

## PORTRAIT OF THE FILIPINO ENTREPRENEURS IN AMERICA

FEDERICO V. MAGDALENA

*Mindanao State University*

*The paper has two aims: first, to describe the typical characteristics of an entrepreneur; second, to probe into the essential conditions behind the making of entrepreneurs. Analyzing data from eight cases, representing a variety of Filipino entrepreneurs who live in Hawaii, the author finds that family and friendship networks are the major factors which precipitated entrepreneurial evolution. Unfortunately, these networks do not go beyond the orbit of influence of the family or peer group. There is a need, then, to sustain larger, community-wide groups, if only to provide a more abundant supply of Filipino entrepreneurs.*

The rise and fall of economic organizations reflect the strengths and weaknesses of dependency on a leader, the entrepreneur. This man, in whose hands lie the fate of many individuals, is even glorified as a folk hero of the modern industrial world. He is an innovator who literally creates something from nothing in the course of building an enterprise of some sort. More importantly, he is responsible for the economic success not only of an organization but also of a society in which many of his kind live. These descriptions of an entrepreneur suggest that he is one whose figure stands tall in the economic history of mankind.

But who is qualified to be an entrepreneur, and what exactly does he do that makes him different from other men? To use the metaphor of an economist, the entrepreneur is a "Heffalump," that large, legendary animal which has eluded many hunters using various ingenious trapping devices.<sup>1</sup> The message put across is this: searching for the entrepreneur is like hunting this animal which only exists as it does in children's lore.

The purposes of this paper are two. One is to describe the typical characteristics, a portrait if you will, of an entrepreneur, not as an ideal man who is endowed with the superb qualities of a hero but as an average individual with flesh and blood like most of us. After all, he or she is a parent. In the office, he or she is the big "boss" whose words are

supreme. This humanistic view of the entrepreneur is consistent with that of many writers who have proposed to look at the entrepreneur in terms of his role, referencing to the set of expectations, privileges and duties which society assigns to him by virtue of his occupying an entrepreneurial status or position. In a sense, the entrepreneurial role is present in most individuals, although in varying degrees and at different circumstances. On this premise, the bureaucrat or administrator, the teacher, the priest, and the farmer are as entrepreneurial as the businessman insofar as they display the roles typically ascribed to an entrepreneur, notably risk-taking, creativity, innovativeness, responsibility, and more. Hence, looking at the entrepreneur as one who exhibits such social roles in a "more-or-less" fashion is a way of capturing him, no longer as a Heffalumpian entrepreneur. It also follows that independent businessmen will have more of such roles, at one time or another.

The second aim is to probe into the essential conditions, or more technically the variables, behind the making of entrepreneurs. This process entails an examination and analysis of eight cases representing a variety of Filipino entrepreneurs who live in the island of Oahu, Hawaii. My earlier analysis<sup>2</sup> dealt more extensively with the variables than with the cases; here a few of these variables I have isolated and identified to be important will be

discussed as characteristics common among the cases.

### *Filipino or American?*

What still bothers me is the ethnic word "Filipino" as this term evokes a variety of conceptions, or misconceptions, which tend to confuse more than enlighten. I have decided to resolve this problem by defining this concept in psychological lingo: being a Filipino is a matter of identity which lies in the mind. Anyone who heartily claims himself to be Filipino is a Filipino, notwithstanding differences in language, creed, custom and tradition, or the more encompassing mark of status called "culture." This approach toward definition, however eclectic it may be, is a practical one. It makes it easy for the social scientist to regard a Cebuano, an Ilocano, a Tagalog, or whoever, as a Filipino simply by his self-perceptions.

Unfortunately, the Filipino whom I know most and the person I will attempt to portray here is an Ilocano. Worse yet, he resides in a foreign soil — the United States. Nevertheless, he is still a Filipino by heart (as he admitted to me in private), albeit outwardly he is an "American" in a politico-cultural sense. There is no claim, however, that the portrait of an Ilocano entrepreneur is representative of the entire Filipino entrepreneurs, much less of the enterprising Filipinos in America. The only thing I can say with confidence is that the typical Filipino-American (seven out of ten) is of Ilocano descent.

### *Setting of study*

This essay draws information from the study I conducted on 97 small entrepreneurs, 10 of whom are managers, and 75 non-entrepreneurs, all of Filipino origin and living in the State of Hawaii during 1976-1977.<sup>3</sup> While there, on field work, I was fortunate to pry into and take part in a variety of occasions which put me in close kinship with the community of "brown" people whom I first thought had renounced

their being Filipinos. I was wrong. Although many of them were born there, raised their own families, and spoke English (Hawaii's English is spoken in *pidgin* by ethnic immigrants) rather than their native tongue, they took pride and still do of their rich cultural heritage as Filipinos, about which their parents untiringly told them as children.

As a community, Filipinos in that part of the United States are an interesting subject for study, since their population is the largest outside of the Philippines. As of 1976, there were some 500,000 immigrants of Filipino descent in that country, most of whom are inhabitants of the Western Coast — California and Hawaii. What makes them even more interesting for social research is that not much is known about their plight, albeit Filipinos back home constantly hear of tales about their successful compatriots in America where opportunities abound and chances of personal improvement are great. But over there, many unsavory stories told about Filipinos diminish what little achievements they have made as a community, a kind of "labeling" shaped largely by negative attitudes to these immigrants in times past.<sup>4</sup> If anything, they are regarded as an economic liability rather than as an asset to the development of that country. In Hawaii — particularly Honolulu, the only American city with the largest concentration of Filipinos — the general observation has been that they are consumers of goods and services, not producers of these things. While they lack the entrepreneurial acumen, relative to other Asian immigrants, they are by no means also wanting in deeds which helped mold the glorious Hawaii that its inhabitants are proud to tell.

### *Pathways to entrepreneurship*

Much ink has been spilt and paper wasted in discussion of why the Filipinos have lagged economically behind the other groups there. Instead of focusing on the negative side of the issue, however, I have decided to re-direct the search into the ways how certain Filipinos

"made it," despite the stymies (e.g., racial prejudice and discrimination) heaped on them as a minority. One of these ways is entrepreneurship. Not all entrepreneurs are economically successful, however, and entering into the entrepreneurial fields does not guarantee success. In any case, entrepreneurship is a time-tested solution to upward social mobility among individuals. It is also an avenue through which a group can earn respect and deference, at least in America.

In an industrial society such as the United States, the worth of a man is frequently gauged by the quality of his occupation and by the earnings he takes home as a fruit of his calling. By social definition, the entrepreneur is a "gentleman," envied by many for the hardships he has hurdled on his way up the social hierarchy. The Japanese in America are a good case in point; as entrepreneurs, they became the most visibly successful Oriental group. Yet, in the early part of their history, they were just as despised as any incoming immigrant group, if not more so. Now, they bask in the prestige and esteem they largely won the entrepreneurial way.

The Japanese experience follows the accepted maxim subscribed to by the dominant white majority, the White-Anglo-Saxon Protestants. They played the game according to its rule. That rule is epitomized in the now-famous book, *The Protestant Ethic and the Spirit of Capitalism*, written by Max Weber who gave the formula for economic success as a calculus consisting of the elements of asceticism, deferred gratification, hard work, and forward lookingness. American or not, any person who conforms exactly to this calculus is a gentleman.

True enough, many of America's great men are Weberian entrepreneurs whose lives were full of sacrifices, conflicts and miseries. The saga of such men is enunciated in the biographies of well-known robber barons, notably Emil Mercedes and Karl Benz, who are always remembered in the annals of

America. Mercedes ran away from home when he was seventeen years old, while Benz was an orphan who experienced poverty or near poverty during his youth.

No Filipino in America can match the colossal stature of these men, but there are lesser entrepreneurs who equally deserve note because they possess the Weberian character common among the tycoons just described. As a matter of description, the typical Filipino-Hawaiian entrepreneur is frugal, hard-working, and planful, traits which are ascribed to Ilocanos by a number of writers.<sup>5</sup> This statement is based on the statistical observation that about two-thirds of the cases I interviewed disclosed having Ilocano ancestry, more or less the same picture of the cultural-linguistic composition of Filipinos in Hawaii.

What makes the Filipino entrepreneur different from other Filipinos in that place is perhaps a matter of degree, not of kind. Generally speaking, he is more socially mobile and occupationally successful than his father or recent Filipino immigrants. He also enjoys a higher level of living (nearly every Filipino entrepreneur owns his house and drives a car), and has completed at least a high school education to enable him to articulate himself in a foreign language. These traits are infused into his own personality, from which emerges a new identity as a Filipino of Hawaii (meaning, an acculturated Filipino who also considers himself an American by citizenship identification), rather than as an itinerant so-journer to that strange land.<sup>6</sup> Moreover, his roots are bifurcated by the reminiscence of the past and the promise of the future. But he is still a Filipino, and an entrepreneur.

How he got into the business of founding an enterprise is another problem which offers challenge to an investigator. Paradoxically, I have found the "psychologism" thesis of David C. McClelland,<sup>7</sup> noted Harvard psychologist, ineffective in explaining why Filipinos chose to engage as they did in entrepreneurial activities. Observing the bursts

of economic development in post-war Europe, especially Germany after 1945, McClelland suggested that this phenomenon is attributable to the rise of high achievement motivation on a large number of individuals. To him this important motive, the "inner" concern among persons to excel under high standards of performance is traceable from an absent-father pattern brought about by the war. Coupled by a liberal-mother atmosphere, these two familial circumstances together inculcate among children a strong urge to vie for excellence. In the case of early Filipinos in Hawaii, however, the children mostly had no mothers who could socialize them. Only their fathers were around as their mothers and younger siblings were left in the Philippine *barrios* when they went to Hawaii to look for a "greener pasture." Whether the lack of high achievement motivation among the Filipino entrepreneurs is an artifact of this absent-mother pattern or of something else only proves one point: the theory cannot be invoked as a valid explanation for their emergence in the economic scene. As a matter of fact, comparing scores derived from a self-report measure of this motive indicated that the sample of non-entrepreneurs had higher levels of achievement motivation than had the entrepreneurs, although the difference is not remarkably substantial to warrant a conclusive analysis.

Economist Everett E. Hagen<sup>8</sup> also proposed a parallel theory, familiar to psychologists as defense mechanism, which he termed *withdrawal of status respect*. Central to this view is the psychogenic assumption that members of a disparaged group may become the leading innovators and entrepreneurs as a reaction tendency emanating from denial or loss of status deference. Frustrated and annoyed over their lack of recognition, their children or children's children, after a long period of retreatism, may seek outlets in entrepreneurial activities to "get even" with the dominant majority group. The process germinates the seeds of a creative personality as a compensation to cover up their degraded

social status. In a sense, Hagen suggests that becoming entrepreneurs is a subtle mode of expressing aggression against the system.

But just like the McClelland psychologism, Hagen's psychogenic hypothesis is either inapplicable or lacking in validity among the Filipinos of Hawaii. Since 1906, when the first group of Filipino immigrants set foot on the shores of the island to work in the plantation fields, they have suffered from the pernicious effects of lack of prestige. Yet, the current number of entrepreneurs from this downtrodden minority is still insignificantly small in relation to their size as a population, after a lapse of about three generations. Although the third largest ethnic community in Hawaii, or about 12 percent of its population of nearly one million in 1976, Filipinos rank one of the lowest in the proportion of entrepreneurs. Perhaps, the chain reaction that presumably will stir the entrepreneurial spirit is too slow to manifest or that the intensity of prejudice and discrimination has not yet reached the point of a "critical mass" necessary to generate such spirit.

The conditions that turned Filipinos entrepreneurial seem more sociological on many counts than economic or psychological. I discovered that the inter-play of such group-level factors as "kinship" and "peer group" was decisive in the formation of entrepreneurial personality and actual entry into this arena. Membership in an enterprising family and access to or familiarity with individuals who are themselves entrepreneurial are the variables which repeatedly occur among the cases studied. Together, they account for an overwhelming number (81 out of 87) of the Filipino entrepreneurs.

Elsewhere<sup>9</sup> the advantages and disadvantages of membership in these social environments had been presented, but there is need to discuss briefly the import of these factors in entrepreneurial formation. The tradition of enterprise in the family as socializing agent is a key to knowledge of

when and how a member may become an entrepreneur. Not only that the necessary attitudes of risk taking, creativity, and individual responsibility are imparted at home but also that members of enterprising families acquire the leverage of benefitting from the succor needed in the establishment and maintenance of their own concerns.

The same line of thought is true of members of peer groups in which the norm of "entrepreneurism" is an integral part of their subculture. These persons are also blessed with the advantage of widening their scope of contacts, a fundamental requisite to survival and continuing success in a cut-throat competition in business where social connections become an asset to the entrepreneur. Peer-group membership, however, is not necessarily confined to the circle of within-group associations as many of my respondents mentioned having close friends and even business partners who are non-Filipinos.

Almost without exception, social links of this nature are most valuable in a multicultural society like Hawaii where transactions tend to occur within, not across, ethnic lines. Additionally, so-called "friends-and-family effects" jointly manifest their importance among the entrepreneurs in a number of ways. Those who are affected by them displayed towering levels of aspiration for upward mobility, were quite optimistic or perceptive of economic opportunities, and believed that they could influence their own lives rather than succumb to the *bahala-na* (come what may) attitude characteristic of the ancient Filipino folks, reading from their scores on scales especially developed to measure these psychosocial orientations. These findings suggest that the "ascribed" nature of entrepreneurial emergence, where entrepreneurs are born rather than made, takes precedence over the notion of "achievement" which asserts that entrepreneurs are self-made men. Analysis of some living cases, presented in a historical

perspective, will show the dynamics of growth of Filipino entrepreneurship in Hawaii, traceable from the just-cited variables.

#### *Success stories: The "big eight"*

The onset of modern entrepreneurship in this fledgling community of immigrants coincided with the spurt of economic improvement during postwar years, when some 4,000 Filipino laborers left the plantations to seek employment in industries in and around Honolulu, many of whom were fortunate to land civilian jobs at the military base in Pearl Harbor. Four pioneers of identifiably Filipino businesses were alert to set the stage for other entrepreneurs (or would-be entrepreneurs), forced out from the plantation by disenchantment into a new life in the city where they became "captains" of industries. SM, son of a Visayan *haciendero* (large estate magnate), who stowed away to work in the plantations, was a bank teller for nearly 20 years before establishing his handicraft concern. AD, former plantation laborer, made a modest name in real estate and then gravitated to travel industry. BA, another realtor, was formerly a "mon-and-pop" trader who honed his business skills as branch manager of an insurance company in the island of Maui. And the fourth was PP, also a man whose name rung a familiar bell in land business. All of them are known to the Filipino community to whose needs they cater most of the time.

In my interviews, I discovered that BA and PP are affinal relatives (*mag-bayaw*) who were quite instrumental in the training of at least a dozen other realtors and brokers of Filipino ancestry, among whom are BF and ER, who turned up to be more successful than their predecessors. (It must be noted that real estate and travel industry are the most lucrative and popular industries in Honolulu owing to the rapid pace of urbanization and to the lure of tourism there). On the other hand, AD and SM are good friends who have helped each other in certain ways to get their

business running. Of the six entrepreneurs, only SM is not an Ilocano.

Perhaps, the most spectacular case is UF, an Ilocano who fits well the familiar Horatio Alger success story. He is an example of how a man of ambition, although not gifted with high education, can use this ambition as a ticket to ascend the social pyramid from an impoverished origin. A former plantation laborer, cook-helper, warehouseman, and janitor, he started his own firm in acoustic insulation with only a capital of \$3,000 during the early sixties. Bereft of an enterprising family background, he nonetheless got friends who came to help him when he ran into trouble at the brink of insolvency. At the turn of the present decade, his sales peaked up again, and by 1976 the business was at par with quite successful enterprises in Hawaii. This admirable achievement earned him the distinction of being named (by the US Small Business Administration) *Small Businessman of the Year* in 1972.

Another success story is SR, a bureaucratic entrepreneur of a \$6 million company. Now in his sixties, he represents an immigrant whose cultural identity is midway between a traditional Filipino and a fully assimilated Asian-American. Born in the Philippines of Tagalog parents, SR still speaks this language with fluency; at the same time, he is culturally very much an American in speech, habits and more. His plantation upbringing did not discourage him from going to school, but poverty caused him to stop before earning a degree. His education was high enough, however, to serve as a passport for his admission into the police service, from which he retired with the coveted rank of a Commissioner. In 1962, while he was a police officer, he and 18 others, put up an investment company in which he served as Director and later on, up to the present, as Vice President. More recently (1974), he and his good friend, JR, a retired airlines manager, ventured into the travel business.

Entrepreneurs may be roughly classified

into two: self-starters and successors. The case of RB exemplifies the second, whose \$1 million food manufacturing concern was handed down from a forebear. RB, an architect by profession, had not thought of becoming an entrepreneur until the day when his father died of an accident. Lacking entrepreneurial training, he nonetheless compensated this inadequacy by having the psyche of an entrepreneur. An island-born Filipino who would always wish for the welfare of his compatriots, he saw the need to offer them products which suit their indigenous culinary taste. But if his success in business rode on his being perceptive of economic opportunities, his having connections with an enterprising family would have been more fundamental. At the time of interview (1976), RB was the sole manufacturer and wholesaler of fish products called by Filipinos *patis* and *bagoong* in the entire State of Hawaii, a monopoly he was privileged to enjoy with the help of a relative from the Philippines who generously supplied him with raw materials and the technological knowhow to process them.

The eighth and last case is GA, another person who wrongly chose an educational career (he has a degree in Psychology), only to realize in the end that he would wind up in business. After graduation in college, he worked in a private firm as bartender and liquor salesman for four years, then got the long-awaited promotion as General Sales Manager. At age 22, he was fully inducted into the entrepreneurial world as owner of a contracting firm in Honolulu. His early initiation into business is not a surprise, considering that he started young and that his parents were also enterprising. They owned and operated a bus company in their native town, Baguio City, for ten years. One can accurately guess that GA is an Ilocano.

#### *Concluding observations*

While the cases presented are probably not representative of the total Filipino

entrepreneurs in Hawaii, much less of those in the Philippines, there is value in knowing that the family and friendship networks are the major factors which precipitated entrepreneurial evolution. But a caveat is in order. The cases described do not give, and should not be interpreted as giving the impression of a state-wide solidarity which permeates the various social links established or maintained by the family and peer group. On the contrary, there appears to be a weak, if inexistent, social organization which binds together these many primary groups into a community of like-minded Filipinos. If anything, their social solidarity is limited and segmental. Beyond the orbit of influence of the family or peer group, social cohesion peters out or is only given lip service.

At least two large organizations, the United Filipino Council of Hawaii and the Oahu Filipino Community Council, apparently work for the common goals of pulling together the many factionalized organizations and solidaristic subgroups and forging a common front to promote unity among Filipinos despite their cultural or regional-linguistic differences. In practice, however, much is yet to be desired. As a keen writer has observed, the UFCH is more preoccupied with "one-shot or transitory projects like the Miss Hawaii-Philippines" than with "activities of lasting value and far-reaching significance."<sup>10</sup>

At this stage of the immigrant or assimilated Filipinos, their more pressing needs would have been the creation and sustainment of cohesive, viable social groups larger than the familial and friendship networks, if only to provide wider support systems to put them more firmly in the melting pot that is Hawaii. The organizational/institutional element, which is broad in sphere of influence, is no doubt a critical factor that will allow the emergence of an abundant supply of Filipino entrepreneurs or hasten the flowering of their entrepreneurial spirit.

Notes

<sup>1</sup>Peter Kilby, "Hunting the Heffalump," pp. 1-40 in P. Kilby, ed., *Entrepreneurship and Economic Development* (New York, 1971).

<sup>2</sup>See Federico V. Magdalena, "The Filipino Entrepreneurs of Hawaii: An Inquiry Into Their Roots and Success," (Ph.D. dissertation, University of Hawaii, 1977; University Microfilms); also F. V. Magdalena, "The Filipinos in Hawaii as Immigrants and Entrepreneurs," *Small Industry Journal*, 10 (October-December 1977), 15-19. Using a sophisticated data-reduction technique called Smallest Space Analysis, nine broadly defined variables, decomposed into 34 indicators, were investigated.

<sup>3</sup>Magdalena, "The Filipino Entrepreneurs of Hawaii."

<sup>4</sup>John H. Burma, "The Background of the Current Situation of Filipino Americans," *Social Forces*, 30 (October 1951), 42-48; Roman R. Cariaga, "The Filipinos in Honolulu," *Social Science*, 10 (January 1935), 39-46.

<sup>5</sup>Henry T. Lewis, *Ilocano Rice Farmers* (Honolulu, 1971).

<sup>6</sup>Studies reveal that Filipinos occupy a notorious position in Hawaii's social pyramid; they are in it, but not of it. They rank among the lowest in esteem and least accepted ethnic groups in this multi-racial society. See Graham C. Kinloch, "Race, Socio-Economic Status, and Social Distance in Hawaii," *Sociology and Social Research*, 57 (January 1973), 156-167; Margot Wiesinger Smith, "Measuring Ethnocentrism in Hilo, Hawaii: A Social Distance Scale," *Sociology and Social Research*, 54 (January 1970), 220-236.

<sup>7</sup>*The Achieving Society* (Princeton, 1961).

<sup>8</sup>*On the Theory of Social Change: How Economic Growth Begins* (Homewood, 1962).

<sup>9</sup>Paul Mattesich and Reuben Hill, "Family Enterprise and Societal Development: A Theoretical Assessment," *Journal of Comparative Family*, 7 (Summer 1976), 147-158; Magdalena, "The Filipino Entrepreneurs in Hawaii as Immigrants and Entrepreneurs."

<sup>10</sup>Belinda A. Aquino, "The UFCH Convention: Some Observations," *Philippine News* (July 26-August 1, 1975).

## THE PHILIPPINE ECONOMIC JOURNAL

Vol. XIX, Nos. 3 and 4, 1980

- |   |   |
|---|---|
| The Economist and Social Values   | J. P. Estanislao                                  |
| Services to the Poor: A Preliminary<br>Look at Existing Mechanisms for<br>Meeting Health Needs in the<br>Philippines                    | L. V. Cariño                                      |
| Manpower Quality in the Differential<br>Economic Growth Between East<br>and Southeast Asia  | H. T. Oshima                                      |
| A Macroeconometric Energy Policy<br>Simulation Model for the Philippines:<br>Structural Analysis  | L. J. Ausejo                                      |
| The Economic Behavior of the<br>Petroleum Exploration Firm Under<br>a Production Sharing Contract:<br>The Usefulness of Received Theory | C. M. Siddayao                                    |
| Savings Mobilization Through<br>Financial Development: A Study of<br>Saving in the Philippines  | H. P. Burkner                                     |
| The Philippine Agricultural Sector<br>in 2000 A.D.  | D. E. Kunkel, G. Rodriguez, Jr.<br>L. A. Gonzales |
| Dynamic Demand Functions:<br>An Application to the Philippine<br>Expenditure Pattern  | F. Pante, Jr.                                     |

Place your orders at the PSSC Central Subscription Service, House No. 7, Purok  
General Aguinaldo, University of the Philippines, Diliman, Quezon City.