also more accustomed to the uncertainty of the business world since they have, by definition, endured high levels of risk and uncertainty by leaving their home countries in search of something better. Therefore, they are more comfortable with the uncertain, disruptive nature of entrepreneurship. For example, Dado Banatao, an immigrant from the Philippines and cofounder of several successful start-up companies, received the prestigious 1997 Master Entrepreneur of the Year Award sponsored by Ernst & Young, Inc. Magazine, and Merrill Lynch Business Financial Services. He won the award in recognition of his personal qualities, including a love of taking calculated risks.

Immigrant entrepreneurs may also carry with them the education and varied skills and knowledge that often are greatly valued within a host country. For example, trends in the need for graduate education in computer science and engineering help to explain the success of immigrants in Silicon Valley. In 1990, immigrants from China and India earned graduate degrees at significantly greater rates than their native US counterparts. Compared to the 11% of the white population working in Silicon Valley in 1990 who had advanced degrees, 32% of Indian and 23% of Chinese employees in high-tech Silicon Valley firms had advanced degrees (Saxenian, 2000). The educational background and technological proficiency of these immigrants enabled them to flourish and capitalise on entrepreneurial opportunities in the dynamic information technology field.

These examples point to the value human capital may have in explaining immigrant entrepreneurial success. Entrepreneurs with varied perspectives or frames of reference, which immigrants tend to possess, coupled with the necessary education and skills, which immigrants also tend to have, will be better positioned to provide a desired new product or service within a country. However, by itself, human capital is not sufficient. Human
capital is certainly necessary, but we would propose not sufficient for entrepreneurial success. An immigrant entrepreneur’s human capital might well offer the potential to succeed in a business venture, but to reach this potential also depends on his or her social and psychological capital.

4 Social capital of immigrant entrepreneurs

The notion of social capital tends to be conceptually grounded in sociology. Portes (1998) gives credit to sociologists such as Bourdieu, Loury, and Coleman for pioneering the concept in the early 1980s and it is recently gaining interest in organisational studies (e.g., Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998). Although this concept has been interpreted different ways, the most widely recognised view is that social capital involves group members (actors) securing some benefit as a result of their membership in social networks or related social structures (Portes, 1998; Brass, 2001). Thus, members of the group benefit from the relationships (their social networks) that are both personal and social and that can result in organisational benefits (Nahapiet and Ghoshal, 1998; Coleman, 1988) and we propose immigrant entrepreneurs’ success.

To possess social capital, one must have social relations with others. It is the others who are the true sources of one’s advantage (Portes, 1998). Much of the relationship between social capital and other forms of capital highlight the importance of the network, relational aspects of social capital (Nahapiet and Ghoshal, 1998). At work, we interact with others and this interaction provides the opportunity for members to share perspectives, exchange information, and collaborate. Thus, through these social networks we are developing the ties that enhance social capital (Nahapiet and Ghoshal, 1998; Brass, 2001). This social capital is also rooted in Gestalt principles that the whole is greater than the sum of its parts. Portes (1998) described what he called bounded solidarity as how members of a group with high social capital are willing to help each other and collaborate because of shared objectives and identification. This process takes place within a community of interaction between individuals which crosses intra and inter-organisational levels (Nonaka and Takeuchi, 1995). This network of relationships results in higher performance collectively than any of the actors could achieve individually.

We propose that such social capital is important to all entrepreneurs in securing the needed support and information needed for their organisations to succeed. In particular, social capital seems critical for immigrant entrepreneurs as they may have not had past history and the necessary connections with those in the host country. They must therefore develop it themselves. However, in today’s networked, global economy, immigrant entrepreneurs may have a relative advantage in terms of social capital with those back home as well as in the local ethnic community of their new country.

Many immigrants start their businesses in ethnic areas of the host country and much of their initial business is from those who share and have intense loyalty to their common heritage. Therefore, the social capital developed within their own ethnic community and that contained within their family unit is an important initial support network for the immigrant entrepreneur. Many studies have focused on these enclaves of entrepreneurial activity (e.g., Portes and Bach, 1985; Waldinger, 1995). These studies point out how the extensive informal ethnic networks help immigrant entrepreneurs recruit labour, identify market opportunities, obtain the training and financial support needed, and create an
environment that further nurtures the development of immigrants’ entrepreneurial capabilities.

Despite the importance of local social capital, in order to succeed in the long-term, immigrant entrepreneurs must also access those beyond their new home ethnic community (Aldrich and Waldinger, 1990; Kostova and Roth, 2003). Whereas the local community and family can be considered strong ties in the immigrant entrepreneur’s social capital, when extended out into the broader community, country, and internationally, these can be viewed as weak ties. They are the contacts outside of our main networks (as opposed to strong ties which come from inside our networks and are characterised by strong and deep relationships). Weak ties can still be a tremendous source of social capital for immigrant entrepreneurs in terms of both new business customers and of new and innovative information that can be leveraged for competitive advantage. New customers in turn can bring their networks in by referring the business to those that they know. In addition, weak ties provide information that is unique to us and they thus provide another frame of reference from which to operate (Brass, 2001).

Similar to human capital, immigrant entrepreneurs may have a relative, comparative advantage in their social capital. However, also like human capital, social capital is necessary but not sufficient for immigrant entrepreneurial success. We propose that psychological capital is also not only needed, but may be the most important and overlooked key to immigrant entrepreneurial success.

5 Psychological capital of immigrant entrepreneurs

Psychological capital or PsyCap has its roots in the positive psychology movement (Seligman and Csikszentmihalyi, 2000; Snyder and Lopez, 2002) and Positive Organisational Behaviour (POB) (Luthans, 2002a, 2002b; Luthans and Youssef, in press a, in press b; Wright, 2003). Positive psychology shifted attention toward strengths of people instead of weaknesses, and Luthans and colleagues have taken this positivity to the workplace through POB defined as

“the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in today’s workplace.”

(Luthans, 2002b, p.59)

The criteria for psychological strengths to be included in POB are:

- theory, research-based, and valid measurement
- relatively unique to the organisational behaviour field
- state-like (as opposed to trait-like) open to development and change
- performance impact in the workplace.

To date, the psychological capacities that best meet these criteria are efficacy/confidence, hope, optimism and resiliency (Luthans, 2002a).

Using this POB framework as a point of departure, PsyCap includes not only the POB states mentioned above, but also includes the combined effect of these states and has been empirically demonstrated to be a second-order, core construct (Luthans et al., in press a). Specifically, PsyCap is defined as a core psychological factor that goes
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beyond human (what you know) and social (who you know) capital to gain a competitive advantage through investment/development of ‘who you are’ (Luthans et al., 2004a, 2007; Luthans and Youssef, 2004). PsyCap is formally defined as

“an individual’s positive psychological state of development and is characterized by: (1) having confidence (self efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success.”

(see Luthans et al., 2007, p.3)

PsyCap has also been linked to authentic leadership (Luthans and Avolio, 2003), specifically entrepreneurs’ authentic leadership (Jensen and Luthans, 2006), Chinese workers’ performance (Luthans et al., 2005), a broad cross-section of employees’ performance and satisfaction (Luthans et al., in press b; Youssef and Luthans, in press), and in international applications (Youssef and Luthans, 2003). Most recently, PsyCap has been shown to be open to development in short training interventions (Luthans et al., 2006, Luthans et al., in press b).

PsyCap meets the POB criteria of being based on theory and research with valid measures, of being new to organisational behaviour research, of being open to development and change, and having performance impact. Drawing from widely recognised standardised measures in positive psychology (i.e., the measures utilised for hope, resiliency, self-efficacy, and optimism), a PsyCap measure has been developed with support for its reliability and validity (Luthans et al., in press b). Most important for application, PsyCap has been shown to be open to development and performance management. This is a key feature as entrepreneurs invest in and develop their own and their associates’ PsyCap for performance improvement. Again, this PsyCap goes beyond both human and social capital and is a unique, but critical dimension that contributes to immigrants succeeding as entrepreneurs. Specifically, we propose that the most successful immigrant entrepreneurs will not only possess, but will invest in, develop, and manage their own and their associates’ PsyCap for performance improvement and competitive advantage. In the remainder of the paper we define and discuss the implications of the major states of hope, self-efficacy/confidence, optimism, and resiliency that make up immigrant entrepreneurs’ PsyCap.

6 Immigrant entrepreneurs’ hope

Hope is a commonly used everyday word but must be defined as it used in PsyCap. Hope is widely recognised in positive psychology and has considerable theory and research back up (Snyder, 2000). As used in PsyCap, hope is defined as

“a positive motivational state that is based on an interactively derived sense of successful (1) agency (goal-directed energy) and (2) pathways (planning to meet goals).” (Snyder et al., 1991, p.287)

Thus, hope includes not only willpower (goal-directed energy), but also, waypower (a means of accomplishing the goal). This hope construct clearly meets the POB criteria of being based on theory and research, measurable, state-like, and open to development.
For example, Snyder (2000) and his colleagues have developed a state hope measure that has been validated and proven reliable and distinguishable in various settings and have clearly shown that hope can be developed.

Hope has been mentioned in the entrepreneurial literature (e.g., McGarvey, 1995). Recently, we found in our preliminary research that higher hope entrepreneurs show greater satisfaction with business ownership and consider themselves better compensated than their lower hope peers (Jensen and Luthans, 2002). In addition, Peterson and Luthans (2003) found that the measured hope of organisational leaders significantly related to their work unit performance and the retention and satisfaction of their associates and a large cross-section of employees’ level of hope related to their performance, satisfaction, happiness, and commitment (Youssef and Luthans, in press). Furthermore, we found that the value of hope holds across cultures in our study of Chinese factory workers (hope significantly related to their rated performance, Luthans et al., 2005). We have also clearly shown that hope can be developed in human resource management (Luthans and Jensen, 2002). By developing hope in organisational leaders, we have proposed that they can influence the development of countries such as South Africa (Luthans et al., 2004b) and Egypt (Youssef and Luthans, 2006). In other words, hope may contribute not only to the success of immigrant entrepreneurs, but also developing host countries as well.

Importantly, we propose that both the ‘willpower’ and ‘waypower’ dimensions of hope are necessary for entrepreneurial success. The immigrant entrepreneur must have the will to succeed in establishing and running a business. Being a successful entrepreneur requires long hours and the willingness to pitch in whenever and do whatever is needed. Having the ability to do what is needed over a long period of time requires a strong will. But having the desire alone is not sufficient for success. In addition to the will, the successful immigrant entrepreneur must also have a way or means of achieving the desired goal, and the ability to discern alternative paths as needed to overcome obstacles.

By leaving their home countries, immigrants have already demonstrated capacities for both agency (willpower) and pathway (waypower) components of hope (Youssef and Luthans, 2003). By going through the immigration experience, that is filled with more challenges today than ever before, the immigrant has to have considerable hope. The immigration process certainly requires a strong will and internalisation of the goal to make it in their new home. This immigration process includes the financial means of getting here and having the proper documents, transportation, communication effectiveness, and other needed resources. However, just getting into the host country is not enough.

To start and operate a new venture, immigrant entrepreneurs, like all entrepreneurs, must also be able to endure the long hours required and provide unique and innovative products or services in order to survive and be successful in the long-term. To illustrate the role of hope, Waldinger’s (1995) account of the success of Korean immigrants in Chicago can be used. While many of these immigrants had been successful self-employed professionals in their native Korea, they found themselves blocked by poor English language skills and professional licensing requirements when they entered the USA. In other words, they lacked the necessary human capital to carry on their professional careers in the USA. However, with strong PsyCap, they were able to be successful immigrant entrepreneurs. Specifically, they had high hope, i.e., a strong will to succeed, and alternate ways to get there. Although they were unable to be successful
through their human capital and their past experience, these Korean immigrant entrepreneurs were innovative in creating new small businesses as a way to establish themselves in their new home and recapture some of their lost status (Waldinger, 1995). The experience of these Korean immigrants (and many others) support how hope can be considered a critical component for successful immigrant entrepreneurs.

7 Immigrant entrepreneurs’ self-efficacy/confidence

We propose that another major state of immigrant entrepreneur PsyCap is their self-efficacy or confidence. As used in PsyCap, self-efficacy is based on Bandura’s social cognitive theory and applied to the workplace is

“one’s belief about his or her ability to mobilize the motivation, cognitive resources, and courses of action necessary to execute a specific task within a given context.” (Stajkovic and Luthans, 1998b, p.66)

Thus, self-efficacy as used here is context and task specific and is differentiated from generalised self-efficacy (i.e., one is confident across a wide variety of tasks and contexts). We propose that immigrant entrepreneurs would tend to have high self-efficacy and be more likely to take risks and seek out challenging situations (see Youssef and Luthans, 2003).

Considerable research by Bandura (1997) and others have found a strong relationship between self-efficacy and performance in a variety of situations and tasks. In a meta-analysis of 114 studies, Stajkovic and Luthans (1998a) found a strong, significant correlation between self-efficacy and work-related performance. More specifically, there has been some attention given to the relationship between self-efficacy and entrepreneurialship. For example, self-efficacy has been suggested to be related to entrepreneurial aspirations and intentions (Boyd and Vozlkis, 1994) and to success once one starts his or her own business (Markman and Baron, 2003).

Self-efficacy/confidence perhaps best meets the PsyCap criteria of being based on theory/research, valid measurement, open to development, and having performance impact (Luthans, 2002a, 2002b; Luthans and Youssef, 2004; Luthans et al., 2007). Bandura (1997) and his colleagues have shown that self-efficacy can be developed in a variety of ways, including vicarious learning (or modelling), through persuasion and arousal (i.e., a contagion effect), and especially through mastery experiences (i.e., being successful). Self-efficacy can be applied to self development and the development and management of others. We propose it can play a primary role in the success of immigrant entrepreneurs.

Immigrants most often leave their homeland with the goal and motivation of making something better for themselves and/or their families. Yet, despite often having a wealth of human capital, the potential for success we would argue may more often depend on the immigrants’ self-efficacy. In a related example, a study of immigrant physicians found these doctors often exhibited significant professional distress, especially if they needed to establish medical practices in new specialties. However, the development of the self-efficacy of these immigrant physicians resulted in significant improvements in their performance levels and emotional states (Rabin et al., 1996). This and other studies support our proposal that the PsyCap self-efficacy/confidence of immigrant entrepreneurs is critical to their success.
8 Immigrant entrepreneurs’ optimism

We proposed another major component of immigrant entrepreneur PsyCap is optimism. Also a commonly used word, optimism in positive psychology is a cognitive process (state) that involves having positive outcome expectancies in a variety of situations. Optimism draws from attribution theory and is closely associated with the work of the recognised founding father of positive psychology (Seligman, 1998). Optimists look at failure as externally-driven (outside variables are to blame) whereas they look at success as internally-driven (I was the cause of my success). When we examine optimism, we should be careful to point to what Seligman called ‘realistic optimism’. Realistic optimism does not blame all failure on external influences but instead takes personal responsibility for certain failures. Therefore, optimists can differentiate and know when to look inside one’s self to maximise future success. Realistic optimism is still positive in nature and looks at the future in favourable ways, but it is tempered by ensuring that success is possible given the current situation and resources available. Seligman also points to something he terms ‘flexible optimism’ which allows the person to know when to be optimistic and when to be realistic. Thus, realistic and flexible optimism minimises the potential problem of false optimism and losing a sense of reality.

Optimism has certainly been given surface attention in entrepreneurship, and we propose is very relevant in the PsyCap of immigrant entrepreneurs. For example, a study in New Zealand indicated that business founders’ high degree of optimism helped explain the high rate of business formation in the region (Pinfold, 2001). Also, entrepreneurs have been described as having an optimistic view of the future (Crane and Sohl, 2004).

It only follows that if entrepreneurs are spending their time, resources, and effort toward starting and operating a new venture, then they should be optimistic that the effort will pay off in the form of a successful outcome. Further, it seems reasonable to assume that an immigrant who leaves the homeland (and all that’s familiar) to create a new life and business in a new, unfamiliar part of the world, will hold a positive view of the future, especially in light of the associated high degree of risk. If they did not believe they were leaving their home countries for something better, why would they leave at all? In order to abandon what you have in the quest of something better, one must be optimistic toward that future state achieved by immigrating. Again, as Seligman recognised, the immigrant entrepreneur’s optimism should be tempered by a degree of realism and flexibility and would also need to include a hard work ethic (Crane and Sohl, 2004). Thus, we propose that successful immigrant entrepreneurs possess a high degree of realistic, flexible PsyCap optimism.

9 Immigrant entrepreneurs’ resiliency

The fourth component of the core construct of PsyCap that we propose is relevant to the success of immigrant entrepreneurs is resiliency. Resiliency is defined in positive psychology as one’s capacity to successfully cope in the face of significant change, adversity, or risk (Masten and Reed, 2002; Stewart et al., 1997). A resilient person has the capacity to consistently bounce back from, rather than be set back or crushed by, adversity or failure. Resiliency was once considered a rare talent; however, research evidence now clearly indicates that resiliency comes from “the everyday magic of ordinary, normative human resources” (Masten, 2001, p.235).
The three commonly recognised themes of resiliency all seem to be particularly relevant for immigrant entrepreneurs:

- a staunch acceptance of reality
- a deep belief that life is meaningful
- an uncanny ability to improvise and adapt to significant change (Coutu, 2002).

An immigrant must be very resilient to simply endure the long and arduous process of moving to another country with its associated bureaucratic delays, setbacks, and inevitable frustrations. Resiliency seems necessary to begin a new life and business venture in one’s adopted country. By accepting the realities of the arduous process, maintaining the belief that this will lead to a more meaningful life, and especially being able to improvise and cope with the change, should all enhance the opportunity of an immigrant to succeed as an entrepreneur.

The importance of resiliency to immigrant entrepreneurs is evident when considering what Masten (2001) identifies as the two components of resiliency judgements. The first judgement addresses the threat dimension of resiliency. There must be a significant threat or adversity facing entrepreneurs if they are to employ their PsyCap resiliency. In fact, by definition, if there is not adversity or a threat, then there is no resiliency. In addition, there must be a strong probability that the threat will occur. Therefore, resiliency involves adverse and threatening risks to the individual and there must be a realistic possibility that the risks will actually take place. The risk associated with this resiliency has been operationally defined in several ways (to date, mostly associated with life events). However, the risk most relevant to immigrant entrepreneurs would be business failure. As brought out in our introductory comments, the statistics on new venture survival clearly indicate this risk to be real and highly probable.

The second judgement (component) of resilience identified by Masten (2001) is that the reaction, adaptation, or outcome will be positive. A positive reaction is one in which the individual achieves success as defined by the situation. Thus, when immigrant entrepreneurs are faced with business challenges, resiliency would help them keep striving despite the inevitable adversity and risk. In sum, resilience contains two components: it must involve risk to the individual and it must contain a positive reaction to that risk. Both of these would fit with and we would propose predict the success of immigrant entrepreneurs.

Resiliency has been previously mentioned as a key factor in entrepreneurial success (e.g., Meeks and Sullivan, 1992). By reacting positively and bouncing back from adversity and risk, resilient entrepreneurs increase their chances for survival and long-term success. The business environment today involves more risk, change, and adversity than ever before. Rather than being crushed by inevitable setbacks, resilient entrepreneurs can absorb these shocks, bounce back, and keep their organisations moving toward long-term success. For example, Berny Silberwasser, the son of a German immigrant to the USA, who himself left his US homeland to become the unofficial brewpub king of Bogota, Columbia, demonstrates such immigrant entrepreneurial resiliency. Even though Columbian rebel forces launched grenade attacks on his brewpubs, Silberwasser rebounded with vigour. Although his brewpubs now feature armed guards as well as the latest microbrews to make his customers feel safe, Silberwasser’s PsyCap resiliency is what has enabled him to not only literally survive, but to continue his expansion plans throughout Colombia (Selsky, 2004). Like the other
PsyCap states of hope, self-efficacy/confidence, and optimism, we propose that the resiliency of immigrant entrepreneurs can contribute to their success and competitive advantage.

10 Summary and conclusion

Globalisation and technological advances make the business environment increasingly complex and competitive for today’s entrepreneurs to be successful. Even the smallest company can utilise the internet to expand its market scope around the globe. Although the need for financial and physical/technological capital is a given, human (education, skills, ability, knowledge and experience) and social (networks of relationships) capital are being increasingly recognised as needed for success. For example, social capital can help internally by spreading an innovative spirit and culture throughout the organisation. By building relationship networks within an organisation, the entrepreneur can facilitate communication that can lead their associates to share perspectives, exchange information, and collaborate. Such social networks can lead to more innovation and proactive, productive behaviour within the organisation. In addition, by building social capital outside of the organisation, the immigrant entrepreneur can develop the needed customer and affiliation base. In other words, social capital will facilitate and enhance immigrant entrepreneurial success.

Although financial, human, and social capital are certainly necessary, we have proposed they are not sufficient for immigrant entrepreneurial success in today’s environment. We propose that the newly emerging recognition of psychological capital is also needed and can provide competitive advantage. Immigrant entrepreneurs are uniquely positioned for such potential advantage, given their demonstrated hope, optimism, self-efficacy/confidence and resiliency in leaving a familiar homeland to create a new venture in a new part of the world.

In conclusion, we suggest that immigrant entrepreneurs may have relatively higher PsyCap to start with and because of it being state-like, it can also be further developed and managed in themselves and their associates. This investment in PsyCap by immigrant entrepreneurs can yield a collective benefit for their business venture and make them more successful. Creating a successful company in an unfamiliar environment demands tremendous effort, creativity, and commitment. An immigrant entrepreneur who is hopeful, confident, realistically optimistic, and resilient seems much better positioned to survive and flourish in today’s turbulent environment. Finally, this psychological capital of immigrant entrepreneurs can be additive to and complement the benefits derived from strong human and social capital and in combination we propose may result in not only survival, but sustainable competitive advantage.

References


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