

## CHAPTER SIX

### Alternative Business Development

Self-employment continues to be an important cornerstone of Asian economic activity. Historically, discrimination barred early immigrants from mainstream jobs, forcing many into ethnic entrepreneurship. Today, small businesses remain an important alternative to employment in the mainstream labor market, as Asians continue to face barriers such as discrimination, lack of English language proficiency and transferable skills, and underemployment. Moreover, the belief that self-employment is a superior alternative to low-wage work as a strategy for upward mobility has historical salience for both immigrants and native-born alike.

Although Asian businesses are a vital economic activity, we need to examine the general characteristics of these businesses as well as qualitative issues such as the nature of jobs they create, the diversity of business activities, and their long-term viability. As discussed in Chapter Four, the level of entrepreneurial spirit in the Asian community has historically been high due to the class and ethnic resources of some immigrants. Rather than uncritically promote new business start-ups, it is now both timely and necessary to focus on ways to improve the conditions of existing businesses and the welfare of their workers.

The factors that shape the characteristics of Asian entrepreneurship force many businesses into highly competitive and marginal economic sectors which contribute to exploitative working conditions. Our chief concern is the extent that immigrant entrepreneurs and their businesses can play in improving the quality of community life through jobs with better pay and benefits, services that enrich the business climate, and strategies that diversify the community's economic base.

## The Potentials and Limits of Small Business

Small business development is a vital part of national and local economic activity. Within the past two decades, important economic trends have helped to facilitate the expansion and growing significance of small businesses in the United States. The Small Business Administration (SBA) defines a small business as a firm with fewer than 500 employees. Small businesses constitute 99.8 percent of all firms in the United States (Schindler, 1992), but many of these firms do not have employees. In 1986, of the 17 million businesses filing federal tax returns, slightly over three-quarters (76 percent), or 13 million, had no employees (Blackford, 1991, p. 107). The SBA claims that the estimated 20 million small businesses in the United States today accounts for 39 percent of the GNP, one-half of America's workforce, and 54 percent of all sales (SBA, 1992).

The economic restructuring of the 1970s and 1980s, and, specifically, the emergence of an integrated global economy has undermined the viability of many large American businesses, especially in manufacturing. This trend of deindustrialization and the shift from large manufacturing companies to service-related businesses has contributed to the growth of small businesses (Piore, 1990). Numerous large corporations have undertaken drastic measures to downsize their labor force, marking the decline of monopoly capitalism. As big businesses have ceased to be the primary "engines of growth," some policy-makers believe that small firms can serve an important role in economic restructuring and become a vital source of economic revitalization and employment (Mokry, 1988; Blackford, 1991). Current economic conditions of instability favor the emergence of small businesses, since they "have greater ability to react quickly to alterations in markets and fluctuations in exchange rates" (Blackford, 1991, p. 110).

Exactly how important small businesses are to economic development is, however, unclear. David Birch's (1987) seminal study claims that two-thirds (66 percent) of the new jobs created between 1969 and 1976 were by companies that employed fewer than 20 workers. This assertion is highly disputed, and many economists argue for a different figure (see Piore, 1990, for a summary). Some contend that firms employing fewer than 20 employees are responsible for a little over one-third (37 percent) of new jobs. Between 1985-1986, firms with fewer than 100 employees accounted for 44 percent of new jobs in the United States (Blackford, 1991, p. 115).

Even if small businesses generate jobs, they also destroy large numbers of jobs because of a high failure rate. The economic recession during the 1980s further compromised the viability of small businesses. A sampling of recent articles in the *Wall Street Journal* points to the rise in business failures, especially among small businesses: "Business Failure Rate Grows, Fueling Recession Worries," September 4, 1990; and "Small Companies Lose Big in Retailing War of Attrition," March 20, 1991. A commonly cited statistic is that four out of five start-up businesses will fail within their first five years of operation (Brown, 1988). The failure rate tends to decline for those firms that grow in employment during the critical formative years. Firms that hire one to four people during the first six years face a failure rate of only one-third (Brown, 1988).

Along with the questions about overall employment creation is a growing concern about the types of jobs created. While approximately one-half of jobs created by small businesses are professional, technical or managerial, the rest tend to be low-paying, dead-end jobs. Typically, average wages in small firms lag behind those in large companies. In part, the shift from high-paying manufacturing to lower-paying service sector jobs is to blame for the general decline in wages for American workers. Employment in the small-business sector is also plagued by a lack of health insurance coverage. Approximately 37 million people nationwide, roughly 16 percent of the total U.S. population, lack health insurance coverage. Researchers estimate that about a half to three-quarters of the uninsured population is comprised of small business owners, employees and their dependents (Freedman, 1989; Fritz, 1993).

Asian-owned businesses, particularly those in the ethnic economy, share many of the problems of all small businesses. The brief profile on Asian small businesses in Chapter Four documented why Asian firms tend to be small, have few paid employees, are concentrated in highly competitive sectors, and experience a high failure rate. As stated earlier, employment conditions in Asian-owned firms are not good and ultimately, serve to undermine the minimal standard of well-being for workers and their communities. Average wages in Asian firms are quite low, and work conditions are often substandard. In addition, many owners do not provide health insurance coverage for their workers or themselves. Poor work conditions are further exacerbated by employer-employee relationships, which are often based on ethnic ties. Typically, labor relations are embedded in paternalistic kinship or social bonds, which enable employers to violate standard labor regulations and weaken the potential for worker organizations

(Light and Bonacich, 1988; Ong, 1984). Although ethnic-based work relations provide a degree of cultural continuity and flexibility in the workplace, the broader social costs (i.e., job quality, workers rights, and labor standards) can be quite high. Since most firms involve unpaid family labor, an improvement in working conditions will translate to a higher standard of living for both workers and entrepreneurs alike. Moreover, Asian firms such as garment industry subcontractors are employers of other minorities, namely Latina workers.

### **Small Businesses and Community Economic Development**

Small businesses have historically played an important role in the development of immigrant Asian communities. However, their contribution to Community Economic Development and political empowerment has been limited. Although business ownership is generally regarded as the key to economic success for immigrants, that success comes with high social costs for both immigrants and society at-large. As a result, individual entrepreneurial success is not equivalent to economic development or empowerment as defined by the principles of Community Economic Development. Due to their small size and, more importantly, the socioeconomic costs of small business entrepreneurship, the establishment of more immigrant-owned firms is not a primary strategy for job creation or Community Economic Development.

Although the general characteristics of Asian entrepreneurship clearly demonstrates the marginalized and tenuous position of these businesses, much discussion on economic development continues to center on the further promotion of small business development. The common belief held by policy-makers, officeholders, community representatives, and academics alike is that small business development is the primary strategy for economic development. Substantive discussion on qualitative aspects of economic development, such as the quality of jobs created by small businesses, has been virtually absent from this debate. While recognizing that Asian small businesses play a vital role in economic survival, our emphasis on Community Economic Development does not focus on the promotion of small business development. Our perspective is based on two key reasons: 1) historically, the level of entrepreneurial endeavor in the Asian community has been high due to both structural conditions and access by some immigrants to class and ethnic resources; and 2) the immediate need in our communities requires us to focus on ways to

improve the viability of existing businesses and the welfare of ethnic economy workers.

To meet the Community Economic Development objectives of improving the conditions of low-income Asian workers and maintaining the long-term viability of small businesses, the goals of business development must revolve around three basic principles; 1) Asian small businesses should be good employers, 2) Asian small business owners should be socially responsible community members, and 3) business sustainability should be fostered through diversity.

Being a good employer means providing adequate wages, health insurance, a safe and quality work environment, and opportunities for training and advancement. Many of these issues are discussed in detail in Chapter Five. In order for businesses to engage in good employer practices, we recognize that the prevalent conditions of high competition and low profit margins which drive businesses to maximize cost-saving techniques must be addressed. The goal of becoming a good employer is, therefore, intricately linked with the goal of ensuring the long-term financial viability of small businesses, which is discussed later.

The second goal for Asian small business owners is to become responsible members of the community within which they operate. Asian businesses are found in both ethnic enclaves and other minority communities. They provide important services and constitute a critical part of the overall community infrastructure. While social responsibility (defined as societal benefits) is generally considered a requirement of large corporations, it must also be applied to small businesses. No other event raises this concern as clearly as the civil unrest that erupted in Los Angeles at the end of April 1992.

The civil unrest demonstrated quite vividly that Asian small businesses must address concerns of social responsibility, particularly in minority communities. Although the unrest was an outcome of many social ills -- racism, urban poverty, ethnic tensions, and community disinvestment -- it was a signal to entrepreneurs that owning and operating a business does not come without obligations to the community. The point is reinforced by the racial tensions which have erupted between Korean merchants and their African American and Latino neighbors, especially over the proliferation of liquor stores in South Central Los Angeles. Efforts to convert liquor stores into other businesses may serve as a rare example of community intervention strategies, rooted in promoting business social responsibility, that can mitigate some of the negative consequences of free market practices.

Socially responsible practices are becoming a priority for the long-term viability of Asian-owned firms in an increasingly multiracial and multiethnic environment. At a minimum, shopowners must avoid actions which are negligent of their constituencies (Van Auken and Ireland, 1988). Adhering to the principle of social responsibility means that positive customer practices and community relations must be actively cultivated (Joe, 1992). Collaborative efforts such as the Liquor Store Business Conversion Program co-sponsored by a consortium of Asian and African American organizations in Los Angeles are part of an important strategy stressing Community Economic Development.

The final goal of Community Economic Development for Asian businesses is to ensure their long-term profitability by facilitating economic diversification away from narrow entrepreneurial niches. The first two goals of good employer practices and social responsibility are not achievable without meeting this final goal. The uneven concentration of Asian firms in retail trade and services highlights their vulnerability since these sectors are noted for high rates of business failure, vulnerability to economic fluctuations, and extreme competition (Amsun, 1977, p. 84). Consequently, Asian-owned businesses typically have low annual revenues and a high turnover rate, and tend to create low-wage and low-skill jobs.

Conditions of high competition and low profits compromise the work environment for workers in Asian-owned businesses. Employers will typically seek to lower labor costs in order to squeeze some profit out of their businesses either by employing family members at no pay or securing a cheap and vulnerable labor force comprised of co-ethnic or immigrant workers. To address this problem, strategic planning and technical assistance must be provided to help diversify businesses and facilitate their expansion beyond limited geographical boundaries and ethnic niches. Recognizing this situation, a group of Asian entrepreneurs met to discuss possible strategies for diversification (Watanabe and Lim, 1990). In addition to diversification, Asian businesses need to increase the size of their operation, and depart from the abnormally high proportion of sole proprietorships (Amsun, 1977).

Increased international competitiveness has forced U.S. transnational corporations to transverse the globe in search of ever cheaper sources of labor and production methods. Immigrant enterprises, however, have emerged as a valuable source of cheap labor right here at home. Through such linkages as franchising and subcontracting, immigrant businesses provide direct and indirect benefits to corporate capitalism at the expense of both immigrant labor and entrepreneurs (Light and Bonacich, 1988). Research is necessary

to examine the feasibility of linking up Asian businesses with growth industries in the local and regional Los Angeles economy such as light manufacturing and transportation to insure long-term viability. Asian involvement in the formulation of regional industrial policy is also critical to creating economic policies that will improve conditions for both entrepreneurs and workers.

## **Assessment of Current Programs**

In this chapter, we assess two types of assistance to small businesses: 1) loan resources for business capitalization, and 2) technical assistance for business formation and various aspects of business operation (e.g., marketing analysis, management, and accounting). Within these two major categories, there is an array of programs offered by a) private nonprofit organizations such as Coalition for Women's Economic Development, Community Development Bank, Asian American Economic Development Enterprises, and the Economic Resources Corporation; b) local and city agencies such as the Community Development Department and Mayor's Office of Small Business Assistance/City Economic Development Office; c) state programs including Small Business Loans Guarantees; and d) the federal Small Business Administration, which provides a variety of loan programs including the Section 8(a) Business Loan Program.

The programs which provide technical assistance are also offered at various levels and are just as numerous: a) private nonprofit/community organizations which include Asian Business Association, Valley Economic Development Center, Pacific Coast Regional Small Business Development Center, and Pacific Asian Consortium on Employment; b) local agencies such as Community Development Department, and Mayor's Office of Small Business Assistance; c) state programs through the Office of Small and Minority Business, and Small Business Advocate; and d) federal programs through the Minority Business Development Agency (Los Angeles MBDC).

Our extensive examination of these various programs resulted in identifying only a few programs significant enough to warrant a substantive assessment. In addition to the governmental programs, we discuss programs offered by local nonprofit community organizations. Our assessment of these programs, both public and private, will be based on how effectively they meet the three goals of creating good

employers in Asian business owners, promoting social responsibility, and fostering the diversification of businesses.

### **Federal Small Business Administration**

The Small Business Administration (SBA) is an independent federal agency created by Congress in 1953 to counsel, assist and protect the interests of small businesses in order to preserve the competitive enterprise and strengthen the national economy. The principle activities of the SBA are 1) financing programs, and 2) business development programs which entail individual consultation, conferences and workshops on various aspects of business start-up and operation.

The primary financing capital program offered by the SBA is the 7(a) General Loan Program. The Economic Opportunity Loan Program provides direct funds from the SBA and is specifically targeted to minority entrepreneurs. However, these funds are extremely limited. The SBA prefers to use their funds to guarantee loans which enables them to leverage more from their limited resources. In fact, approximately 90 percent of the agency's total loan effort is represented by the 7(a) General Loan Program, which promotes small business development with loan guarantees of up to 90 percent of the amount provided by commercial lenders (SBA, 1992). In 1991, the SBA provided a total of 1,315 direct and guaranteed loans (excluding disaster loans) to small firms owned by Asian Americans, American Indians and other minorities (excluding African-American and Latino-owned businesses). The loans were worth \$425.6 million. In light of these statistics, it appears that the rate of Asian participation in SBA financing programs is quite negligible. Asian-owned businesses number over 300,000 nationwide. Less than one-half a percent (.43%) of these firms participated in the 7(a) General Loan program. Moreover, this statistic is slightly inflated because the SBA lumps American Indian and "other minorities" with Asian-owned firms.

According to two SBA representatives, over the last 20 years, the volume of loans made to Asians in Los Angeles, particularly through conventional lenders and SBA guaranteed loans, has increased dramatically. Approximately one-third of SBA loans through conventional lenders are made to Asian Americans with the bulk made to Koreans (Capgart interview, 1993). This observation was confirmed by the SBA Division Director, Michael Lee, who noted that among Asian ethnic groups, Koreans have been most aggressive in seeking



SBA Loans and have an "intense drive to be independent" (Lee interview, 1993). Part of the reason for this volume of Korean participation is the existence of Korean-owned banks, which provide entrepreneurs access to loans. Lee noted that there is a tremendous need for capital which is only partially met by informal sources. In contrast, other Asian ethnic groups including Chinese and Southeast Asians tend to rely on their own resources and are not major recipients of SBA loans. Although the SBA does conduct community outreach and educational efforts, Lee observed that this task is extremely difficult due to the diversity of ethnic communities in Los Angeles. Lee also noted that a common complaint about the SBA is that it does not solve all problems in small business development. This complaint may, in fact, be due to unrealistic expectations since the SBA often does not have the capacity to address all issues. Another problem is that the SBA does not provide equity capital, which must still be generated by traditional methods such as savings and personal loans. Moreover, requirements in the application process may be prohibitive due to language barriers, bad record keeping, and poor tax paying records of applicants.

Two key SBA technical assistance programs targeted to disadvantaged individuals are the 8(a) program which provides assistance toward certification to participate in government procurement or federal contracts for services and goods; and the 7(j) program which provides managerial/technical assistance, such as consultation on bookkeeping, production, engineering, and other aspects of operating a small business. In 1991, 1,458 8(a) contracts were awarded to firms owned by Asians, American Indians and "other minorities" nationwide. These contracts were worth \$1.04 billion. Approximately 979 Asian, American Indian and "other minority" firms participated in the 8(a) program nationwide. This share represents less than one-half a percent (.32%) of all Asian businesses nationwide that are in the 8(a) program. Similar to the statistic for Asian participation in the 7(a) General Loan Program, the Asian share is slightly inflated because the SBA statistic includes American Indians and "other minorities." It is quite apparent that Asians do not receive financial or technical assistance proportionate to their representation among minority small businesses and small businesses in general.

Finally, with respect to community development objectives, SBA focuses its resources on capitalization, minority procurement capacity, and business operation. It provides little leadership or resources for business development concerns beyond those directly related to small business initiation and operation.

## State Enterprise Zones

Enterprise zones in the City of Los Angeles are designated by the state as economically depressed areas targeted for economic revitalization and investment. Currently, there are five Los Angeles Enterprise Zones: Central City (East of USC), Greater Watts, Eastside, Pacoima, and San Pedro/Wilmington. Small businesses located in these zones may take advantage of benefits in the form of tax and hiring credits, and local expediting assistance. Because minorities often make up the population of areas targeted by enterprise zones, benefits for communities can come in the form of employment or small business assistance.

Basically, the enterprise zone program provides incentives for businesses to locate in the area as well as hire from the local community. Incentives include a reduction in taxes on employee wages, business equipment expenses, and taxable income. The program is primarily concerned with stimulating business investments and creating jobs in depressed areas. While these objectives seem ideal for areas in need of employment and revitalization, there is no discussion about the "quality" of the jobs created. Since Asian small businesses tend not to generate well-paying jobs for minorities or co-ethnics alike, their location within an enterprise zone would not necessarily improve working conditions for their employees, even with tax and hiring credits.

Moreover, due to the way the program was conceptualized and designed, the issues of human relations and socially responsible business practices are not addressed at all. The concept also is an inadequate response to changes in the economy, insofar as it does not provide industry-specific incentives geared to business conditions in the area. Although enterprise zones may provide an alternative niche for Asian small businesses, the program does not provide any way of determining what that niche will be.

The enterprise zone program has raised concern over what some see as the exploitation of community resources and cheap labor. The zones have been criticized for creating "sweatshop" type jobs (Kennedy, 1986). Massey (1982) has argued that the enterprise zone rhetoric "conceals a completely one-sided shift -- in terms of financial gain and unfettered power from labor to capital."

Finally, the supposedly positive benefits of enterprise zones are yet to be seen. Since the Clinton Administration will place particular emphasis on enterprise zone programs to ameliorate urban decline, the Asian community must make its specific concerns known at both the

federal and state levels. At the local level, Asians must also participate by evaluating the local agency's effectiveness. They must offer input on areas needing improvement and suggest changes, so that the program can be more effectively administered. Labor advocates and low-income groups must also offer their critical assessment of enterprise zone programs before wholeheartedly endorsing them.

In attempting to revitalize a disinvested urban area, policy-makers must distinguish between investment and community development. The enterprise zones may translate into investment but not necessarily development. Development is concerned not only with the physical environment but also with the human potential in the community, the empowerment of its members, and the collective benefit, not individual profit, that results from investments (Kennedy, 1986).

### **Local Programs**

The City of Los Angeles Community Development Department (CDD) was founded in 1977 to administer Los Angeles' share of the federal government's Community Development Block Grant (CDBG). In 1984, CDD created the Industrial and Commercial Development (ICD) division to address specifically the economic development needs of low to moderate income neighborhoods. Through the ICD, a portion of the city's CDBG funds are utilized for direct low-interest loans to expand the number of locally owned small businesses. ICD provides assistance in the form of financial lending and entrepreneurial training to businesses that "offer public benefits to low and moderate income residents" through job creation and retention, elimination of slums, and increasing the availability of goods and services. ICD assists a range of established businesses from small "mom and pop" enterprises to major real estate developers. The basic criteria is that projects must provide public benefits which, at minimum, is one new job for low and moderate income residents for every \$20,000 in loan proceeds. Priority for loans is given to businesses located in the census tracts where a majority of residents have low to moderate incomes.

ICD offers a variety of programs to help launch new enterprises and assist established businesses achieve financial viability. The programs include a) Small Business Fund (SBF) which provides direct low-interest loans in the amount of \$10,000 to \$1,000,000; b) bond financing program for large-scale projects of \$1,000,000 to \$10,000,000; c) Small Business Fund Outreach which provides technical assistance and below market interest rates to businesses in targeted communities;

d) Business Assistance Centers (BACs) in the target communities of Pacoima, South Central and Eastside to help potential entrepreneurs with technical assistance in Marketing/Business Plan, Counseling, and Training; and e) Entrepreneurial Training which provides self-employment training to prospective low-income entrepreneurs and fledgling businesses.

The stipulation of job creation is an important step toward expanding the benefits of small business development beyond the individual entrepreneur. The next step is to ensure that the jobs created are good jobs, i.e., that they provide a living wage, health insurance coverage, and safe working conditions. Aside from adhering to federal law which mandates that CDBG-funded construction projects pay workers "prevailing" wages, the ICD program does not stipulate additional conditions in its discussion on job creation.

Also, the target communities for Business Assistance Centers (BACs) do not currently include low-income Asian communities. The primary objective of BACs, moreover, appears to be the expansion of business development opportunities rather than providing resources and assistance to existing small businesses to achieve the community development goals of becoming good employers, promoting social responsibility and diversifying economically.

As discussed earlier, programs are needed to help Asian-owned businesses move out of limited economic niches. Entrepreneurs need programs that will help them to develop a business structure and plan, find an appropriate site, and improve business management and marketing techniques. However, this type of assistance fails to address the poor working conditions and high social costs of immigrant small businesses. Technical assistance programs such as Entrepreneurial Training can benefit by expanding its mission to deal with Community Economic Development needs by addressing merchant-customer relations, employer-employee relations, and long-term financial viability.

### **Community-Based Programs**

There are many community-based small business assistance efforts. The following discussion covers only a few examples. The Pacific Asian Consortium on Employment (PACE) recently introduced a five-week comprehensive training course for low-income entrepreneurs which covers business start-up and necessary skills such as bookkeeping, financial management, marketing analysis, advertising,

and borrowing. This intensive training also addresses finding a niche and how participants can live with little income for the first three years of business operation. Although it is too early to assess the success of the program, the initial evaluation indicates that participants are learning sound business practices. But while this type of technical assistance is important, it nonetheless ignores broader concerns of business development beyond the individual entrepreneur.

Based in San Francisco, Asian Inc. is a nonprofit community-based agency that provides business development assistance to entrepreneurs along with programs dealing with affordable housing development and restoration. Its Business Department provides assistance in the areas of business start-ups, loans for existing small businesses, and government contract procurement. Again, the assistance is focused on business start-ups.

PACE and Asian, Inc. provide valuable resources to entrepreneurs. However, there is still a need for training in the areas of strategic planning, employer responsibility, and customer relations. Since the average Asian-owned firm employs less than four employees and often relies on unpaid family labor, procurement of government contracts means little to most businesses. Programs are needed that address hyper competitive conditions, and that can help diversify and move Asian small businesses into new areas.

The Valley Economic Development Center currently offers the Fledgling Business Program, which is funded by the City of Los Angeles Community Development Department (CDD). The program was recently extended for another year of operation. The program places primary emphasis on job creation through business expansion. Only new and small businesses located in Los Angeles are eligible for the program. The business can be from any industry (such as retail or manufacturing). Participants pay a fee of \$198 and make a commitment to hire at least one additional person upon completion of the program. The program consists of class sessions on strategic planning, competitive analysis and advantage, marketing strategy, operations and financial management, and leadership development. The program also provides business counseling and mentoring. After completing the program, a follow-up session with the business is done on a quarterly basis.

In the first year, 200 businesses were enrolled in the program, and 200 jobs were generated, which went mostly to low- and moderate-income persons. The program may have Spanish and Korean language capability by this coming year. Some businesses which have gone through the program have expanded into new markets, or have even

merged with other businesses in the program. In most cases, the program has helped businesses expand their operations and profits, which enabled them to hire an additional worker. The results of program have already received high praise from the CDD staff.

Although it is too early to assess the contribution of this program on Asian small businesses, there is no question that it is valuable. Since low profit margins represent one key problem for Asian small businesses, assistance in business expansion may help them diversify beyond the ethnic economy. The program includes training in the traditional area of business management and operation, as well as assistance in strategic planning.

While the program places great emphasis on job generation, it is not clear whether any consideration is given to the "quality" of these jobs. Also, it is not clear whether the program addresses broader Community Economic Development goals such as owner-customer relations and employer-employee relations.

### **Conclusion: A Community-Based Approach**

Our evaluation of existing programs shows that these programs fail to provide extensive resources to assist Asian small businesses meet Community Economic Development objectives. Technical assistance programs typically center on business operation, management, and marketing analysis. These programs currently do not include educational and training opportunities to help facilitate the expansion of minority businesses into industrial sectors where minority entrepreneurs have historically been excluded, such as skill-intensive services (Bates, 1985, pp. 549-552).

Although there are a few exceptions, most existing programs work from the traditional free market view which sees small business success as dependent on the availability of capital. Therefore, most public and private programs are devoted to increasing the availability of and access to venture or finance capital. While capital is indeed important for business formation and viability, capital resources alone are unable to address the broader problems of business practices. Thus, part of the problem is the need to expand the definition of business development beyond the free market emphasis on individual profit. Programs need to address broader community goals and not simply standards of business competitiveness.

Specific public policies must be developed to improve the viability of existing Asian-owned businesses. Currently, policies are aimed

primarily at expanding business opportunities rather than providing strategic development planning that would enhance the economic soundness of small businesses. In most Asian communities where there is already a high rate of entrepreneurship, creating new business opportunities is not a high priority. Improving the long-term sustainability and livelihood of existing businesses will not only ameliorate conditions in low-income and minority communities but also reduce the social and economic costs of immigrant entrepreneurship. Considering that small businesses have a largely untapped potential to improve the health of local economies, public policies must address entrepreneur needs in ways that promote public goals such as creation of quality jobs with better wages (Mokry, 1988).

A community-based approach to business development can result in potential benefits for a disadvantaged community and a struggling entrepreneur alike and result in new economic strength, physical upgrading, improved community life, and quality employment (Joe and Eckels, 1981). Moreover, because small businesses are organized around owner-worker and merchant-customer relationships, improving the viability of small businesses could transform small businesses into institutions that can help Asian immigrants integrate into urban society and contribute meaningfully to the local economy.

### **Policy Recommendations and Strategies**

To help meet the three goals of creating good employers, fostering social responsibility, and promoting economic diversification, we propose the following recommendations to community representatives, organizations and policy-makers.

1. Since the nature of small business formation (i.e., reliance on low capital, ethnic networks, cheap labor) limits the size and profitability of firms, organizations must provide knowledge, assistance, and resources to facilitate their diversification and expansion.
2. Community organizations should assist in the formation of a health insurance purchasing group. The Council of Smaller Enterprises (COSE) in Cleveland, Ohio, may serve as a possible model. COSE, the small business division of the Chamber of Commerce in Cleveland, Greater Cleveland Growth Association,

formed an independent health insurance purchasing group, COSE Group Services, Inc. in 1983.

3. Community organizations should develop programs which can do outreach and education to Asian small businesses, particularly those operating in minority communities to encourage and facilitate social responsibility and improved neighborhood relations; these organizations should provide bicultural education for merchants and neighbors, strive to improve customer relations, encourage the hiring of local residents, and promote involvement in local community affairs.
4. Policy-makers need to better link immigrant enterprises to the greater Los Angeles/U.S. economy; they need to help identify economic growth areas and provide strategic planning for development.
5. Small businesses should improve access to health insurance through health insurance purchasing alliances and lobby for small business tax credits, and support a national health care policy that would ensure health coverage for all.