

## **The Motivators for Non-Ethnic Asian Self-Employed Foreigners in Korea**

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### **ABSTRACT**

With this research my goal was to gain a better understanding of why non-ethnic Asian entrepreneurs start up their own businesses in South Korea. I focused on three factors: push motivators, pull motivators, and relationship to co-ethnic enclave, with the push factors further divided into intrinsic and extrinsic motivators. A survey was sent to foreign entrepreneurs across South Korea and 22 responded. Some of the findings show foreigners chose to become self-employed due to push motivators related to intrinsic values. In South Korea, the motivators related to being in or supporting a co-ethnic enclave are evenly split, with half the respondents stating it is important and half stating it is not. The implications of these findings are discussed.

Keywords: Minority Entrepreneurship, Motivation, Ethnic Enclave, South Korea

### **1. INTRODUCTION**

Numerous studies have already examined different ethnic minority entrepreneurs in places such as the US, Canada, and Europe (i.e. Shinner, Cardon, Eiseman, Zuiker, Lee 2009). This paper, however, looks at ethnic minority entrepreneurs in Asia. More specifically, it focuses on South Korea and the non-Asian European and North American entrepreneurs living and working there.

The available information on immigrants in the labor market is plentiful, but there are still areas that are routinely neglected. This is unfortunate, because there is not reason to ignore the sociological literature that highlights the benefits of self-employment as a pathway to cultural assimilation (i.e. Bonacich and Modell 1980, and Cummings 1980).

The majority of previous studies explored the idea that immigrants use entrepreneurship as a ladder to economic success. Their businesses are usually founded on their unique ability to cater to their compatriots' needs and wants. This privileged position comes from sharing a common language or ethnic background (Borjas, GJ, 1986).

The purpose of this paper is to create a better understanding of the motivators behind American, Canadian, and European non-ethnic Korean foreigners' decisions to be self-employed in South Korea.

### **2. FRAMEWORK**

When describing the reasons entrepreneurs choose to become self-employed, it is common to divide people into two categories: those who are pushed into self-employment and those who are pulled into it (Bates, 1997; Fairlie, 1996). This division is possible because past research suggests that self-employed foreigners are more easily placed into either one or the other of these categories, but not both. To borrow an excellent example from Shinnar's (2009) paper on Mexican immigrants in the US:

Mora and Dávila (2006) found that Mexican immigrants residing in US border cities have higher rates of self employment. The researchers suggest this is a result of both pull and push factors, namely the "existence of trade opportunities in US border cities as well as intense labor market competition that crowds a greater share of immigrants into self-employment" (Mora and Dávila, 2006). However, earnings analysis "suggests that the 'pull' explanation has a *stronger* empirical backing in explaining self-employment selection" (emphasis added).

Although both push and pull factors are present, one is the dominant reason for self-employment.

## 2.1 Pull Factors

Entrepreneurs in the pull category have a positive relationship with self-employment and usually are the ones who choose to be self-employed (De Freitas, 1991; Fairlie and Meyer, 1996). Pull factors reveal themselves in the entrepreneurs' strong motivation to make money. In this category, the self-employed have chosen this career path in an effort to achieve a specific objective, achieving success.

It is important to further analyze pull factors for extrinsic and intrinsic motivators. Extrinsic motivators are connected to money, building wealth, and developing personal income (Kuratko, Hornsby and Naffziger 1997). Additionally, a pull factor can stem from a desire to generate income during retirement (Aspaas, 2004) or to build up equity in a company (Langan-Fox and Roth, 1995). Simply stated, extrinsic motivators are related to the physical, not the emotional.

Intrinsic motivators, on the other hand, can be described as psychological. Some examples are not having a boss, working for one's self, or gaining freedom and independence (Kuratko *et al.*, 1997; Robichaud, McGraw and Roger 2001). They can also be the excitement, challenge, or personal growth that comes with building a business (Kuratko *et al.*, 1997; Robichaud *et al.*, 2001). When comparing extrinsic to intrinsic, it's possible to point out the differences, but unfortunately any one specific situation does not lend itself to being easily understood.

## 2.2 Push Factors

Entrepreneurs can also be pushed into self-employment due to a lack of alternative opportunities (De Freitas, 1991; Feldman, Koberg and Dean 1991). There are multiple situations in which people find themselves forced into self-employment, with little control over the outcome. These situations may involve language barriers, discrimination, lack of

promotions, or an educational or training background that does not meet the standards of the host country (Bates, 1997; De Freitas, 1991; Fairlie *et al*, 1996; Light, 1984; Olson, Zuiker and Montalto, 2000).

## **2.2 The Ethnic Enclave**

Past research has shown that immigrants tend to gather in specific geographic regions, known as co-ethnic enclaves. The co-ethnic enclave provides the motivators and opportunity for foreigners to choose self-employment as a career path. They are assumed to have the advantage of speaking the same language and having the same cultural background as their customers. This allows them to meet the needs of their clientele better than the natives of their host country can (Borjas, 1986).

## **3. METHODOLOGY**

A survey consisting of 15 questions divided into three sections, (A) Business Characteristics, (B) Motivations for Entry, and (C) Reliance on the Ethnic Enclave was distributed. Section A established the entrepreneur's characteristics, with variables such as citizenship, age, gender, and number of years resident in Korea. The latter half of Section A was about the age of the business, how long the respondent has owned it, and the number of employees. The final two questions asked about the respondent's Korean-language ability and how much Korean they use in the workplace.

Two yes/no questions were related to push factors, with the second based on the answer to the first. The first question was "Do you believe ethnicity was ever a reason you were not hired for a job?" The follow-up question was "If yes, did this motivate you to start your own business?"

The second part of Section B was for pull factors with extrinsic and intrinsic motivators. They were arranged by respondents on a 5-point Likert scale, with 1 being "not important at all" and 5 being "very important." Pull factors included earn lots of money, financial security, hiring employees of my own ethnic group, contributing to the society I live in, serving the community I live in, gaining control over my life, living how and where I want to live, utilizing my skills and abilities, and satisfaction from building a business.

Section C was based on their reliance on a co-ethnic enclave. There were three questions. The first was a yes/no question that asked if their business was located in a co-ethnic enclave. The next question, which included a 5-point Likert scale with 1 being "not important at all" and 5 being "very important," asked about the importance of hiring co-ethnic employees. The final question was related to the company's reliance on co-ethnic clientele. Possible answers were 0-24 percent, 25-49 percent, 50-74 percent, and 75-100 percent.

## **4. EVALUATION**

In total, 22 participants (20 males, 2 females) completed the survey. The majority of the participants shared a similar background; 77.27% were between 31-45 years old and 86.36% were North American. The remaining 13.64% were European. The results for length of stay in Korea were 50% over eleven years and 36.36% seven to ten years. As for their language ability, 68.18% have limited ability, 18.18% elementary, and only 4.55% full professional or bilingual.

**Table 1.** Business owner and business characteristics for table 1 N = 22.

Number	Variable	Category	%	N
1	Citizenship	African	0.00%	0
		European	13.64%	3
		North American	86.36%	19
		South American	0.00%	0
		Oceania	0.00%	0
2	Age	18-30	4.55%	1
		31-45	77.27%	17
		46-60	13.64%	3
		Over	4.55%	1
3	Gender	Male	90.91%	20
		Woman	9.09%	2
4	Length of stay in Korea	Less than one year	0.00%	0
		One or two years	0.00%	0
		Three or four years	4.55%	1
		Five or six years	9.09%	2
		Seven or eight years	13.64%	3
		Nine or ten years	22.73%	5
		Over eleven	50.00%	11
5	Current owner's tenure	Less than one year	4.55%	1
		One or two years	18.18%	4
		Three or four years	36.36%	8
		Five or six years	9.09%	2
		Seven or eight years	9.09%	2
		Nine or ten years	13.64%	3
		Over eleven	9.09%	2
6	Age of business	Less than one year	4.55%	1
		One or two years	22.73%	5
		Three or four years	27.27%	6
		Five or six years	4.55%	1
		Seven or eight years	13.64%	3

		Nine or ten years	13.64%	3
		Over eleven	13.64%	3
<b>7</b>	<b>Number of employees</b>	No employees	0.00%	0
		One or two employees	18.18%	4
		Three or four employees	9.09%	2
		Five or six employees	13.64%	3
		Seven or eight employees	9.09%	2
		Nine or ten employees	13.64%	3
		Eleven or more employees	36.36%	8
<b>8</b>	<b>Korean language ability</b>	Elementary	18.18%	4
		Limited ability	68.18%	15
		Professional working	9.09%	2
		Full professional	0.00%	0
		Native/bilingual	4.55%	1
<b>9</b>	<b>Amount of Korean spoken within the company</b>	0 to 24	54.55%	12
		25 to 49	18.18%	4
		50 to 74	13.64%	3
		75 to 100	13.64%	3

The first half of Section B focused on push motivators. The results show that push factors were not present. 81.82% of participants said they believe ethnicity was not a reason for not being hired. Of the 18.18% who said they didn't get hired because of ethnicity, only one participant said it was the reason they became self-employed.

**Table 2.**

<b>Number</b>	<b>Variable</b>	<b>Category</b>	<b>%</b>	<b>N</b>
<b>1</b>	<b>Do you believe ethnicity was ever a reason you were not hired for a job?</b>	Yes	18.18%	4
		No	81.82%	18
<b>2</b>	<b>If yes, did this motivate you to start your own business?</b>	Yes	5.88%	1
		No	94.12%	16

Table 3 shows whether participants were more inclined to be guided by intrinsic or extrinsic motivators when it came to being self-employed. Extrinsic motivators were only moderately important for the participants, with 45% and 42% for being motivated to earn

money or financial security respectively. 60% said hiring their own ethnicity was “not important at all” and giving to society or serving the community had no conclusive results.

The results for intrinsic motivators were more conclusive. The variables controlling life, living how and where I want, utilizing my skills and abilities, and satisfaction from starting a business were never described as “not important at all” or “slightly important.” But “extremely important” was chosen for the variables controlling life (54%), living how and where I want (63%), utilizing my skills and abilities (54%), and satisfaction from starting a business (63%).

**Table 3.** Intrinsic and extrinsic motivators

<b>Variables</b>	<b>1 (Not important at all)</b>		<b>2</b>		<b>3</b>		<b>4</b>		<b>5 (Extremely important)</b>		<b>N</b>
<b>Earn money</b>	4%	1	9%	2	45%	10	31%	7	9%	2	22
<b>Financial security</b>	4%	1	14%	3	42%	9	28%	6	9%	2	21
<b>Hiring same ethnicity</b>	59%	13	22%	5	9%	2	9%	2	0%	0	22
<b>Giving back to society</b>	4%	1	22%	5	22%	5	31%	7	18%	4	22
<b>Serving the community</b>	4%	1	18%	4	31%	7	27%	6	18%	4	22
<b>Controlling my life</b>	0%	0	0%	0	9%	2	36%	8	54%	12	22
<b>Living how and where I want</b>	0%	0	0%	0	9%	2	27%	6	63%	14	22
<b>Utilizing my skills and abilities</b>	0%	0	0%	0	13%	3	31%	7	54%	12	22
<b>Satisfaction from building a business</b>	0%	0	0%	0	9%	2	27%	6	63%	14	22

The final table focuses on their reliance on a co-ethnic enclave. The location of their business was evenly split, with 50% inside and 50% outside an enclave. There were similar results for the business’s reliance on co-ethnic clientele, with “0-24 percent” 27.27%, “25-49 percent” 27.27%, “50-74 percent” 31.82%, and “75-100 percent” 13.64%.

**Table 4.** Reliance on the ethnic enclave

Number	Variable	Category	%	N
1	Is your business within an ethnic enclave?	Yes	50.00%	11
		No	50.00%	11
2	Importance of hiring co-ethnic employees	(Not important at all) 1	45.45%	10
		2	9.09%	2
		3	31.82%	7
		4	4.55%	1
		(Extremely important) 5	9.09%	2
3	Business's reliance on co-ethnic clientele	0 to 24 percent	27.27%	6
		25 to 49 percent	27.27%	6
		50 to 74 percent	31.82%	7
		75 to 100 percent	13.64%	3

## 5. DISCUSSIONS AND CONCLUSION

### 5.1 Push and Pull Factors

The results from the surveys were unexpected. The researcher strongly believed North American and European participants became self-employed due to intrinsic motivators, as was described in hypothesis 1a. Surprisingly, the results show intrinsic motivators to be “not important at all” and “slightly important.” However, participants responded “extremely important” for the variables controlling life (54%), living how and where I want (63%), utilizing my skills and abilities (54%), and satisfaction from starting a business (63%). Their motivators are not intrinsic but extrinsic. There is evidence from past research that immigrants working in Korean companies tend to feel like they have a more difficult time in the workplace than their Koreans coworkers (Nelson, 2014).

A large percentage of participants, 81.82%, said they had never been denied a job because of their ethnicity. When looking at the number of clients who are of the same ethnicity as the business owners, the numbers break down to 0-24%, 25-49%, and 50-74% with an outcome of 27.27%, 27.27%, and 31.82% respectively. More information is needed to get a better understanding of this unexpected dynamic.

### 5.2 Co-Ethnic Enclave

The results are too close to draw a solid conclusion. A better and more concrete answer requires a larger number of participants. The results are evenly split, with 50% in and 50% not in a co-ethnic enclave. 45% did say “not important at all” when asked about hiring co-ethnic employees, though. This could be interpreted as a sign that the businesses are less reliant on co-ethnic clientele than expected.

## LIMITATIONS AND FOLLOW-UP RESEARCH

There are two major implications from this research. The first is that a larger number of survey participants would be needed to fully explore and understand the reasons behind going into business for oneself among non-ethnic foreigners in Korea. A more thorough breakdown of the different ethnicities and business types and/or industries requires a larger pool of respondents.

The second line of follow-up research would be to compare Western immigrants in Korea to Asian immigrants in the West. It would be interesting to see if the current studies of immigrants in the West would also hold up in the East.

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