



**Globalization Backlash Causes Minority-Owned US Firms  
to Expand Internationally;  
Their Success in Enhancing Exports Challenges the Claims Made  
by Proponents of ‘America First’**

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A new study argues that the anti-immigrant backlash sparked by globalization’s skeptics isolates U.S. minority entrepreneurs as outsiders, which constrains their domestic business opportunities.

In response, these entrepreneurs leverage their shared ethnic identities as insiders within diaspora networks to pursue international expansion opportunities focused on their countries or regions of origin.

The study, *Countering Globalization’s Skeptics*, published today (October 23, 2019) in the *Global Strategy Journal*, and was conducted by Todd M. Inouye, University of Hawaii at Hilo, Amoi M. Joshi, Oregon State University, Iman Hemmatian, Cal Poly Pomona, and Jeffrey A. Robinson, Rutgers University.

Globalization is an increase in interdependence and integration across economies and countries and is largely driven by technological advances and institutional changes that have reduced the transaction costs associated with international trade.

Governments worldwide are facing growing skepticism about globalization from their constituents, who tend to view any potential individual gains from globalization as being unevenly and unfairly distributed within and across national borders. This is sparking a widening backlash against globalization, fueling the rapid rise of populist parties and political leaders who espouse an anti-immigrant, xenophobic, nationalistic, and anti-globalization message.

“We hypothesize that diasporas imprint minority entrepreneurs with risk preferences that reduce their skepticism about globalization,” write the researchers.

In multi-ethnic countries, such as the U.S., U.K., Canada, and Australia, with high

immigration rates and sizable foreign-born populations, minority entrepreneurs are inherently members of diasporas, which is defined as the dispersals of a people from their original homelands.

Despite their “outsider “ status, minority entrepreneurs have important competitive advantages in that their diaspora networks provide access to resources, knowledge, and relationships.

“Analyzing over 20,000 U.S. small businesses, we find evidence that minority entrepreneurs’ firms prefer to leapfrog into markets, mitigate risks via contractual and bounded commitments, and target countries that are more ethnically and linguistically fractionalized.

“Overall, U.S. minority entrepreneurs’ firms derive 14.4% of their revenues from exports, compared to 5.4% for other firms. The apparent success of minority entrepreneurs in enhancing U.S. exports challenges the claims made by proponents of ‘America First’ policies regarding the costs and benefits of immigration.”

Studies have shown that as export engines, firms founded or owned by minority entrepreneurs, including recent immigrants, generate revenue, create jobs, and contribute to growth in vital sectors of the U.S. economy.

A study by the U.S. Minority Business Development Agency indicates that minority entrepreneurs have the cultural insight, linguistic skills, and market intelligence to not only excel as U.S. exporters, but to also be strong strategic partners for firms entering global markets for the first time.

“We recommend” write the authors, “that managers utilize diasporas’ access to resources, knowledge, and relationships to reduce their firms’ risks of internationalizing and that policymakers tailor government trade promotion programs to leverage diasporas to reduce transaction costs and increase exports.”

The **Global Strategy Journal (GSJ)**, published by the Strategic Management Society (SMS), is the leading journal on global strategic management research. The SMS is comprised of 3,000 academics, business practitioners, and consultants from 80 countries and focuses on the development and dissemination of insights on the strategic management process.

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Contact:  
Virgil Renzulli  
(602) 570-5157