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The Embedded Entrepreneur: Recognizing the Strength of Ethnic Social Ties

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Cover Page Footnote

Minority and Women Entrepreneurs section, Associate Editor Miles K. Davis.

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Ed Chung
Kim Whalen

This article is premised on the idea that social networks represent an important, but often overlooked, unit of analysis in management and entrepreneurship studies. The concept of embeddedness, emphasizing the significance of social relationships, is of particular relevance as more and more frequently minorities and immigrants engage in small business ownership. This article borrows from the ethnicity and social network traditions, and offers that an analysis of the ethnic homogeneity of an entrepreneur's strong and weak social ties would be fruitful in gauging entrepreneurial success.

Introduction

In much of the management and marketing literatures, the unit of analysis is often the individual. The entrepreneurship literature has more or less followed this path, and a large body of insightful work has flourished under this agency perspective. McKay and Chung's (2005) discussion of benchmarking for entrepreneurial survival (and success) highlights the emphasis that has been placed on the individual—the entrepreneur—in question. In their study of factors that lead to small business success, Rutherford and Oswald (2000) specifically focused on attributes of the owner/manager, placing the individual squarely at the core of entrepreneurial performance. In a similar vein, Becherer, Halstead, and Haynes (2003) studied the level of marketing orientation in entrepreneurial firms, based primarily on data gathered on key individuals—the CEOs of small firms.

These and other similar studies have enriched our understanding of entrepreneurial effectiveness. Certainly, the entrepreneur plays a vital role in the success of a small business. However, because entrepreneurial pursuits are but a subset of the human condition and because the human condition cannot be fully studied without also examining social forces, the embeddedness perspective offers an opportunity to develop a more complete understanding of entrepreneurial success (Alexander and Smith 1993; Emirbayer and Goodwin 1994; Chung and Fischer 1999a).

In recent years, small business ownership by minority groups and immigrants has grown at a much faster clip than the national average. While in 1997 minority firms made up only 14.6 percent of all U.S. firms, the percentage share of minority firms in total U.S. business is growing. Between 1992 and 1997, the growth rate in number of minority-owned businesses was significantly larger than that of nonmi-

nority businesses (The State of Minority Business 2001). In fact, the growth over the past two decades has been significant. In 1982, minority-owned firms represented only 6.8 percent of all U.S. firms, but this figure grew to 9.3 percent in 1987, 12.5 percent in 1992, and as mentioned above, 14.6 percent in 1997 (Minority Business Statistics 2005). In terms of specific minority groups in the United States, Asian-owned businesses grew by 24 percent between 1997 and 2002, black-owned businesses grew in number of firms by 45 percent, and Hispanic-owned businesses grew by 31 percent (Survey of Business Owners 2002). The apparent propensity for minorities and immigrants to enter small business ownership has triggered many studies comparing entrepreneurial startup and success across various cultures (e.g., Tienda and Rajman 2004). Cultural and ethnicity considerations compound the challenges of studying the minority entrepreneur, and here the inadequacy of an individualistic approach is particularly glaring.

In this article, we suggest that entrepreneurship studies should pay special attention to businesses owned and started by minorities and migrants, and that such a focus would benefit greatly from a socially embedded approach. To simplify our discussions, we limit our attention to minority entrepreneurs, though by no means do we suggest that all minorities are immigrants, or that all immigrants are minorities.

Social Processes and Migration

Cultural values are shaped in part by social and individual processes (Chung 2000). Indeed, interpersonal relationships can even play a role in the emergence of certain ethnic groups. Glazer (1954/c.1964) recounts how a number of ethnic groups came into existence after the people migrated to America. Along this line of an emerging ethnicity, Tilly (1990) also notes that (p.84)

By and large, the effective units of migration were (and are) neither individuals nor households but sets of people linked by acquaintance, kinship, and work experience. . . . Where kinsmen, friends, neighbors, and work associates already have good contacts. . . [migrants] rely on these networks for assistance both in moving and in settling at the destination.

According to Tilly, these networks often create new categories (ethnic groups), and in so doing, provide the basis for

ethnic identity. And if, as previous research seems to suggest, ethnic identity affects consumer behavior, it would then be beneficial to learn more about the social relationships of migrants.

How an immigrant adjusts to his or her new environs is largely determined by the immigrant's social relationships, and whether social networks represent a help or hindrance to the immigrant's acculturation is the subject of ongoing study (Kwong 1984; Pohjola 1991; Portes and Sensenbrenner 1993).

A Socially Embedded Approach

Many researchers reject the notion that social behavior is caused by attitudes and norms alone. In the study of interpersonal relationships, a strong research tradition has been established in the realms of network analysis (e.g., Brown and Reingen 1987; Granovetter 1982; Ward and Reingen 1990). One implicit assumption of network analysis, called the "anticategorical imperative," stresses the significance of structural and social relationships in shaping social behavior (Emirbayer and Goodwin 1994). The idea that social networking is important to entrepreneurial firms is not new. For example, Peng's (2001) study of Chinese entrepreneurs suggests that networking is one of the major entrepreneurial strategies used by practitioners. The importance of social influences and relationships on behavior has long been recognized by consumer researchers (e.g., Rogers 1976). In this line of thinking, analysts question the usefulness of approaches that stress only the nonrelational attributes and/or purposive actions of individuals. Out of this recognition stems various attempts to incorporate social relations in the study of human behavior.

Central to this social perspective is the idea that people are "embedded" in social relationships. In offering his argument of embeddedness, Granovetter (1985, p.482) notes, "... the behavior and institutions to be analyzed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding."

Because most people do not live alone in caves, but instead interact with one another in a society where relationships are formed, the embeddedness perspective proposes that social structure "constrains, supports, or derails individual goal-seeking behaviors" (Portes and Sensenbrenner 1993, p.1321). In simple English, embeddedness means that the company one keeps has an impact on one's behaviors.

Granovetter's (1985) concept of embeddedness contrasts sharply with the "undersocialized concept" of human action, which is characteristic of the economic perspective. According to Granovetter (p.490), the fact that people generally prefer to deal with individuals with known reputations "implies that few are actually content to rely on either generalized morality or institutional arrangements [governance

structures] to guard against trouble [deceit]." But even when economists take into account the role of reputation, they do so in an "undersocialized" fashion by generalizing it as a mathematical ratio. Embeddedness, as in a network of interpersonal relationships, is critical in "generating trust, in establishing expectations, and in creating and enforcing norms" (Coleman 1988, p.97). Moreover, our relationships with others also play a role in developing and maintaining our own identities and self-concepts, particularly in terms of the relative salience of our various discrete identities (Stryker 1968).

The embeddedness argument was presented by Granovetter (1985) in the context that economic action is embedded in social relations. Specifically, he referred to the role of social networks in generating trust and discouraging malfeasance, and the behavior of interest was economic behavior. While economic action took center stage in Granovetter's discussion, economic behavior was only used as an illustration. Indeed, as Granovetter noted (1985, p.504), "most behavior is closely embedded in networks of interpersonal relations and that such an [embeddedness] argument avoids the extremes of under- and oversocialized views of human action. . . . I believe this to be so for all behavior."

The Importance of Interpersonal Relationships

It is well established in sociology that feelings of identity are distinct from social relationships and exert varying influences on behavior (Oliver 1984; Tilly 1978). Social relationships, for instance, are seen by many social-movement researchers as a key determinant of activism (Gould 1991; McAdam and Paulsen 1993; Rosenthal et al. 1985). In the social movement literature, many studies have shown that psychological and attitudinal factors provide only limited explanation for individual participation (McAdam and Paulsen 1993). For example, in a study of a peace demonstration in the Netherlands, Klandermans and Oegema (1987) have found that 96 percent of those who were attitudinally or psychologically disposed to participate did not do so. This emphasizes that psychological and attitudinal factors are not always enough of a motivation to lead to activism.

Adoption and diffusion researchers have also incorporated social relations in their analysis of how innovations are communicated over time. Indeed, interpersonal influences represent one of two integral components of how information is transmitted and opinions formed (Burt 1987; Gatignon and Robertson 1985; Mahajan, Muller, and Bass 1990; Rogers 1976). Another research area that has benefited from a social relationships perspective is the study of job-seeking behavior, and related to that, the diffusion of information (Granovetter 1982; Liu and Duff 1972; Weimann 1983). Consequently, under the embeddedness approach, a detailed analysis of social structure is central to an understanding of

social action, of which “economic action is seen only as a special, if important, category” (Granovetter 1985, p.507).

The importance of social relationships is not lost on consumer researchers either. Belk (1988), for example, suggests a broader sense of self that includes not only the individual level, but also a collective level such as family, group, and cultural levels. He proposes that the concept of an extended self is “a central construct that can explain a variety of consumer and human behaviors” (p.160) more completely than the narrower individual sense of self. Frenzen and Davis (1990), building on the idea of embedded markets, note that market behavior is explained not by economic utilities alone but also by preexisting social relationships between buyers and sellers.

In view of the criticism leveled at the atomization perspective, in which focus is placed on the individual as the unit of analysis, many researchers have incorporated the concept of groups in their work, or even as the focal point of their studies. Childers and Rao (1992), for example, study the influence that reference groups have on the consumption of luxuries and necessities in the United States and Thailand. Ho (2005) employed a dyadic perspective to study social influence on psychological contract fulfillment. Interpersonal influence is recognized as an important set of influences in diffusion research (Mahajan et al. 1990; Midgley and Dowling 1993). Bearden, Netemeyer, and Teel (1989) undertake the task of developing a scale to measure consumer susceptibility to interpersonal influence. Brown and Reingen (1987) perform a network analysis of word-of-mouth referral behavior. Ward and Reingen (1990) study group decision-making and reason that strong social ties lead to greater belief sharing among group members. And as we noted earlier, Frenzen and Davis’s (1990) study concerns consumer behavior in embedded markets. These and other important studies have sparked growing interest in the social aspects of human endeavors, by alerting researchers to the contributions that investigations into social relationships may bring. While much of past research was mainly centered on individual action, this stream of analysis acknowledges that humans are social beings and as such are influenced by the company they keep. As Venkatesh (1995) has remarked, “. . . all consumer behaviors (are) primarily sociocultural phenomena that must, therefore, be discussed in sociocultural terms” (p.29). The important point is that we are seeing more research sensitive to the importance of social relationships, which helps to alleviate some of the problems associated with the “undersocialization” criticism.

Embeddedness is not an entirely new concept in the study of firm behavior. Indeed, as Gnyawali and Madhavan (2001) point out, structural embeddedness, or the analysis of inter-firm network influences on competitive behavior, has been given some attention in the literature. Our article continues

on this path by incorporating entrepreneurship inquiry into this stream of research.

Social Networks and the Minority Entrepreneur

According to data from the 2000 Census, immigrants have higher self-employment rates than do natives (Toussaint-Comeau 2005). Oftentimes, social networks influence the type of business a minority entrepreneur will open. In fact, businesses owned by minority entrepreneurs are often concentrated in small niches (Masurel, Nijkamp, and Vindigni 2004). For instance, *USA Today* (2002) reported that Koreans own 29 percent of Asian food stores. Vietnamese own 37 percent of Asian nail-care salons. Asian-Indians own more than half of all economy lodging properties in the United States. During the tech boom in Silicon Valley, more than 25 percent were owned by Asian-Indian or Chinese entrepreneurs. Data from the 2000 Census on the most common businesses for entrepreneurs from several different minority groups is consistent with the above minority group and business pairings (Toussaint-Comeau 2005). Clearly, social networks are important for minority entrepreneurs.

Funding issues are particularly challenging for minority entrepreneurs. Many of them, lacking significant personal financial sources, rely primarily on governmental assistance (*Entrepreneur Magazine* 2003). However, as various governmental entities begin to look for ways to reduce spending, increasingly so minority entrepreneurs look to social networks as a way to secure financing, be it through venture capital or social circles. As Erkki Liikanen of the EU remarked in a conference on ethnic entrepreneurship in Brussels in 2003 (Europa 2003), most ethnic minority entrepreneurs rely heavily on coethnic social networks to help them get started with their businesses. These networks, however, are often closed to those who are not part of the social network, and even when available, tend to be limited in their resources or expertise. A study by the Canadian government indicated that 30 percent of visible-minority entrepreneurs cited financing as a key obstacle in starting their small businesses (Industry Canada 2005). Even so, as reported in *USA Today* (2002), the success and proliferation of Asian entrepreneurs in the United States owes much to the availability of what is called “informal loan associations” that are essentially based on coethnic social networks.

The concept of social capital facilitates an understanding of embedded social relations to which Granovetter alluded. Coleman’s (1988) discussion of the various forms of social capital provides a starting point for investigating how social relations influence human action. Instead of merely criticizing economists for their undersocialized views and sociologists for their oversocialized conception of human behavior, Coleman proposes a tool that “involves use of the paradigm

of rational action but without the assumption of atomistic elements stripped of social relationships” (Coleman 1988, p.118). Inkpen and Tsang (2005) applied the concept of social capital to the study of knowledge transfer among network members. Indeed, new energy is beginning to infuse the relatively old concept of social capital, as more researchers start to “rediscover” its efficacy (Adler and Kwon 2002).

Portes and Sensenbrenner (1993) modify the idea of social capital for application in a migration context. Their study focuses on minority immigrant groups, and offers an interesting recasting of social capital in a more “ethnic” light. Of particular interest is their idea of “bounded solidarity” as a kind of social capital that minority immigrant groups have to offer, as well as the changing nature of bounded solidarity itself.

According to Portes and Sensenbrenner (1993), bounded solidarity is a collective consciousness that compels people to behave in a certain way. Bounded solidarity does not come from some underlying moral order, but emerges as a collective sentiment, a defensive strategy (of the group) arising out of feelings of oppression, etc., what Portes and Sensenbrenner (1993, p.1325) called a “defensive banding together of the losers in the market struggle.” This kind of social capital is situational, and is a group *reaction* made necessary by a common adversary. It is bounded because it is restricted to members of a particular group who are similarly and contemporarily affected by common events. In developing this concept, Portes and Sensenbrenner borrow from Marx’s notion of class struggles, referring to migrant ethnic solidary communities as born out of a confrontation with the host society.

Portes and Sensenbrenner note that a group needs to be able to “activate a cultural repertoire” in addition to using group defense to sustain bounded solidarity. Thus, confrontation helps to build bounded solidarity, and activating a cultural repertoire helps to sustain it. But not all immigrant groups develop this sense of solidarity. Some do not have to, and some do not want to. On this latter point, Wang’s (1991) concept of sojourner’s mentality is illustrative. Those migrants who do not plan to stay, but are contemplating exit, may not see a need for solidarity at all, since they would perceive fewer “clashes” with the host society (Portes and Sensenbrenner 1993). Contrast the solidarity of earlier ethnic Chinese immigrants to Canada with the lack of it among more recent Chinese immigrants (Johnson 1992; Kwong 1984). Sojourner’s mentality alone of course does not fully explain why recent immigrants may exhibit less solidarity. As Johnson (1992) has noted, higher education levels (and thus occupational mobility) and a multicultural policy by the Canadian government have contributed to a less problematic adaptation. But many of these recent immigrants consider their stay temporary and look forward to “going home”

(Wang 1991). In this respect, they have less need to form solidary communities united by common interest or to belong to them. Instead, as Johnson (1992) has reported, ethnic organizations are no longer defense strategies against the host society’s overt prejudice and discrimination, but are voluntary associations that offer other appeals.

While some minority migrants closely identify with their ethnic groups, and socialize frequently in those circles, there are also minority migrants who do not do so. Such intracultural differences have been identified in the consumer culture literature (e.g., Chung 2000) and in studies on ethnic enclaves (e.g., Light et al. 1994). We propose that such intracultural differences exist among minority entrepreneurs. Various factors lead to such differences, and these differences have varying consequences on entrepreneurial behavior.

A lot of work has been done on how “ethnic” one feels. More precisely, much has been done on how closely a person identifies with her or his ethnic group. Much of this takes an individualistic approach, as we have alluded to earlier. From a more sociological perspective, following Chung and Fischer (1999a), we propose that the ethnic homogeneity of a person’s social ties, and their relative strength, have a lot to do with how “ethnic” the person is. This borrows heavily from Granovetter’s (1985) work on social ties.

The Strength of the Tie

How do “interactions in small groups aggregate to form large-scale patterns,” Granovetter asks (1973, p.1360). The answer, according to Granovetter, lies in the use of weak ties as bridges over which new ideas are transmitted from group to group. Social relationships vary in their tie strength, which Granovetter sees as “a combination of the amount of time, the emotional intensity, the intimacy and the reciprocal services which characterize the tie” (p.1361). Thus, friends would be typified by strong ties, while acquaintances would be characterized by weak ties. “Absent ties” refer to a lack of any relationship or ties that do not have real significance. In Granovetter’s scheme of things, regularly buying a morning paper from the same vendor does not lend to a tie. Thus, strong ties are basically close relationships.

While the strength of the weak ties argument is persuasive and has received much attention in the literature, strong ties are by no means moribund in their impact on our lives. Indeed, Granovetter, in a subsequent (1982) revision of his weak ties theory, concedes that strong ties also play a significant role. Other researchers have suggested that strong and weak ties exert differing influences on human action (e.g., Brown and Reingen 1987).

Weak ties may be important bridges over which information is diffused, while strong ties are sources of social influence on our actions. How does this reflect the ethnicness of a person?

Ethnic Homogeneity of Interpersonal Relationships

While closeness or strength appears to be the common way of thinking about social relationships, it is but one approach to the analysis of social connectivity. Researchers using the “relational analysis” perspective of social structure are not limited to studying only tie strength (Emirbayer and Goodwin 1994). Indeed, it is the patterns of interaction that lays the empirical foundation of network analysis, and the mere existence of ties is itself meaningful and consequential (Cook and Whitmeyer 1992). We propose that in the context of ethnic groups, following the lead of scholars in the field of ethnic enclave economies (Light et al. 1994; Portes 1984), the ethnic homogeneity of one’s social relationships is also an important consideration.

Ethnicity and Strength of Ties

Thus, a useful examination of interpersonal relationships comprises both the ethnicity and strength of one’s social ties. Coethnic relationships are those with people of the same ethnic background, while nonethnic relationships refer to those with people from ethnic backgrounds different from one’s own. Ethnic homogeneity of strong ties, then, refers to the preponderance of coethnics among a person’s close relationships. Likewise, ethnic homogeneity of weak ties refers to the preponderance of coethnics among a person’s peripheral relationships.

If, as the literature seems to indicate, a person’s strong ties exert important influence over the person’s behavior, we would expect that the more ethnic one’s strong ties are, the more “ethnic” one’s behavior would be.

On the other hand, weak ties, as conduits of information, may well play an important role in a migrant consumer’s knowledge of the products and services that the host society has to offer.

Since most migrants look to coethnic ties to help with their adjustment to a new society (Kwong 1984; Pohjola 1991), this could have important social policy implications as well, not the least among which has to do with the questions of ethnic economy and ethnic enclave economy (Light et al. 1994).

Ethnic Ties and Entrepreneurship

Social ties appear to have varying effects on people, depending on the strength of the ties. The ethnic homogeneity of one’s social ties, as we have seen above, influences people’s propensity to behave in a more or less “ethnic” manner. In the context of entrepreneurial activities, this may well translate into the kind of social capital one desires or relies on among others of a similar ethnic heritage. It may also influence whether the entrepreneur would target specific ethnic market segments given her or his own ethnic background. It may, furthermore, affect the location of the firm, the makeup of its

workforce, the suppliers and facilitating institutions (Dunne and Lusch 2005) one uses, and so on. Facilitating institutions refers to members of the supply chain that facilitate the buying and selling in a supply chain, but who do not take title. These include institutions such as purchasing agents, ad agencies, transportation companies, financial enterprises, and the like.

From the above discussion, we offer the following propositions:

Proposition 1: The more the ethnic homogeneity of an entrepreneur’s strong ties, the more likely the firm’s markets and products will be ethnic in scope.

Proposition 2: The less the ethnic homogeneity of an entrepreneur’s strong ties, the more likely the firm’s markets and products will extend beyond ethnic boundaries.

Proposition 3: The more the ethnic homogeneity of an entrepreneur’s weak ties, the more likely the firm’s management processes and facilitating institutions will be ethnic in scope.

Proposition 4: The less the ethnic homogeneity of an entrepreneur’s weak ties, the more likely the firm’s management processes and facilitating institutions will extend beyond ethnic boundaries.

While there are certainly advantages to be had by engaging in the kind of niche marketing typified by a minority-owned SME operating within the confines of an ethnic environment, opportunities for growth are more abundant if the firm were to expand beyond being an ethnic operation. Moreover, to the extent that access to a wider range of facilitating institutions than what the ethnic enclave could offer is advantageous, one would expect that firms with wider access would achieve better survivability or performance. With this in mind, we offer the following additional propositions:

Proposition 5: Firms whose products and markets extend beyond ethnic enclaves outperform those that primarily serve ethnic communities with ethnic products.

Proposition 6: Firms whose management processes and facilitating institutions extend beyond ethnic communities outperform those who rely on processes and institutions within the ethnic communities.

Measuring Strength of Ethnic Ties

To test the above propositions, we need to identify and measure two important sets of variables. First, we need to isolate an entrepreneur’s social network and distinguish between the strong ties from the weak ties. Second, we need to measure the ethnic homogeneity of the entrepreneur’s strong ties, and likewise for her or his weak ties.

Network analysis is a common method of identifying relationships and an individual's social network. When performing network analysis, first we typically identify all of the connections a person has in a given social context (e.g., membership in an organization), and second we classify these ties by measuring them on certain dimensions such as tie strength (e.g., Sirsi et al. 1996; Ward and Reingen 1990). Another approach that researchers have utilized in studying social relationships is to begin with categories of ties, rather than all the relationships a person has (e.g., Argyle 1986). This approach is generally useful when the ties in question are not constricted by a specific membership or organization. There are at least two related strategies for data collection in this respect.

First, a "rules for social relationships" stream examines what people see as acceptable behaviors (thus "rules") given a particular kind of relationship. In this kind of research, relationships are classified based on their roles. Examples of such roles include spouse, date, teacher, coworker, and so on. For instance, previous research by Argyle and his colleagues (e.g., Argyle, Graham, and White 1979) establish a list of between 22 to 25 kinds of relationships that are found to apply across a range of cultural settings.

A second line of inquiry categorizes relationships based on the significance the individual places on the relationship. Instead of roles, investigators are interested in how much the relationships mean to people. Fischer (1982), in his attempt to discover what people mean by "friend," finds that it is a very common label and to some extent a residual label. McAdam and Paulsen (1993) analyze people's decision to take part in the 1964 Mississippi Freedom Summer Project, to determine the sources of support for actual participation. Having identified social relationships as a key variable, McAdam and Paulsen ask individuals to indicate all those "who positively influenced your decision to apply to the Freedom Summer Project" (p.652). The researchers find that participants were greatly influenced by those with whom they had closer interpersonal ties; the latter were self-identified by the subjects when asked to "list at least 10 persons whom they (applicants) asked to be kept informed of their summer activities" (p.652). Typified by McAdam and Paulsen's approach, these studies (e.g., Chung and Fischer 1999b) begin with certain descriptions of relationship categories and ask respondents to list those individuals who they believe fit each description.

Chung and Fischer (1999b) describe the methodology that they used to both identify strong and weak ties and to measure the ethnic homogeneity of the strong and weak ties. First, participants identify their own ethnic affiliation with a four-item, five-point scale based on Donthu and Cherian's (1992) ethnic identification scale. Second, the participants' social network is identified. Participants are asked to indicate which individuals they would interact with given

several different scenarios. The strength of the identified ties is measured via a five-item scale by Sirsi et al. (1996). Lastly, the ethnicity of both the strong and weak ties is determined. Participants are asked to indicate if the ethnicity of the individuals identified as part of their social network matches their own ethnicity. Ethnic homogeneity is quantified as the percentage of the ties that are with individuals with matching ethnicity. Thus, strong and weak ties are identified and the ethnic homogeneity of these ties is measured.

Modeling Entrepreneurial Success

Recently, McKay and Chung (2005) proposed a model for benchmarking entrepreneurial survival (in the context of their paper, continued survival of an entrepreneur firm is considered a success given the high failure rates). They outlined four "exemplary processes" that they felt should be "central in an entrepreneur's benchmarking." These processes are: cooperation, sharing founder's vision, time management, and developing organizational competency. Unfortunately, McKay and Chung (2005) did not offer concrete suggestions as to how their various models may be measured. While our current study does not lend itself to an elaboration of McKay and Chung's model, and indeed we have simply added to it, we believe it would be fruitful for future research to fully address the measurement issues thus posed.

Particularly in light of Propositions 5 and 6, we propose that for minority-owned SMEs, another important benchmark would be the ethnic homogeneity of the entrepreneur's strong and weak ties. In this respect, we would add to the McKay and Chung model a fifth benchmark, that of ethnic homogeneity of ties (see Figure 1).

Discussion

Increasing numbers of minorities and immigrants see entrepreneurship as an alternative to traditional occupations in the corporate sector. Not only do researchers need to continue their examination of factors leading to entrepreneurial success, but also they must be cognizant of the additional complications that an ethnic dimension throws into the equation. Furthermore, our article is a departure from the typical unit of analysis, where the individual entrepreneur is the central focus. Indeed, we propose that the phenomenon of entrepreneurship cannot be comprehensively studied without due attention paid to sociological forces, through interpersonal relationships, which play a part on the human condition. In this respect, our study contributes to extant literature by introducing first an ethnic dimension to entrepreneurial research, and second, by highlighting the critical role that social forces play. In their editorial comment in the *Academy of Management Journal*, Ireland, Reutzell, and Webb (2005) urged researchers not only to continue to foster the robust field of entrepreneurial research, but also to

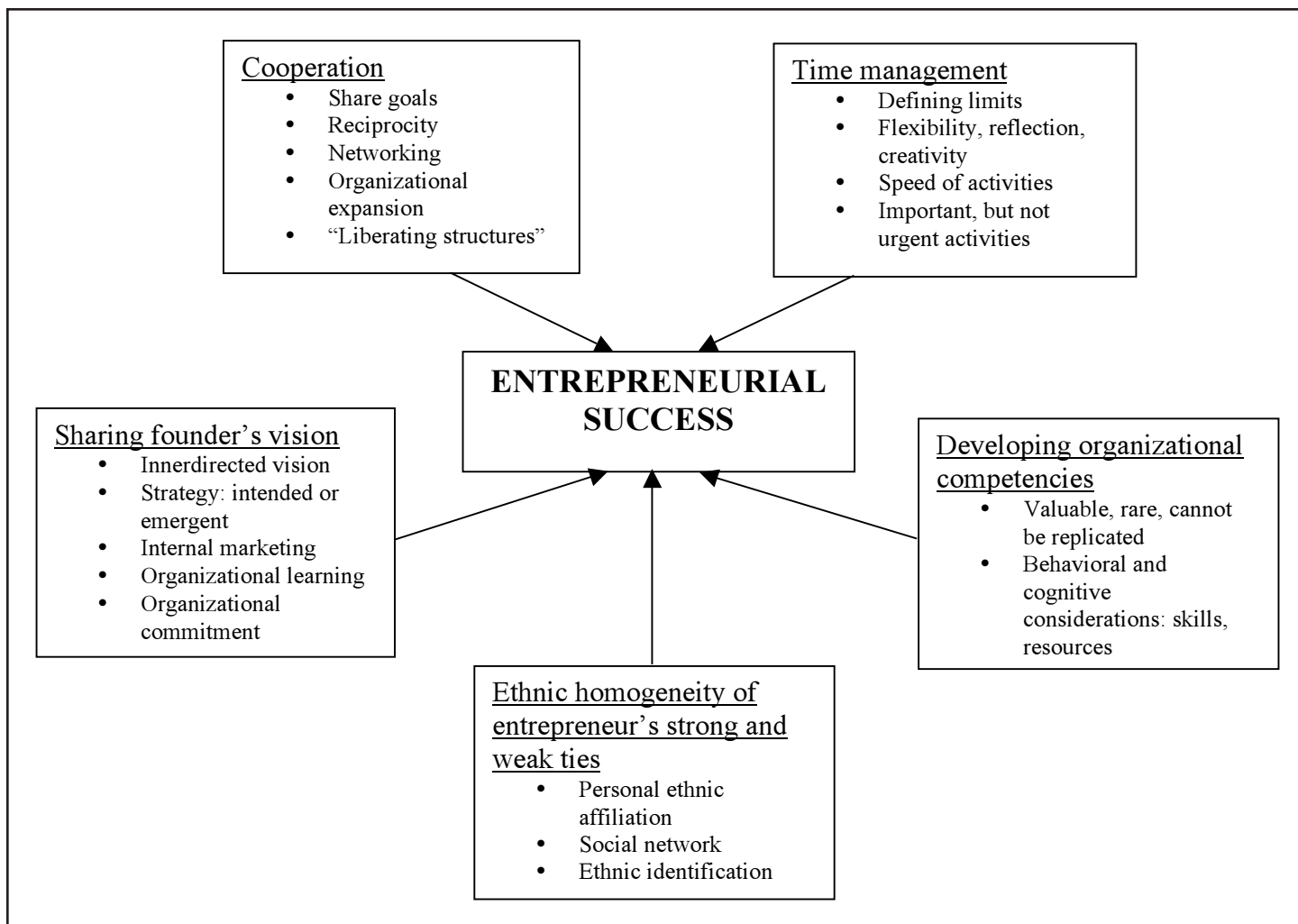


Figure 1. Modeling Entrepreneurial Success

consider the question: Where does business (and in our context, entrepreneurs) come from? Our research is consistent with this line of inquiry, and we hope that our introduction of social ties into entrepreneurial research will further what Ireland et al. predict to be a “robustness of talent and diversity of insights” in this area.

We borrowed from the framework proposed by McKay and Chung (2005), in which they suggested that four processes need to be benchmarked to help facilitate entrepreneurial success. To this we added our fifth benchmark, in the context of minority-owned SMEs, that of ethnic homogeneity of strong and weak ties. A series of propositions are offered in our study to test our overall hypothesis that social relationships and ethnic ties matter. In addition, we discussed a solution to the potential data collection problem of researching open-ended social networks.

SMEs are fueling much of the economy and job creation. In particular, minority- and migrant-owned SMEs represent

not only an important part of our economic system, but also one of vital significance to minority and migrant communities.

Our article highlights various areas that may fruitfully be addressed by future research. In particular, research is needed in the areas of ethnic social ties among entrepreneurs, for example to arrive at a more parsimonious measure of the strength of ethnic ties. How such social ties may relate to an entrepreneur’s sense of ethnic identification may well be a rewarding area of research. In addition, we believe the literature would be enriched by future research into our modified model of entrepreneurial success. While we offer, primarily based on McKay and Chung’s (2005) discussion, the key constructs and some of their variables, currently the literature does not contain sufficient guidance to help us develop a full-scale research study around the topics. We suggest that more work needs to be done on developing the measures required before the McKay and Chung (and our modified) model can

be tested. Admittedly, while the above places a lot of burden on future research, we recognize the importance of building

a strong foundation on which to premise any substantive testing of our propositions.

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