Spotlight
by CeFEO

How do immigrant family businesses overcome financial barriers and access diverse funding sources?

Navigating financial challenges. How immigrant family businesses achieve ambidexterity

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For immigrant entrepreneurs, starting a business in a new country is often fraught with financial challenges. Limited access to traditional financing, cultural barriers, and unfamiliar financial systems can significantly hinder the growth of immigrant family businesses (IFBs). Despite these challenges, many IFBs manage to survive and thrive, adapting in ways that native entrepreneurs may not need to. One key to their success lies in their ability to achieve financial ambidexterity—a flexible approach to navigating both ethnic and mainstream financial ecosystems. This article explores the concept of financial ambidexterity and its practical implications for immigrant family businesses today.

WHAT WE STUDIED

The concept of financial ambidexterity was introduced to explain how IFBs overcome financial constraints in host countries. The research draws from multiple disciplines, including family business studies, immigrant entrepreneurship, behavioral complexity, and social networking theories. By analyzing the behavior of IFBs, the study identified two key mechanisms—boundary work and behavioral complexity—that allow these businesses to explore and exploit financing opportunities across both co-ethnic and mainstream boundaries. This study focused on first-generation immigrant family businesses, as they face the greatest hurdles in accessing financing and navigating unfamiliar financial systems.

KEY INSIGHTS

1. Boundary Work: Bridging Ethnic and Mainstream Financing

IFBs often begin their financial journey by relying on co-ethnic networks. However, as these businesses grow, they quickly realize that the resources available within their ethnic communities may be limited. Boundary work—a process that involves bridging the gap between ethnic and mainstream financial networks—becomes crucial. IFB owners must engage with mainstream actors while maintaining ties within their ethnic communities. This boundary work helps them access a broader range of financial resources, including venture capital, bank loans, and trade credit from both ethnic and mainstream financers.

2. Behavioral Complexity: Flexibility in Financial Decision-Making

Achieving financial ambidexterity requires IFB owners to adopt a high level of behavioral complexity. This means they must be able to manage conflicting demands from their ethnic and mainstream financing sources. For example, they may need to navigate different expectations regarding interest rates, repayment terms, or business growth projections. By developing cognitive flexibility, IFB owners can respond effectively to diverse financial challenges, enabling them to both explore new opportunities and exploit existing ones.

TAKEAWAYS

1. Start with Co-Ethnic Financing, But Don't Stop There

While co-ethnic networks provide a critical starting point for financing, they are not sufficient for long-

term growth. IFB owners should actively seek to expand their financial networks beyond ethnic boundaries by engaging in boundary work.

2. Develop Behavioral Flexibility

Successful IFB owners exhibit a high level of behavioral complexity, allowing them to juggle the diverse requirements of ethnic and mainstream financers. Family business leaders should invest in developing this flexibility, either through mentorship or by gaining direct experience in dealing with different financial institutions.

3. Use the Power of Family Social Capital

The unique social capital that family businesses possess—built on trust, loyalty, and shared identity—can be a powerful tool in accessing both ethnic and mainstream financing. Families should leverage their networks to foster strong relationships with potential financers, both within and outside their ethnic communities.

IMPACT

Financial ambidexterity holds significant implications for the future of immigrant family businesses. As globalization continues to evolve, IFBs will need to navigate increasingly complex financial environments. The ability to effectively manage relationships with both ethnic and mainstream financers will be essential for sustaining business growth. Moreover, this concept may inform future policies aimed at supporting immigrant entrepreneurs, encouraging financial institutions to create more inclusive lending practices.

RECOMMENDATIONS

To foster financial ambidexterity, IFB owners should focus on building diverse financial networks and developing cognitive flexibility. Policymakers and financial institutions can support these efforts by creating bridging programs that connect immigrant entrepreneurs with mainstream financers. Additionally, later generations in IFBs, who are often better integrated into mainstream cultures, should be encouraged to play a role in bridging these financial networks for long-term business sustainability.

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