EDITORIAL NOTE

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In recent decades many emerging markets (EMFs) have undertaken entrepreneurial transformations to adapt to institutional transition and industrial change. Corporate entrepreneurship (CE) provided EMFs viable ways to revitalize, reconfigure, and transform successfully with the dynamic environment. Although previous research examined government roles on EMFs’ CE activities, little is known about the mechanisms of how government exerts influence on CE activities. To fully understand CE of EMFs, we propose a stage model to explore specific roles governments play that affect CE activities over time. In particular, we investigate how governments’ grabbing hand, helping hand, and invisible hand roles affected Chinese auto firms’ CE activities at different stages from 1980 to 2016. Government involvement is summarized and the advantages and disadvantages of these roles are analyzed.

Keywords: corporate entrepreneurship; government roles; innovation; venturing; emerging market; Chinese automobile industry

Existing research has extensively examined how emerging market firms (EMFs) have grown and become important players in world business (e.g., Jiang et al., 2016; Kotabe, Jiang, and Murray, 2017; Li and Kozhikode, 2008; Mathews, 2006). In particular, EMFs have undertaken entrepreneurial transformations to adapt to institutional transition and industrial change (Yiu and Lau, 2008). Corporate entrepreneurship (CE) provided EMFs viable ways to revitalize, reconfigure, and transform successfully with external environment (e.g., Zahra, Ireland, Gutierrez, and Hitt, 2000). CE activities such as innovation, strategic renewal, and corporate venturing (Covin and Slevin, 1991) are critical for EMFs to venture internationally (Wang, Hong, Kaforurs, and Wright, 2012; Yiu, Lau, and Bruton, 2007) and gain competitive advantages in fierce domestic and global competition.

A firm’s ability to engage in CE is not only determined by its available resources (Covin and Slevin, 1991) and dynamic capabilities (Zahra and George, 2002), but also by its embedded institutional environments. Institutional environments can influence firms’ strategic activities (Kotabe et al., 2017) and can shape the nature and level of innovation in a country (Busenitz, Gomez, and Spencer, 2000). Among institutional forces, government plays important roles in fostering entrepreneurial activities (Minniti, 2008) through initiating policies, providing support, and regulating industrial development (Kotabe et al., 2017).

EMFs differ from their counterparts in developed countries in their lack of valuable resources and capabilities (Yiu and Lau, 2008). To address their resources insufficiency, EMFs are found to rely on preferential treatment from the government to achieve business success (Luo, 2000). Governments could be involved in providing entrepreneurial opportunities for EMFs to access valuable resources and to enhance firm capabilities. As such, there are notable differences between EMFs and developed market firms (DMFs) in conducting CE activities (Kotabe et al., 2017).

Although previous research examined that the fundamental question of whether government policies have positive effect on entrepreneurial activities (Minniti, 2008), little is known about how governments matter in EMFs’ CE activities. Drawing on previous models (Frye and Shleifer’s 1997; Shleifer and Vishny, 2002) of governments’ roles, we propose the following two research questions to examine government’s involvement in promoting CE activities in transition economies. First, what roles do governments play in enabling and stimulating firms’ CE in emerging economies? Second, what is the impact of government involvement on important CE outcomes, namely EMFs’ innovation, strategic renewal, and corporate venturing? We adopted a case study approach (Eisenhardt, 1989; Yin, 1994) to our inquiry. We chose the automobile industry in China as our research context because China
has become the world’s largest and fastest-growing emerging economy and its automobile industry has been the largest in the world measured by unit production since 2008. Under the strong influence of the government, most Chinese automobile enterprises have undergone an entrepreneurial transformation in order to compete locally and globally, especially after China’s entry into the World Trade Organization (Peng, 2003; Tan, 2007).

In this article, we provide a literature review of CE and describe government’s roles in transition economies based on Frye and Shleifer’s (1997) and Shleifer and Vishny (2002). We then analyze Chinese government’s involvement and roles in the development of the automobile industry and the CE activities of auto companies between the early 1980s to 2016. Lastly, we discuss outcomes of the Chinese government’s involvement and provide implications for theory and practice.

**Theoretical Background**

**Corporate Entrepreneurship (CE)**

CE is defined in various ways in the entrepreneurship research. CE was viewed as the rebirth of organization through a renewal (Guth and Ginsberg, 1990). Zahra (1995, 1996) defines CE as a process of creating new businesses or the strategic renewal of an existing business to improve profitability and competitive advantages. CE requires firms to engage in three distinct but related activities: innovation, strategic renewal, and cooperate venturing (Zahra, 1996). First, innovation requires firms to develop cultures, processes, and structures to support continuous new product launches in its current markets as well as introduce existing products into new markets (Covin and Miles, 1999).

Second, CE also embodies renewal activities that enhance an enterprise’s ability to compete and take risks, with or without the creation of new businesses. Strategic renewal refers to the “revitalization of the company’s operations by changing the scope of its business, its competitive approach, or both” (Zahra, 1996: 1715). These renewal activities may include opportunity identification and exploitation as well as creating and sustaining a competitive advantage through strategic renewal and business model reconstruction. It can also include organizational rejuvenation—a firm’s ability to improve its internal processes, structures, and capabilities, to better execute strategies and often involves administrative innovations in human resource management (Covin and Miles, 1999). Lastly, strategic renewal may also involve domain redefinition—activities involving the creation of new product market position that competitors have not recognized or exploited (Covin and Miles, 1999). According to Covin and Miles (1999), the focus of domain redefinition is exploring for what is possible rather than exploiting what is currently available.

Third, corporate venturing refers to activities that “seek to generate new businesses for the corporation in which it resides through the establishment of external or internal corporate ventures” (Von Hippel, 1977: 163). Corporate venturing can be divided into internal and external venturing (Phan, Wright, Ucbasaran, and Tan, 2009). Internal corporate venturing involves the creation of new businesses that reside within the corporate structure and preexisting organization structures may accommodate these new ventures or newly created organizational entities. External corporate venturing involves investing in young, early growth-stage businesses created by external parties through corporate venture capital, licensing, acquisitions, and joint ventures.

In short, CE requires organizations to engage in activities that continuously extend their domain of competence and respond to risks and opportunities through resource configuration and capability development to meet changing customer demands and competitor strategies (Guo et al., 2014). However, CE activities do not occur in a vacuum and are under the influence of institutional environments. National culture (Hayton, George, and Zahra, 2002), accepted industry norms and rules of engagement in competition (Covin and Miles, 1999), and public policies as well as government involvement (Wang et al., 2012) can exert strong influence on firms’ ability and willingness to engage in CE activities. Among institutional forces, government plays important roles in fostering entrepreneurial activities (Minniti, 2008). This is especially the case for firms in emerging economies where institutional mechanisms are found to complement firms’ activities (Kotabe et al., 2017) when their markets have not reached the technological frontier (Mahmood and Rufin, 2005) and EMFs have not fully developed their competitive advantages to compete with their counterparts from developed countries (Kotabe et al., 2017).

The following section introduces the stage models of government roles in transition economies based on Shleifer and Vishny (2002) and provides an analysis of government’s involvement in and impact on CE activities and industry development of the Chinese automobile industry from the early 1980s to 2016.
Government Roles and Institutional Influence

According to Shleifer and Vishny (2002), the impact of governments on entrepreneurial activities in transition economies can be described as the invisible hand, the helping hand, and the grabbing hand models. Under the invisible hand model, government restricts itself to providing basic public goods, such as contract enforcement, law and order, and some regulations. Governments adopting invisible hands are generally well organized, benevolent, and refrain from making allocative decisions. Under the helping hand model, government is actively involved in promoting economic activities, establishing industry policies, and often has close ties to entrepreneurs. In this model, government has strong arbitrative power and leaves little room for the legal framework. Lastly, under the grabbing hand model, government is considered interventionists; it remains largely independent of courses and is empowered to impose a variety of regulations on businesses.

An institution-based view suggests that firms’ strategic choices are the outcome of the interaction between organizations and institutions. While industry conditions, firm resources, and capabilities can drive strategic choices, formal and informal constraints of a particular institutional environment can also exert strong influence. Based on Kostova’s (1997) three-dimensional institutional profile, a country’s level of entrepreneurship is determined by government policies (regulatory dimension), shared knowledge to establish new business (cognitive dimension), and value system (normative dimension). Although government’s influence on entrepreneurial activities is mainly through public policies and regulations, or coercive isomorphism in DiMaggio and Powell’s (1983) term, we speculate that governments, especially those in transition economies, can also shape the value system by imposing normative isomorphism (DiMaggio and Powell, 1983), which requires firms to abide by the norms or rules established by the government for a specific profession or industry. In addition, it is possible that governments in transition economies, to address their political goals, can play an active role in issuing favorable policies and allocating resources to help construct a shared knowledge base for firms to engage in entrepreneurial activities. In the next section, we apply Frye and Shleifer (1997)’s framework and provide an analysis of the Chinese government’s involvement and institutional influence in reshaping the automobile industry.

Chinese Automobile Industry and Government Involvement

Governments of a few major emerging economies, including Brazil, India, and China, have successfully developed a viable national automotive industry as one of the national economic pillars (Sturgeon and Van Biesebroeck, 2010). Even in these countries, however, local automobile firms are still relatively weak, and multinational firms will continue to dominate the domestic industry for a long time (Chang, 2016; Guo, et al., 2014). The difficulty of developing competitive automobile enterprises in emerging economies is attributed to unique institutional factors (e.g., heavy government regulations and interventions in the automotive industry), an underdeveloped supplier industry, underdeveloped intellectual property rights (IPR) environment (Jiang, et al., 2011), and price-sensitive domestic markets (Guo, et al. 2014).

The case of the Chinese automobile industry follows the general development trajectory experienced by those in other emerging economies. China surpassed the United States in production of vehicles in 2008 (Guo, et al., 2014), and the Chinese government succeeded in creating the world’s largest automobile market with 24.5 million units in 2015 (Chang, 2016). From 2000 to 2015, China’s market share of auto production sextupled. In particular, the market share at the worldwide auto production almost doubled from 12 percent in 2007 to 23 percent in 2010 (Quest Trend Magazine). The two graphs in Figure 1 illustrate the growth trend of China’s auto industry.

Initiation Stage (Early 1980s to Late 1990s)

In the early 1980s, recognizing the lack of capital and technological expertise of the local automobile makers, Chinese political leaders established the country’s passenger car production and an automotive supply chain. In 1985, the government named the automobile industry as one of its “pillar” industries (Roberto, Guo, and Jiang, 2011). To achieve these goals, the government encouraged foreign direct investment and established laws that forced international automakers into joint venture (JV) arrangements. In 1994, the government developed the China Automotive Industry Policy, which, for the first time, set clear 50–50 JV requirements between Chinese automakers and their foreign partners. To encourage foreign direct investment (FDI), the government provided favorable policies, such as a two-year tax exemption and a three-year tax reduction for Sino-foreign firms.
Global auto production grows by 50%, China’s share by sixfold since 2000

Index global auto production and China’s share 2000–2015 (2010 = 100)

Indexing, calculation of China’s share by Quest Research. Chart www.quest-trendmagazine.com ©Quest
The expectation behind such an arrangement was that Chinese automakers would acquire technology and know-how from their foreign partners, usually leading international automakers. It can also improve local supply industry with requirements of high rates of local content (the percentage of auto parts purchased from local suppliers in an assembly) (Sun, Mellahi, and Thun, 2010). In exchange, foreign partners would gain access to the vast Chinese car market. Such opportunities were greatly welcomed by international automakers as the passenger car markets in the industrialized market were approaching saturation during that time (Chang, 2016). In addition, the Chinese government believed that the 50–50 JV arrangement would also prevent foreign automakers from dominating the Chinese market. Even today, establishing a wholly foreign-owned automobile enterprise in China is prohibited (Chang, 2016). Consequently, firms such as Volkswagen, Citroën, General Motors, and Ford all partnered with domestic automakers. By the end of 1997, China had about 500 FDI-involved automobile firms; among these, 80 were assembly JVs and 410 were auto parts JVs (Sit and Liu, 2000).

It is evident that during this early development stage, the Chinese government adopted the grabbing hand model. For instance, “in 1988, the government proposed a strategy of supporting ‘three majors and three minors’—with First Automobile Works (FAW), Second Automobile Works (SAW), and Shanghai Automotive Industry Corporation (SAIC) named as the three majors, and Beijing, Tianjin, and Guangzhou firms as the three minors—to limit the total number of firms, and provide a high degree of protection.” (Chu, 2011: 1243). In addition, once the Shanghai Volkswagen Automotive Corporation (SVW) was formed, the Shanghai government listed it as a “pillar firm” in its development plan and provided preferential treatment in taxation, foreign loans, exchange rates, and materials procurement (Frynas, Mellahi, and Thun, 2010).

In addition, the government imposed coercive pressure on Chinese and foreign automakers to jumpstart the national automobile industry by imposing the 50–50 JV arrangement and banning foreign-owned automobile enterprises in China. Despite the good intention, JV partnerships are structured in a way that the Chinese firm is mainly responsible for auto assembly operations and the foreign partner is in charge of new car designs and branding (Chang, 2016). In addition, Chinese automakers did not form exclusive relationships with their foreign partners. For example, SAIC had formed multiple joint ventures, including Shanghai-Volkswagen, Shanghai-General Motors, among others. Due to the nature of such non-exclusive partnerships and to the concerns about the country’s inadequate enforcement and enactment of intellectual property protection, foreign automakers were reluctant to share their full knowledge with their Chinese partners (Guo et al, 2014; Roberto et al., 2011).

Furthermore, hierarchical control rather than market relations determined the choices of suppliers. For example, the Shanghai government formed a localization office, which charged local suppliers’ products, financing, technology adopted or imported. And the localization office requested SVW to source from these firms (Sun et al, 2010). Further, high tariffs and entry restrictions enabled the JVs to price cars high and obtain high profits (Chu, 2011). Although such a strong grabbing hand allowed rapid development of the Chinese automakers and enabled them to acquire manufacturing capabilities in a relatively short period of time, they have not gained full access to closely guarded cutting-edge technologies and R&D.

In short, during the period of early development, the Chinese government’s strong grabbing hand, on the one hand, allowed the weak Chinese automakers to pursue CE transformation through corporate venturing by entering the 50–50 JV arrangement with their foreign partners. On the other hand, a high level of regulative pressure and the nature of the JV arrangement also constrained Chinese automakers’ ability to develop marketing capabilities as well as new product development and independent innovation capabilities.

Rapid Development Stage (Late 1990s to 2005)
Starting in the late 1990s, the institutional environment in China experienced rapid and significant changes. Three changes relevant to the automobile industry development were the increasing power of industry ministries and local (e.g., provincial) governments due to the gradual removal of central planning mechanisms (Guo et al., 2014), China’s entry into the World Trade Organization (WTO) in 2001, and the rising household income along with improved road and highway infrastructure in China. Previously auto consumers were mainly institutions and taxi companies. However, the increase of individual wealth fostered a segment with price-sensitive consumers. Private auto ownership increased around 22 percent annually from 1996 to 2005 (Chu, 2011).
The more powerful industry ministries and local governments gave birth to large automobile conglomerates such as FAW and SAIC (Sit and Liu, 2000) as well as local government-owned automakers such as Chery Auto. Today there are a number of regional auto manufacturing hubs in northern China, the central coast around Shanghai, southern China, and western China (Chang, 2016). Although these local governments provided strong support, which has been crucial to the success of JVs with operations in their region, they made it difficult for JV to be successful in other regional markets (Chang, 2016). For instance, in Shanghai, one will find more cars manufactured by SAIC’s joint ventures with GM and Volkswagen, but many fewer cars by Ford or Toyota whose JV operations are in northern and southwestern China (Chang, 2016). In addition, the Shanghai municipal government required that city taxis be the Santana model from SVW. In 1996, the Shanghai government banned cars with engine capacity lower than 1.6 liters to exclude Xiali cars (produced in Tianjin). In 1998, it levied an extra $10,000 license fees on Citroën cars (ZX/Fukang) made in Hubei province, and a lower license tax to Santana buyers (Sun et al., 2010).

Second, the growth rate of the Chinese auto industry accelerated rapidly after the country’s entry into the WTO in 2001, which encouraged more foreign automakers in the country (Roberto et al., 2011) and exposed domestic automakers to fierce competition (Guo et al., 2014). Lastly, rapid national economic growth, rising household incomes, and the development of the highway and road infrastructure throughout China also fueled consumer demand for automobiles and fierce development of the Chinese automobile industry. In 2009, China produced 10.38 million passenger cars, surpassing the United States as the world’s largest manufacturer. The rising domestic demand also gave birth to several independent automakers. These newcomers to the industry and are not state-owned enterprises. The most well-known independent automakers in China are BYD Auto and Geely Auto.

Industry growth has been driven by rising domestic demand and encouraged by supportive government policies. During the global financial crisis of 2008–2009, the Chinese government implemented generous incentives to drive growth in the Chinese market. The stimulus package initially applied only to small car models of engines below 1.6 liters, but later in 2010 was expanded to include all passenger cars. Incentives by the central government effectively encouraged auto purchases despite the global economic downturn (Roberto et al., 2011). And, auto distribution networks were established hierarchically. For example, SVW vehicles flowed from manufacturers to regional, provincial, municipal sales agents, and then to retailers.

During the rapid development period, we believe the Chinese government scaled back its regulative influence and adopted the helping hand model, encouraging Chinese auto firms to further their CE initiatives especially through continuous strategy renewal. The Chinese government did not exert strong coercive pressure on auto firms but was actively involved in improving overall road construction and highway infrastructure as well as providing economic incentives to ensure auto purchases during the global financial crisis. Government at the central and the local levels also provided key support for Chinese automakers’ strategic renewal. For example, in our recent case study of Chang’an (Guo, et al., 2014), one of China’s leading automakers, we found that Chang’an was able to engage in a series of strategic renewal activities by participating in national technology development projects and by applying for national innovation funds for improving R&D capabilities (e.g., upgrading R&D facilities and equipment), developing new products (e.g., providing more financial support for lab experiments), and conducting new technology research (e.g., providing more financial support for international collaboration). Compared with the grabbing hand model, we consider the helping hand model effective during the rapid industry growth stage as most automakers during this period acquired state-of-the-art manufacturing capabilities from their foreign partners and were able to manufacture their own brands and those of their foreign partners. Most Chinese automakers were in the process of exploiting the existing and identifying new sources of competitive advantages to face the fierce competition especially after China’s entry into WTO. However, as discussed earlier, the involvement of local government in protecting the leading regional automakers has created a scattered and fragmented Chinese auto industry.

**Recent Transformation Stage (2006–Present)**

The year 2006 marks the beginning of the new industry growth stage, which we term “recent transformation.” In the 11th Five Year Plan (FYP) (2006–2010), the government for the first time used the term “indigenous brands” and called for auto production capacity of at least 2 million vehicles—50 percent from manufacturing indigenous brands and only 10 percent would be exported (Chang,...
It is also evident in the 11th FYP that Chinese automakers would not be judged on their ability to develop Chinese intellectual property that would relieve reliance on foreign technology (Chang, 2016).

Indeed, high oil prices, air pollution, and China’s commitment to reduce carbon emissions have led the government to prioritize development of the energy vehicle industry. Lawmakers have introduced policies and incentives to support development of new energy vehicles (NEVs) including electric (hybrid, plug-in, and battery), fuel cell, and hydrogen powered (APCO Worldwide Report). In 2009, the Chinese government initiated pilot programs in 13 cities (later expanded to 20 cities) for NEVs used for public service purposes such as public transition, taxis, and official business. The programs provided subsidies for public transportation (e.g., USD 62,969 for hybrid buses) and to support the purchase of NEVs, translating into a price reduction for consumers. In addition, from 2010 to 2020, the central government plans to allocate more than USD 15 billion to support (1) R&D and industrialization of energy-efficient and new energy cars; (2) development of NEV pilot projects; (3) promotion of hybrid electric vehicles and other energy-saving cars; (4) development of key components; and (5) development of electric vehicle infrastructures in the pilot cities. It projected that three to five key automakers will emerge with their combined market share exceeding 60 percent. The plan also predicts 5 million NEVs will be produced, enabling China to become the leading producer of NEVs by 2020 (APCO Worldwide Report).

In addition to NEVs, the Chinese government has also been heavily promoting vehicle connectivity (e.g., between driver and vehicle, vehicles and transportation systems, Internet, mobile networks, and satellites) (Chang, 2016). The Internet-enabled car industry was identified by the government as a new opportunity for domestic automakers to become leaders in the new industry and again reduce their reliance on foreign technology. As a result, most of China’s leading automakers have announced investments in Internet-enabled cars.

The government continues to adopt the helping hand model and provides various incentives to promote NEVs, including direct subsidies to automakers that produce NEVs, subsidies to local government who purchases green fleets, and tax breaks and free registration for consumers (Chang, 2016). In fact, since the 2009 Automotive Industry Readjustment and Revitalization Plan, the government did not announce a sector-specific policy, an indicator that the government is generally satisfied with the auto industry’s growth (Chang, 2016). As discussed earlier, government’s attention has shifted to specific areas of the auto industry and has made these its top priorities. Nevertheless, the government did exert normative pressure on Chinese auto firms and shaped cognitive understanding of the importance of cultivating independent innovation and new product development capabilities for Chinese automakers to gain leading positions and reduce reliance on foreign technologies in new areas such as NEVs and Internet-enabled cars.

Following these government initiatives, Chinese auto firms, for example, Chang'an in our recent case study (Guo et al., 2014), identified building an independent innovation system as an important entrepreneurial endeavor. The innovation systems were built to develop core technologies, reconfigure available resources, and eventually new products—important CE transformation through innovation and continuous strategic renewal. To support these CE initiatives, most leading Chinese auto firms also engaged in organizational rejuvenation activities by cultivating strong, innovation-supportive corporate cultures and establishing a compatible human resources management (HRM) system.

**Implications and Conclusion**

Our analysis based on the case study of the Chinese auto firms and auto industry’s transformation has answered two research questions raised at the beginning of this editorial: (1) what roles can governments play in enabling and stimulating firms’ CE in emerging economies and (2) what is the impact of government involvement on important CE outcomes, namely EMFs’ innovation, strategic renewal, and corporate venturing? It is evident in our analysis that the Chinese government played different roles at different stages. During the initiation stage, government adopted a strong grabbing hand to jumpstart the auto industry and initiated domestic automakers’ CE transformation through corporate venturing by forcing the 50–50 JV partnership arrangement between Chinese and foreign automakers. The impact of the grabbing hand model was demonstrated in the Chinese automakers’ improved manufacturing capabilities but it also constrained their ability to acquire core technologies as well as marketing and R&D capabilities, all of which are crucial for innovation and NPD. During the rapid development and recent transformation periods, the government adopted a
helping hand model to provide favorable economic incentives, policies, as well as improve the overall infrastructure and FDI investment environment to promote Chinese automakers’ CE transformation through strategic renewal and innovation in NEVs and Internet-enabled cars. The helping hand was also effective in establishing industry norms based on government expectations and in creating a value system to favor development of NEVs and Internet-enabled cars.

In the Western CE literature, for instance, Dess et al. (2003), stress the different CE roles of management at multiple levels of the organization and emphasize the role of top management leadership in CE. We suggest that the argument can be extended to examine the different roles of governments in initiating, enabling, and shaping the CE transformation of firms in emerging economies. It is evident that governments can serve an important function in assisting and guiding top managers of EMFs in identifying entrepreneurial opportunities, suggesting innovative ideas and initiatives, offering financial and political support for exploiting opportunities identified by CE programs, supporting investment in building the EMFs’ capabilities and sustained competitive advantages. We believe the unique institutional compositions of the emerging markets may require different research topics that are currently underexamined in the mainstream CE literature. To achieve this goal and to develop a better understanding of CE-related issues, especially those pertinent in emerging markets, we encourage all interested scholars to submit relevant scholarly work to our special issue on “Corporate Entrepreneurship in Emerging Markets.” After all, we need to address the critical questions of how emerging markets are reshaping globalization.

REFERENCES


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Immigrant groups often pursue entrepreneurial endeavors in their new home country. Even though both immigrant entrepreneurship and organizational identity have received scholarly attention, there has been little systematic exploration of identity strategies pursued by immigrant-owned organizations. In this article, we develop a theoretical framework that draws on the concepts of liability of foreignness and social identity theory in the context of immigrant entrepreneurship. Our framework explores how immigrant entrepreneurs may negotiate identities for their firms through the development of specific identity strategies that confirm or underplay their national/ethnic identities in order to survive in their immediate environment. We develop a model that shows how these confirmations or underplaying strategies work both for firms that have an individualistic entrepreneurial orientation, as well as those with a collective/associative entrepreneurial orientation. We also suggest two contextual moderators to this relationship: (1) the image of the founder’s country of origin, and (2) the presence of immigrant networks in the host country, which may alter the effectiveness of identity strategies in terms of organizational mortality outcomes.

Keywords: immigrant entrepreneurship; social identity; liability of foreignness; immigrant founder

Immigration, which influences the demographics, economies, and politics of countries, has emerged as a key issue in the world. In 2013, 13% of the U.S. population was from another country, consisting of approximately 25% first- or second-generation immigrants (Migration Policy Institute, 2015). Between 1993 and 2014, the immigrant population in the UK more than doubled, from 3.8 million in 1993 to 8.3 million in 2014 (The Migrant Observatory, 2015). In spite of the ubiquity of immigration, even highly skilled immigrants face immense obstacles obtaining employment in new environments (Wald, 2004). Many immigrants often resort to self-employment or entrepreneurial activities to overcome the hurdles of gaining employment. In fact, immigrants have been an important driving force behind the growth of American cities (Light, 2002). They have also been overrepresented in the entrepreneurial sector in Australia (Collins, 2003) and Europe (Rath & Kloosterman, 2000), often seen as “a powerful economic force” (Baycan-Levent & Nijkamp, 2009). Despite the high rates of entrepreneurship among immigrant groups, firms started by immigrants also experience specific hurdles in the host country (Bates, 1997). While most startups suffer from the liabilities of smallness and of newness (Stinchcombe, 1965), firms founded by immigrant entrepreneurs encounter additional challenges that emerge from the founders’ newness to the country in which they operate. These challenges include the competitive disadvantage due to additional costs of operating in a foreign market (Hymer 1976; Kindleberger, 1969). We use the definition of immigrant entrepreneurship developed by Chaganti and coauthors, which is “self-employment efforts by individuals that voluntarily migrate to a different country and engage in business ownership” (Chaganti et al., 2007). The challenges faced by immigrant firms are similar to the disadvantages faced by foreign-owned firms due to their foreignness relative to domestic firms (Hymer, 1976; Kindleberger, 1969; Vernon, 1977; Zaheer, 1995). Zaheer (1995, p. 342) referred to this phenomenon as the “liability of foreignness,” defining it as “the additional costs of doing business abroad that results in a competitive disadvantage for an MNE (multinational enterprise) subunit.” These disadvantages can hinder the performance, and even the survival, of immigrant entrepreneurs’ ventures, leading to their mortality. The literature has also shown that immigrant entrepreneurs undertake different strategies, which may affect firm performance (Ndofor & Priem, 2011); yet, we do not have a nuanced understanding of how social identity may influence the strategies of these ventures.

We use the lens of social identity theory (SIT) to explore how immigrant entrepreneurial firms deal with their foreign identities. For example, migrant firms may emphasize their ethnic identity (enclave businesses) or shed their ethnic identity the way Silicon Valley migrant
ventures did (Zhou, 2004). Specifically, we seek to answer the questions of how foreign founders either emphasize or underplay their foreignness, and how that may relate to their chances of survival. We argue that immigrant firms use different identity strategies to overcome the liability of foreignness, aiming to increase their chances of persevering. Fauchart and Gruber (2011) have shown how founders’ identities are crucial for determining the actions and behaviors of the firms, especially at the initial stages of the lifecycle of the firm. We argue, however, that this context for entrepreneurial action and entrepreneurial identity is extremely different when the founder is an immigrant. Therefore, we explore the various ways that this immigrant identity of entrepreneurs unfolds in their firms. Nonetheless, we understand that not all immigrant entrepreneurs have the same experiences or are received in similar ways in the host country (Turner, et al., 1987). The industry they operate in, as well as the networks they have in the home and host countries, could be some of the many factors that can impact the experiences of immigrant entrepreneurs’ and the way they negotiate their foreign identities. As such, we also investigate how different contextual moderators could alter the impact of identity strategies on survival outcomes. This is important because these identity strategies determine the way the firms try to construct their narratives in society and establish a sense of legitimacy for their operations in the world. With rising levels of immigration, and entrepreneurship being one of the biggest areas of immigrant economic engagement, this has become a timely topic for policy makers and researchers alike (Collins, 2003; Light 2002; Aliaga-Isla & Rialp, 2013).

While immigrant entrepreneurship literature has long explored factors related to human and social capital (Aliaga-Isla & Rialp, 2013), there is little research on understanding how entrepreneurs use identity strategies in their ventures to mitigate the organizational morality issues related to liability of foreignness. Addressing Aliaga-Isla and Rialp’s (2013) call for research to investigate theories from management to understand firm performance, we develop a conceptual model of how identity strategies are categorized to mitigate such organizational mortality and identify moderators to this relationship. By doing this, we contribute to the immigrant entrepreneurship literature by extending identity theory into this domain. We also contribute to the identity theory literature by developing a model in which individuals may develop identity strategies for ventures they have created.

**Literature Review**

**Liability of Foreignness for Immigrant Firms**

In the MNE literature, liability of foreignness is associated with a competitive disadvantage to an MNE subunit because of the costs of doing business abroad (Hymer, 1976; Kindleberger, 1969). These costs are broadly defined as all of the additional costs an organization operating in a market overseas incurs that a local organization would not incur. In this article, we focus on the firm’s specific costs based on a particular founder’s foreignness and lack of roots in a local environment, as well as the costs resulting from the host country environment. Such costs can include the lack of legitimacy of the foreign organization and economic nationalism, since these are the most salient issues for locally situated immigrant-owned organizations. Whatever its source, the liability of foreignness implies that immigrant organizations, similar to foreign subsidiaries, will be disadvantaged compared to local organizations; all else being equal, they are likely to have lower profitability and perhaps even a lower probability of survival than local organizations (Zaheer, 1995; Zaheer & Mosakowski, 1997; Mezias, 2002; Miller & Parkhe, 2002). Researchers have suggested that the liability of foreignness is likely to be particularly acute in a simple, market-seeking, horizontal MNE (Caves, 1982), which is a multinational whose subunits are essentially replicas of each other that manufacture or distribute goods and services in different markets around the world and compete on a local-for-local basis (Bartlett & Ghoshal, 1989). Immigrant firms usually approximate the performance of horizontal MNEs, as they are essentially simple stand-alone operations in each of the locations in which they operate (Zaheer, 1995). Due to the small size of operations in the initial stages of these organizations, compared to existing organizations, the liability of foreignness would be expected to be particularly acute in the simple market-seeking environments.

Recently, researchers studying emerging markets MNEs have postulated that these organizations face discrimination in developed host countries, which may be driven by negative perceptions, stereotypes, or beliefs (Ramachandran & Pant, 2010). The immigrant entrepreneurship literature also offers a similar take on challenges faced by immigrant entrepreneurial ventures. For example, immigrant entrepreneurs in Germany report more financial constraints than native German entrepreneurs report, and are less likely to receive bank financing because they lack long and established
How can immigrant ventures mitigate their liability of foreignness? The liability of foreignness literature offers two perspectives: (1) isomorphism, and (2) focus on firm-specific advantages (e.g., Dunning, 1977; Porter, 1990; Rosenzweig & Singh, 1991; Zaheer, 1995). The isomorphism perspective, from institutional theory, argues that conforming to local regulations or adapting products to local tastes and preferences can increase legitimacy and mitigate organizational mortality (Kostova & Zaheer, 1999). Firm-specific advantages, on the other hand, focus on the inherent capabilities that strategically differentiate a firm (Petersen & Pedersen, 2002). Immigrant entrepreneurship literature has traditionally focused on the ethnic- or firm-specific strategy, whereby migrant entrepreneurs start by catering to a market of coethnics, often expanding into non-coethnics markets (Kloosterman & Rath, 2001; Rath and Kloosterman, 2000). Immigrant firms are often clustered in industries that have lower entry barriers and do not require a high degree of human capital (Rath & Koosterman, 2000). Many immigrant firms, particularly those on the fringes of profitability, often rely on an ethnic kinship network to hire and acquire resources (Edwards & Ram, 2006), thus relying on firm-specific advantages. In fact, many such transnational entrepreneurs rely on resources in their home country, and leverage their skills and bilingual resources to exploit opportunities in their host country (Kloosterman & Rath, 2001; Zhou, 2004). Such a focus on ethnic strategies, however, is but one of the choices made by these ethnic entrepreneurs, and the research into liability of foreignness has not identified which perspective is a better solution for immigrant organizations (Miller & Eden, 2006).

We also know that immigrant entrepreneurship extends well beyond “traditional” ethnic businesses, as exemplified by the dominance of Indian and Chinese entrepreneurs in California’s Silicon Valley, as well as by other immigrant entrepreneurs who often pursue a variety of strategies beyond simply ethnic ones (Anthias, 2007; Oliveira, 2007; Rath & Kloosterman, 2000). Oliveira (2007) argues that ethnic entrepreneurs may choose strategies based on personal resources and their ethnic group’s resources in the context of the host country’s labor, entrepreneurial market, and regulatory and political environment. For example, in Oliveira’s (2007) analysis, Chinese immigrant entrepreneurs in Portugal relied on ethnic ties to recruit employees. On the other hand, Indian entrepreneurs in Portugal preferred hiring non-coethnic employees. We argue that immigrant entrepreneurs may find that confirming their national/ethnic identities is more advantageous when they can obtain the resources and capabilities from their ethnic group. They make that choice depending on whether the resources in ethnic networks can be mobilized within those ethnic networks (Anthias, 2007). Moreover, they make the decision whether they want to display themselves as a minority ethnic firm comprised of all minority employees, or as a mainstream firm that hires employees from the majority ethnic group. In fact, Anthias (2007, p. 799) states that the ethnicity of entrepreneurial ventures can be dynamic as “ethnic resources are used situationally, abandoned or recreated as in constructing new forms of ethnic authenticity or in switching ethnicity,” indicating that immigrant employers may sometimes choose not to use an ethnic identity as they launch entrepreneurial endeavors, focusing instead on the strategy of isomorphism. We therefore posit through SIT that both competitive/ethnic firm advantages and isomorphic perspectives need to be considered as identity strategies to mitigate organizational mortality.

**Social Identity Theory and Liability of Foreignness**

In the literature on MNES, the liability of foreignness is associated with the costs of doing business abroad that result in a competitive disadvantage to an MNE subunit (Hymer, 1976; Kindleberger, 1969). These costs have been broadly defined as all additional costs an organization operating in a market overseas incurs that a local organization would not incur. In general, the liability of foreignness can arise from at least four sources that are not necessarily independent: (1) costs directly associated with spatial distance, such as the costs of travel, transportation, and coordination over distance and across time zones; (2) firm-specific costs based on a particular company’s unfamiliarity with and lack of roots in a local environment; (3) costs from the host country environment, such as the lack of legitimacy of foreign organizations and economic
nationalism; (4) costs from the home country environment, such as restrictions, quotas, or tariffs on sales imposed on U.S.-owned MNEs to certain countries. The relative importance of these costs and the choices made on how to deal with them vary from organization to organization.

Whatever its source, the liability of foreignness implies that foreign immigrant organizations will have lower profitability than local organizations, all else being equal, and perhaps even a lower probability of survival, leading to mortality. In the liability of foreignness literature, Zaheer (1995) and Zaheer and Mosakowski (1997) concluded that the exchange trading operations of foreign subsidiaries have a lower survival rate than those of domestic rivals. Miller and Parkhe (2002) also found that foreign subsidiaries perform more poorly than domestic firms, while Mezias (2002) concluded that foreign subsidiaries face more lawsuits than their domestic rivals. Researchers have suggested that the liability of foreignness is likely to be particularly acute in a simple, market-seeking, horizontal MNE (Caves, 1982).

Immigrant startups usually approximate horizontal MNEs, as they are essentially simple stand-alone operations in each of the locations in which they operate (Zaheer, 1995). Due to the small size of operations compared to existing organizations, the liability of foreignness would be expected to be particularly acute in the simple market-seeking environments. Thus, a key factor for these organizations will be overcoming their liability of foreignness. Competitive strategies that focus on firm-specific advantages and isomorphism have thus far been the most suggested solutions for improving performance for immigrant-owned organizations (e.g., Dunning, 1977; Porter, 1990; Rosenzweig & Singh, 1991; Zaheer, 1995).

The isomorphism perspective, which is from institutional theory, argues that conforming to local regulations or adapting products to local tastes and preferences can increase legitimacy and mitigate organizational mortality (Kostova & Zaheer, 1999). Nevertheless, the research on liability of foreignness has not identified which perspective might be the best solution for immigrant organizations (Miller & Eden, 2006). We therefore posit through SIT that both competitive and isomorphic perspectives need to be considered to avert organizational mortality.

SIT maintains that individuals in societies or organizations categorize themselves into groups where similar others become members of a positively valued ingroup, while dissimilar others are categorized as members of a less valued out-group (Duckitt & Mphuthing, 1998; Mummendey, et al., 1999; Sidanius, Pratto, & Mitchell, 1994). The SIT literature posits that members of the out-group work on their self-presentation in pursuit of enhancing their image and negotiating their group status. A large body of literature within identity theory focuses on issues of employee diversity in firms, and has shown how employees who do not form a part of the majority identity group (especially white and male in the context of Western firms) have to deal with their ethnic identities at work (Bell, 1990). Just as individuals deal with their ethnic and national identities in diverse workplaces, firms also engage in a variety of different practices to develop a coherent identity that provides them with a sense of self when dealing with multiple constituents (Brickson, 2000). Given that the identity of the founder is closely intertwined with the identity of the firm (Fauchart & Gruber, 2011; Shepherd & Haynie, 2009), immigrant-owned organizations can be perceived as belonging to the out-group category when compared to local firms. Hence, we contend that they will try to negotiate their social identity to overcome the liability of foreignness that can emerge from this out-group status. Studies have also shown how firms need to project their organizational identities strategically, especially when the identity is undervalued or threatened (Dutton & Dukerich, 1991; Elsbach & Kramer, 1996).

One of the major areas in which social identity theory informs scholars of organization is in trying to understand how the identity of the organization unfolds in the context of the business and its operations (Ashforth & Mael, 1996). Organizational identity has been defined as the perception of the organization’s central, distinctive, and enduring qualities that are shared by its members (Brickson, 2007; Dutton & Dukerich, 1991; Pratt & Foreman, 2000). Scholars of organizational identity have used social identity theory to formulate the behavior of organizations, or portray the perceptions of stakeholders (Ashforth & Mael, 1996). It has emerged as a focal area of study within the literature of organization studies, in which scholars have attempted to show how the identity of the firm makes a difference in the firm’s behaviors. The firm’s behaviors under scrutiny are usually its orientation toward stakeholders (Brickson, 2007), diversification (Barney, 1998), and decision-making (Stimpert et al., 1998). It also has implications for firm strategies, since identity, which speaks of a “theory of being,” and strategy, which speaks of the “theory of action,” are heavily connected (Stimpert et al., 1998). Questions about which comes first—a cognition of the organization’s
Identity that leads to actions, or a set of behaviors in the initial stages of the firm that creates the identity in retrospect—are difficult to answer. Firm identity offers an organization a sense of uniqueness, a competitive advantage, and may help during times of change and when dealing with complexity (Whetten & Godfrey, 1998). At the same time, organizational identity has emerged as a crucial aspect of the field of strategic management, but is still relatively understudied in the field of entrepreneurship. According to Clegg et al. (2007), newly emerging industries try to develop their specific unique identities in their search for legitimacy, which is an important factor for startups. Li et al. (2007) theorized that there are specific social expectations or social identity codes that are set for firms, and conforming to them generates social legitimacy for them.

The question then becomes, how do immigrant-owned firms come into these sets of norms and identity codes? Their liability of foreignness often comes with the challenge of overcoming the firm’s foreign identity-related stereotypes (Waldinger, 1989), along with other challenges to establishing legitimacy of operations in a different country. The founders often need to make decisions that also reflect how they deal with their immigrant experiences and national stereotypes at the level of the firm. For example, some founders may decide to play up their firms’ immigrant identity, thereby making different decisions than other immigrant entrepreneurs who underplay their national/immigrant identity and want to show the host nations that their firm is essentially a local firm (or identifies and is part of the country in which it is located). These identity strategies are aimed at gaining legitimacy and mitigating the liability of foreignness, and thereby increase chances of survival as foreign firms are disadvantaged compared to local ones in a way that could potentially lead to higher levels of mortality (Zaheer, 1995; Zaheer & Mosakowski, 1997; Mezias, 2002; Miller & Parkhe, 2002). In the next section, we develop a typology of strategies immigrant entrepreneurs undertake to survive and mitigate organizational mortality resulting from the liability of foreignness.

Identity Strategies for Negotiating Foreignness
At the organizational level, the identity orientation of a firm addresses the question of “who are we with respect to our stakeholders” (Brickson, 2007). Brickson further argues that identity conceptualization gives the organization a strategic bent that determines how a firm would react to the various actors in the environment. Organizations develop identity strategies to define what they are not (Elsbach & Bhattacharya, 2001), as well as what they are (Dutton & Dukerich, 1991). Furthermore, Elsbach and Kramer (1996) found that individuals within organizations, when faced with a negative identity of their organization, attempt to restore positive social identities by distancing themselves from this tarnished identity. Thus, we argue that immigrant firms take their founder’s immigrant identity into account, and choose particular identity strategies when dealing with stakeholders.

SIT suggests that when individuals with minority social identities work in diverse contexts, they could either downplay their different social identities or play up their minority identities (Roberts, 2005). The literature on immigration has addressed this issue through larger policies of assimilation (which believes that immigrant groups could become like the majority and cede their culture over time) and multiculturalism (which emphasizes the need to maintain the cultural differences of the immigrant communities), thereby supporting the twin forces for confirming and underplaying one’s foreignness (Zhou, 2004; Handlin, 1973; Glazer & Moynihan, 1970).

Besides negating or affirming ethnic identity, extant research also suggests that firms develop their identity to be oriented toward their stakeholders in an individualistic or collectivistic way (Brickson, 2007). For example, some firms develop their identity as individual, distinct organizations that are in competition with others, while others may define themselves as members of a larger social community, thereby working toward a legitimacy for the whole industry or group (Brickson, 2007). Based on these two broad categories—(1) a firm’s individualistic or associative/collectivist orientation, and (2) immigrant founders’ decisions to either underplay or confirm their foreign identity—we propose four different kinds of identity strategies that a firm can adopt to mitigate the liability of foreignness (see Figure 1).

Underplaying the Ethnic Identity with an Individual Identity Orientation. Immigrant firms who choose to underplay the ethnic identities of their founders, and who also operate as individual firms whose identity would be distinct from any specific group, tend to adopt a strategy of social recategorization. In general, social recategorization is the process by which individuals try to achieve social mobility by changing the social categories (groups) that they have been assigned (Tajfel, 1982). Individuals in firms often achieve this by hiding their identities (e.g., homosexual individuals try to pass
as heterosexuals at work to avoid discrimination) or by trying to enact dominant identities (e.g., women who display masculine behaviors to combat gender stereotyping) (Roberts, 2005). Immigrant firms who adopt these strategies might downplay their foreignness or the founder’s immigrant identity. They might try to pass themselves off as just another local firm. To achieve this, firms may try to hire employees from the dominant majority, who would provide a professional mainstream face to the organization. An example of this kind of recategorization strategy would be Ralph Lauren (founder of the Polo Ralph Lauren Company), who changed his Russian last name, and tried to capitalize on the character of the old English countryside to incorporate into the aristocratic American social class firm image (Agins, 2002). Another interesting example of underplaying identities is the case of eClinicalWorks—a well-known health care solutions company started by Indian founders who completely underplayed their immigrant identity by not discussing their founders’ identities on their website and other publications.

**Proposition 1a.** Some immigrant entrepreneurial firms with an individual identity orientation will undertake a social categorization strategy by underplaying their foreign identity such that they may neutralize visible foreign identity markers to seem more like a local firm.

**Underplaying the Ethnic Identity with Collective Identity Orientation.** How immigrant firms often form groups for survival in foreign lands has been a popular topic of research as seen in the literature on immigrant social networks and enclaves (Peterson and Meckler, 2001). Not all immigrant firms, however, want to associate with other firms of the same ethnicity. Instead, some firms may underplay their immigrant identity and define their group membership by belonging to a burgeoning industry or some other specific cause (e.g., groups promoting community-based software, etc.), thereby forming a collective based on characteristics other than ethnicity; this is referred to as social creativity strategy. Social creativity strategy entails the process by which employees change the way they focus on specific identities that may be unrelated to their identities such as that of foreign origins. Thus, they emphasize other parts of their identities more by highlighting different aspects of their national identity that have more positive connotations. (Tajfel and Turner, 1986). This is evident in observations of minority individuals such as women. When negative stereotypes about women’s work are prevalent, women tend to emphasize positive skills of their specific group, like friendliness or ability to network (Kanter, 1983). This example of changing the mode of evaluation from focusing on gender to other desirable characteristics is
viewed positively by the majority other. Similarly, some immigrant firms that underplay the foreignness and ethnic identities of their founder try to emphasize other qualities that would make them a valuable member of other firms in the same industry. In the high-tech industry, there is a tendency for a collectivistic approach, with most firms emphasizing the technological prowess or educational affiliations or achievements of their founder and not the characteristics associated with the national origins of the founder (Insch & Miller, 2005). For instance, Apple’s founder Steve Jobs’ creative and technological prowess has always been showcased, but his Syrian heritage is rarely discussed and thus downplayed. Other examples include Genelab and Vivo Ventures, where they foreground the immigrant founders’ specific qualifications but not their countries of origin. Similarly, Skyscape, a company started by immigrants, emphasizes the educational and technical qualifications of the founders and downplays their ethnic and national origins. All in all, these firms act as members of a larger community of firms engaged in high-tech businesses rather than individuals who are members of a specific ethnic community.

Proposition 1b. Immigrant entrepreneurial firms with a collective identity orientation may pursue a social creativity strategy by underplaying their foreign identity such that they adopt visible identity markers aligning them with a larger group that transcends ethnic boundaries.

Confirming the Ethnic Identity with an Individual Identity Orientation. Not all immigrant founders of enterprises want to downplay their national origins. In spite of existing costs of foreignness, as opposed to the above examples, certain immigrant firms decide to affirm their ethnic identities. These firms project the national and cultural orientations of the founder in their dealings with stakeholders. An example of is ethnic restaurants that compete on the virtue of authentic ethnic cuisine. Such restaurants promise an authentic dining and cultural experience through their menu, display of artifacts, and symbols from the founder’s home country. Another example is seen among immigration lawyers, doctors, travel agents, and accountants who focus on specific ethnic groups. These firms employ individuals of specific ethnic nationalities as a part of the authentic presentation and as a way to network within the community for customers. Tiffins, an Australia-based food company, clearly follows this strategy by its bold use of colors and symbols that front the immigrant founder’s roots. Similarly, Patel Brothers, a chain of U.S. grocery stores, prominently discusses its immigrant story on the company’s website. We argue that these firms display a “restoring positive distinctiveness” strategy. Restoring positive distinctiveness is the process of confirming one’s identity group memberships and trying to achieve positive value for it (Roberts, 2005). As such, playing on specific identity-related stereotypes and using them for strategic benefits is a strategy for restoring positive distinctiveness.

Proposition 2a. Some immigrant entrepreneurial firms with an individual identity orientation will undertake a strategy of restoring social distinctiveness by confirming their foreign identity to differentiate themselves to achieve positive value.

Confirming the Ethnic Identity with a Collective Identity Orientation. Immigrant groups commonly work in collectives whereby they form strong, cohesive communities in foreign lands to help members with employment networks and other resources. Within the literature of immigrant entrepreneurship, a number of studies on ethnic networks and enclaves provide examples of collectivist identity orientation that build membership around ethnic/national identities. These firms confirm their identities but also operate with a collective identity orientation in that they often compete with other ethnic groups and other dominant majority players. Such firms would have a collectivistic goal of the development of the entire immigrant group and often base it on a display of the stereotypes associated with group. Chattopadhyay et al. (2004) have explained this form of a collectivistic strategy as social competition strategy. An example is when minority or low-status individuals in firms try to improve the status of their entire group by competing with other groups (e.g., women fighting for equal pay at work) (French, 2001). In the case of immigrant entrepreneurs, this can be seen in the instance of organizations of immigrant South Asian technology entrepreneurs, such as TiE (The Indus Entrepreneur). This group is explicit in its mission of fostering entrepreneurship through mentoring and resources, and have been argued to develop “ethnic identities within the region and facilitate the professional networking and information exchange that aid success” (Saxenian, 1999, p. 10). Similar organizations, such as HACCI (Hellenic Australian Chamber of Commerce and Industry), are also found in other countries, catering to different immigrant groups. In the case of HACCI, the group was formed to...
provide support for Greek entrepreneurs in Australia. Such organizations are common in ethnic enclaves, such as Little Italy or Chinatown. Furthermore, there is little overlap in the memberships of such organizations across ethnic groups (Saxenian, 1999), indicating that immigrant identity is an important determinant of organizational membership. These examples show that immigrant entrepreneurs with a collective identity may confirm their foreign identity and adopt a strategy of social competitiveness.

**Proposition 2b.** Some immigrant entrepreneurial firms with a collectivist identity orientation will undertake a social competitiveness strategy by confirming their foreign identity such that they may adopt visible identity markers to align themselves with other business of that ethnicity.

### Contextual Moderators in the Relationship

In the above paragraphs, we identified key identity strategies stemming from the founders' national origins that immigrant firms may adopt to mitigate their liability of foreignness. Assuming that the chances of organizational mortality are affected by any of these identity strategies alone, however, would be naïve. Contextual factors may impact the effectiveness of these identity strategies such that there may be contextual moderators in this relationship between the choice of firm identity strategy and organizational mortality. In this article, we focus on three contextual moderators: (1) image of the founder's country of origin, (2) presence of immigrant networks in the host country, and (c) the industry. We focus on these moderators, as opposed to others, since there is substantial consensus in the literature to argue that they are some of the key factors affecting the survival of a new firm in some form or other (Armengot et al., 2010; Kariv et al., 2009; Moren et al., 2009; Mustafa and Chen, 2010).

### Image of the Founder’s Country of Origin

Extensive literature has examined how the firm’s country of origin affects buyers’ perception (see, for example, Wall & Heslop, 1986). Empirical evidence supports the fact that sometimes consumers stereotype for or against foreign products (e.g., Peterson & Jolibert, 1995; Thakor & Katsanis, 1997), and the country of origin can be perceived as a signal for product quality (Roth & Diamantopoulos, 2009). Porter succinctly captured the essence of country image in *The Competitive Advantage of Nations*, stating, “…country of origin seems to strongly condition success in international competition” (1990, p. 52). In the same vein, Kostova and Zaheer (1999) argued when host-country institutions lacked information about foreign-owned firms, they used stereotypes (positive or negative) and a different standard to judge them. Recent literature has argued that such country image perceptions have cognitive, affective, and conative attributes that are known to be informational cues to consumers as well as other institutions (Roth & Diamantopoulos, 2009). Such judgments can affect the survival and performance of new firms founded by immigrant entrepreneurs. For example, the positive reputation of European (especially German) toys in the United States might mean that an immigrant entrepreneur from Germany in the toy industry would benefit from his or her ethnic identity. On the other hand, Chinese entrepreneurs in the toy industry may be disadvantaged by their country’s image due to recent negative press about lead paints in China. Empirically, we know that UK-based Pakistani businesses have not done as well as Indian businesses because of, in part, country image issues (Basu & Altinay, 2002).

Based on these studies, we expect an interactive effect between the choice of strategy and the image of the immigrant founder’s country of origin. When the immigrant founder’s country of origin has a positive image, identity strategy of confirming (either positive distinctiveness or social competition) will be more effective in mitigating mortality. On the other hand, when the immigrant entrepreneur’s country of origin has a negative image, the identity strategy of underplaying ethnic identity will be more effective in warding off organizational mortality (either recategorization or social creativity). Therefore, in such cases, they are more likely to underplay their national identity and try to project different aspects of their identity to mitigate the liability of foreignness that stems from a poor founder country origin. This would, in turn, increase their chance of survival. Thus, we propose:

**Proposition 3a.** The relationship between choice of identity strategy and mortality will be moderated by the image of the founder’s country of origin, such that confirming strategies will be more effective in mitigating mortality when the entrepreneur’s country of origin has a positive image.

**Proposition 3b.** The relationship between choice of identity strategy and mortality will be moderated by the image of the founder’s country of origin, such that underplaying strategies will be more effective in mitigating mortality when the entrepreneur’s country of origin has a negative image.
Immigrant Networks. Liability of foreignness literature suggests that immigrant-owned organizations can offset some of the disadvantages they face in the host country by bringing firm-specific advantages or intangible assets with them (Caves 1982; Dunning, 1977). A key resource that can dispel this disadvantage comes from their networks, both in their home countries and in the immigrant communities they belong to in their host countries. For instance, foreign organizations have been found to depend more on imports than local organizations because they have more networks in foreign countries than local organizations do (Lipsky, 1993). Some immigrant-owned organizations form enclaves of ethnic communities from their home country for the purposes of having access to consumers and laborers who share common bonds (Portes & Jensen, 1989; Wilson & Portes, 1980). Social enclaves are defined as domains of less turbulence and more manageable social space that are created by members to defend themselves from external demands (McCann & Selsky, 1984). Such social networks are also found in non-enclave situations. For example, Saxenian states that Chinese and Indian immigrant technology entrepreneurs “created social and professional networks among themselves on the basis of shared language, culture, and educational and professional experiences” (1999, p. 27). Similarly, Cuban immigrants in Miami have set up networks to aid new startups (Peterson and Meckler, 2001), while Albanian entrepreneurs in Slovenia rely on a coethnic Albanian workforce (Vadnjal & Letonja, 2009). Such social networks are critical for new entrepreneurial ventures; they provide access to information, access to financial resources, and connections for the first suppliers or customers (Chung & Whalen, 2006; Bruderl et al., 1992). In all phases of entrepreneurial activity, firms rely on their social networks for support and for resources (Greve & Salaff, 2003). These networks, however, are not available to all groups of immigrants in all host countries to which they may migrate (Saxenian et al., 2002).

While social networks are important to all entrepreneurial ventures, the value of immigrant social networks may differ for firms that follow different identity strategies. Firms that adopt a confirmation strategy are more likely to rely on immigrant networks to mitigate organizational mortality when compared to those who employ assimilation/isomorphism strategies. Firms that underplay their ethnic origins may find drawing on resources from their immigrant networks to be less effective. For example, a firm that confirms its ethnic identity can effectively utilize its coethnic immigrant workforce, and such networks can be a resource that contributes to the firm’s strategy. Similarly, Korean RCAs provide necessary financial support for Korean immigrant entrepreneurs, allowing them to enter industries that require greater capital. On the other hand, when immigrant entrepreneurs do not have access to ethnic networks, employing the identity confirmation strategy may be less effective. Therefore, we argue that immigrant organizations that are able to tap into social networks from their home country will have an advantage when they follow the identity strategy of confirming their ethnic identity. Thus, we propose:

Proposition 4. The relationship between choice of strategy and mortality will be moderated by immigrant networks; that is, if the immigrant firm has access to immigrant networks, confirming strategies will be more effective in mitigating mortality.

Industry

Industry characteristics differ across many dimensions, including industry life cycle, economies of scale, and capital intensity, among others. The impact of identity strategies on firm mortality will vary, as these strategies are contingent upon industry characteristics. In their new country, immigrant entrepreneurs may lack access to capital (Light and Bonacich, 1988), thus preventing them from entering capital-intensive industries with large economies of scale. For instance, Kushnerovich & Heilbrunn (2008) found that in Israel, the scope of funding for immigrant businesses is significantly smaller than that of non-immigrant businesses. They further revealed that immigrant entrepreneurs are more likely to finance their businesses from informal sources than non-immigrant entrepreneurs. Identity strategy that allows the immigrant firm to draw on funding from family and friends, and perhaps even the wider immigrant community, may have a better chance of survival. With a limited access to capital, a confirmation strategy would help mitigate liability of foreignness and increase chances of survival for immigrant firms that are in low capital-intensive industries that can be funded by small community network-based sources of money.

During the early stage of an industry’s life cycle, when entry barriers and costs are still relatively lower (Agarwal et al., 2002), immigrant firms face fewer obstacles. As an industry enters maturity, barriers to entry increase. During the early stages, entrepreneurs can stress the uniqueness of a new product or service to a small group of customers,
the “early adopters.” These “early adopters” may be the immigrant community and their networks. During the growth and maturity stages of an industry, competition from late entrants will be apparent, and these new entrants will try to take over market shares from existing and more established products. Therefore, ethnic firms founded by immigrant entrepreneurs that cater to small, niche, unserved, or underserved markets have a greater chance of survival than in a mature industry. During the growth and maturity stages, an identity strategy that allows the immigrant firm to draw on its immigrant resources may have a better chance of survival, given the requirement for more resources and resourcefulness to compete in such markets. Overall, consistent with the mixed embeddedness approach (Kloosterman, 2010; Kloosterman & Rath, 2001; Tolciu, 2011), the effect of ethnic identity strategy on venture survival will be moderated by industry characteristics. Thus, we propose:

**Proposition 5.** The relationship between choice of strategy and mortality will be moderated by industry characteristics such that in industries with lower entry barriers, lower capital intensity and early stages of industry, confirmation strategy will be more successful in mitigating the organizational mortality.

**Discussion**

Entrepreneurship is essentially a context-dependent social process (Low & Abrahamson, 1997), and social and cultural dynamics are key aspects for understanding the phenomenon of entrepreneurship (Lounsbury & Glynn, 2001). Yet, the phenomenon of entrepreneurship in general, and migrant entrepreneurship in this particular context, involves an interplay of individual and opportunity structures (Kloosterman, 2010), as well as migrant group characteristics (Aldrich & Waldinger, 1990). The social identity of the venture, however, as it is situated in the social context as well as the opportunity structure, has been relatively understudied in the context of organization studies. Entrepreneurs draw on (1) who they are, (2) what they know, and (3) whom they know (Sarasvathy, 2001) in their entrepreneurial endeavors. These three factors also constitute the essence of identity in ventures founded by immigrants. Not surprisingly, immigrant entrepreneurial firms are conscious of their “identities” and use them as a strategy to mitigate the perils of liability of foreignness. Fauchart and Gruber (2011) show that the identity of the founder is crucial in determining how a firm is shaped and the actions it undertakes. We extend that literature to the topic of migrant entrepreneurship.

We do not claim, however, that the four proposed strategies (Figure 1) are the only strategies that immigrant entrepreneurial firms can adopt to mitigate the liability of foreignness and its consequences. In fact, our article attempts to conceptualize what could be different kinds of strategies that immigrant firms can employ to deal with their ethnicities. This theoretical ideal-type model captures the concomitant considerations in formation of identity strategies of firms started by immigrant entrepreneurs. The firms may choose to underplay, enhance/confirm, or emphasize their immigrant identity in order to reduce their liability of foreignness, promote the chances of survival, and reduce mortality. This model further proposes that the impact of these identity strategies will be moderated by several aspects, including the immigrants’ country image in their host countries, in their networks, and in their social capital of immigrant entrepreneurs as well as time, industry, and life cycle position of the business.

This study offers a conceptual model of identity strategies of immigrant-owned entrepreneurial firms and empirical support to enhance understanding of the phenomenon of entrepreneurial identity strategies. The study can be tested in the context of many different immigrant communities that are involved in a diverse set of industries and enterprises. While a complete test of our model (especially with all the moderators) may pose significant challenges, multiple individual cases of immigrant firms can be created to help discover identity strategies, thereby developing an understanding of the motivations in making one specific identity choice over another. Moreover, the current model can be extended in several directions. Firm identities are not static; they change over time and in response to their environments. The dynamic nature of social identity strategies of immigrant organizations is evident among the Silicon Valley entrepreneurs. Saxenian (1999:11) succinctly points out that “most successful immigrant entrepreneurs in Silicon Valley today are those who have drawn on ethnic resources while simultaneously integrating into mainstream technology and business networks.” Similarly, the identity strategies of immigrant enterprises can be important in determining strategic initiatives undertaken by the firm. For example, firms owned by immigrant entrepreneurs that confirm their identity may be better poised to be “born global” and develop early internationalization efforts between the country of origin and the host country. Exploring linkages between identity strategies and early globalization of startup firms.
is another avenue for further research. Furthermore, our model is ideal for profit-making firms, but testing it in the context of all organizations or nonprofits to check how the dynamic might differ could be worthwhile.

By pulling together diverse strands of literature from liability of foreignness and SIT, this article attempts to understand the identity strategy of immigrant entrepreneurial firms as a means for mitigating the liability of foreignness. Heeding the call of research by Rath and Kloosterman (2000), we bring the more theoretically grounded perspective of identity theory into the migrant entrepreneurship literature. Instead of viewing immigrant entrepreneurs as a priori ethnic beings, we argue that the identity strategies are formed to mitigate the liability of foreignness. We contribute to the perspective that such strategies are embedded in social, institutional, and opportunity structures.

**Limitations of the Model**

Our proposed model, like most analytical tools, has some limitations. The model tells only part of a story by focusing on just four identity strategies. Its usefulness will, therefore, be limited to firms that can broadly identify themselves with the proposed strategies. Firms founded by entrepreneurial teams from cross-cultural backgrounds may not find the model applicable to them. We only explored approaches adopted by immigrant firms to mitigate their liability of foreignness in new environments. While we focused on newly formed organizations, further studies should investigate the impact of organization size or life cycle stage on the identity strategies a firm selects to mitigate mortality and overall liability of foreignness.

Secondly, the proposed model focuses on mortality rather than other indicators of performance of the immigrant firm such as profitability or growth. It needs to examine whether these propositions would hold for firm performance, especially if a confirmation strategy can allow a firm to be a part of the mainstream in order to have greater market share growth. Finally, this model is based on the assumption of a sole proprietor/entrepreneur or a homogenous entrepreneurial team, at least on the basis of ethnicity. This assumption is too simplistic even for a sole proprietor/entrepreneur. Many entrepreneurs are conscious of the benefits of being ambicultural—the ability and willingness to blend the best of different cultures. Therefore, confirming or downplaying ethnic identity may not be an option for the ambicultural entrepreneur.

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Despite the increasing popularity of entrepreneurship among students in colleges and university, there is a surprising scarcity of theoretical or empirical research on this topic. In this article, we define the concept of student entrepreneurship, delineate its domain, and demarcate its boundaries. We propose a preliminary typology of student entrepreneurship rooted in the works of three leading economists from the Austrian School of Economics: Joseph Schumpeter, Israel Kirzner, and Ludwig Lachmann. We also identify and discuss important challenges associated with the practice of student entrepreneurship. The article concludes by advancing a future research agenda for the study of student entrepreneurship.

**Keywords:** student entrepreneurship; archetypal entrepreneurship; entrepreneurship education

Student entrepreneurship has emerged as an important topic in popular media and public discourse in recent years. Though there is no reliable and comprehensive data on the exact number of student entrepreneurs in colleges and universities in United States, the level of entrepreneurial activity among college students appears to be quite high (Seymour, 2001). Notable examples of student entrepreneurs include, but are not limited to, Michael Dell (founded Dell Computers in his dorm room at the University of Texas), Mark Zuckerberg (created Facebook with his roommates at Harvard), and Larry Page (co-founder of Google as a student at Stanford). Businesses founded by students come in all shapes and sizes, ranging from high tech to low tech, manufacturing to service, local to global (Bower, 2003). Even as entrepreneurial activity among students continues to increase, there is a surprising lack of scholarly research related to the topic of student entrepreneurship.

Some educators and policymakers believe that student entrepreneurship helps students by providing them opportunities to combine theory and practice in a positive and pragmatic sense (Ridder & Sijde, 2006). Others argue that involvement in business activities, especially the kind of activities required to start a new business, during school years likely interferes with students’ academic progress, which may adversely affect their future academic goals (Ndirangu & Bosire, 2004). These complex issues need to be resolved to provide guidance to educators, students, parents, and policymakers. This article identifies and discusses the domain of student entrepreneurship, its contributions, and the many challenges its practices raise for various stakeholders.

The objective of this article is three-fold. First, it seeks to bring much needed clarity to the concept of student entrepreneurship. There is a high (and still increasing) rate of entrepreneurial activity among students and schools and colleges are investing valuable (financial and intellectual) resources to encourage student entrepreneurship. Unfortunately, scholarly dialog on this topic is almost negligible, and consequently our understanding of student entrepreneurship is quite limited. In this article, we offer a definition that delineates the domain of student entrepreneurship and demarcates its boundaries in an effort to build some consensus on what student entrepreneurship is (and is not).

Second, this article distinguishes between various forms of student entrepreneurship. In so do, we present a mutually exclusive preliminary typology of student entrepreneurs, identifying and providing examples of three types of student entrepreneurs. All student entrepreneurs are not the same and the potential of new ventures started by these entrepreneurs to become contributors to the (local and national) economy is not equal (Chrisman & McMullen, 2000). Further, scholars have relied on the intention and behavior model (Ajzen, 1991) to explore the psychological and situation cues underlying student entrepreneurship. Our study is timely because, on the one hand, student entrepreneurship is on rise and is garnering much attention in the media and college classrooms in United States and across the world; and on the other hand, scholars have expressed frustration on the confusion that exists related to student entrepreneurs (Marchand & Sood, 2014). We hope that borrowing the typology from the alternative paradigm—Austrian economics will reap the same benefit of providing new insights, as it has in the entrepreneurship research—the typology presented in this article will allow educators, researchers, and policymakers.
to make sense of the different types of student entrepreneurs routinely observed in schools and colleges. This article gives researchers a framework to conduct research with student entrepreneurs, helping them better understand what they see and hear during their research. It will also provide educators and policymakers with a tool to help target their limited resources to the most high-potential student entrepreneurs and their ventures.

The final objective of the article is to explore some of the challenges engendered by student entrepreneurship. Student entrepreneurs, unlike other entrepreneurs, play a dual role of a student and an entrepreneur and therefore, need to balance the demands of their studentship with that of their entrepreneurship. This study, therefore, focuses on those undergraduate students who attend classes and also lead a start-up while enrolled in university courses. They do not wait to join any other firm to gain experience, confidence, or salary, nor do they have any family responsibilities. Studies show high number of students intend to pursue entrepreneurial activity after they graduate but less than 1 in 10 graduates actually embark on an entrepreneurial career (Kwong & Thompson, 2016). Student entrepreneurial activity is inhibited by the lack of start-up capital and excessive regulation and universities policies (Bailetti, 2011; Veciana, Aponte, & Urbano, 2005). Effectively balancing the quest for learning and scholarship with the financial and operations skills associated with starting and managing a business raises important issues for all stakeholders. Consequently, we discuss several problems and issues that may arise because of the practice of student entrepreneurship.

The remainder of this article is organized as follows: First, we define student entrepreneurship and draw its boundaries as a distinct field of study. Specifically, we advance a definition of student entrepreneurship based on common themes observed in the literature. Next, we introduce a preliminary typology of student entrepreneurs grounded in the work of three prominent scholars from Austrian School of Economics: (Joseph Schumpeter, Israel Kirzner, and Ludwig Lachmann). We believe our typology provides a theoretical framework for future scholars to understand and make sense of the differences among the many types of student entrepreneurs. Following the presentation of this typology, we identify important problems that the practice of student entrepreneurship may cause for the different stakeholders. In the last section of the article, we offer suggestions about the future of student entrepreneurship as a distinct field for scholarly inquiry.

**Toward a Definition of Student Entrepreneurship**

Student entrepreneurship has generated a substantial interest in the media and public discourse. Many popular books have been written about student entrepreneurs (e.g., *Beyond the Lemonade Stand*), and hundreds, if not thousands, of articles and stories about them have appeared in the media. In recent years, a large number of U.S. and international colleges and universities have acknowledged the fundamentally important role of student entrepreneurship in society and actively engaged in promoting student entrepreneurship and students’ enterprising behavior (Vesper & Gartner, 2001.). The Global Student Entrepreneur Award, started at St. Louis University in 1988 for students of midwestern United States, has since expanded to include many countries. Student entrepreneurship clubs are widespread in U.S. schools and colleges and the number of such clubs is steadily increasing (Vesper & Gartner, 1997). Universities are receiving substantial donor funding to start institutes and centers (e.g., the Edson Student Entrepreneur Initiative at Arizona State University) to encourage student entrepreneurship (Krass, 2004). More than 1,600 schools now offer about 2,200 entrepreneurship-related courses that seek to increase the understanding and knowledge of entrepreneurship and new business among students and infuse them with enterprise and entrepreneurial skills (Katz, 2003; Vesper & Gartner, 1997). There exists a general consensus among entrepreneurship scholars and educators that an implicit (if not always explicit) objective of entrepreneurship courses and programs is to encourage and prepare students to become entrepreneurs and start new businesses.

Across the globe entrepreneurially oriented students have identified business ideas and successfully exploited them to develop new businesses. For many student entrepreneurs, the businesses started during their school years with the help of limited tangible and intangible resources provided by universities or any other source became the stepping stones to a life-long career as an entrepreneur (e.g., Bill Gates, Steve Jobs). This may be especially true in societies, such as the United States, where entrepreneurship-related courses have historically attracted large numbers of students (Katz, 2003) and there has been a long tradition of young people starting their own business. With recent trends in globalization and outsourcing pointing to the fact that college education is no longer a “sheltered pathway” to a job with a large firm
for young men and women in developed economies like the United States (Nabi, Holden, & Walmsley, 2006: 373), schools and colleges have encouraged and motivated students to start their own businesses and pursue entrepreneurial careers.

Despite the popular interest in student entrepreneurship among schools and colleges, almost no scholarly research exists on this topic. There is no agreement among scholars about what student entrepreneurship is and what activities constitute student entrepreneurship. The fact that the phrase “student entrepreneurship” combines two words that have traditionally been considered incongruent, if not inconsistent, has probably been an important obstacle to defining and discussing student entrepreneurship.¹ There are disagreements about the domain of entrepreneurship (Chiles, Bluedorn, & Gupta, 2007; Shane & Venkataraman, 2000); adding the qualifier prefix “student” further complicates this definitional debate.

The concept of student entrepreneurship means different things to different scholars. A large group of researchers use the phrase “student entrepreneurs” to refer to students enrolled in an entrepreneurship course or program (Fiet, 2001; Robinson, Huefner, & Hunt 1991). A second group of researchers understands student entrepreneurs as students who are engaged in preparing a business plan for a new or existing growth-oriented business (Katz, Harshman, & Dean, 2000). And a third group views student entrepreneurs as individuals who are actively pursuing academic coursework and are running a company (alone or with others) at the same time (Ridder & Sijde, 2006).

Research on student entrepreneurship to date has relied on intention models such as the Theory of Planned Behavior (Ajzen, 1991) or Social Cognitive Theory (Lent et al., 2002), to examine the intention and entrepreneurial behavior underlying the student entrepreneurship. Using data of U.K. business students, Kwong and Thompson (2016) investigated the attitudinal differences between those student entrepreneurs, who immediately start the entrepreneurial activity after graduating and those who wait and watch. These authors suggest that student entrepreneurs who rapidly move into entrepreneurial activities are more likely to perceive themselves as natural leaders and are confident of succeeding. Pfeifer, Šarlija, and Zekić Sušac (2016) explored personal and situation antecedents of entrepreneurial intentions of business students in Croatia.

In reviewing the aforementioned definitions, we do not strive to find a statement that encompasses all aspects of these seemingly disparate definitions, nor do we focus on the intention and the behavior model as the basis for the student entrepreneurship. Instead, we provide a definition that integrates common points of view, while inviting the focus on the founder of the venture—the student entrepreneur. We believe that student entrepreneurs have dual roles: a student as well as an entrepreneur. They go to school and take classes like traditional students, but are involved in starting or managing a for-profit business (alone or with others) like conventional entrepreneurs. Consequently, student entrepreneurship is the process involving the innovative use and combination of resources to explore and pursue opportunities through the creation of a for-profit business organization by a student. Obviously, our definition of student entrepreneurship is predicated on the belief that defining “entrepreneurship” is logically linked with defining “entrepreneur” in that entrepreneurship is what entrepreneurs do when they are being entrepreneurs (Peredo & McLean, 2006). Our definition is also consistent with that of Marchand and Sood (2014). Through interviews these authors explored the cognitive skills and the unconscious drives of student entrepreneurs during pre- and post-university stages.

Entrepreneurship scholars are well aware of the many definitions of entrepreneurship, ranging from broad (entrepreneurship as self-employment) to narrow (entrepreneurship in growth-oriented business and corporations). Any single definition of entrepreneurship is seldom able to capture the complete domain of the field. The definition of student entrepreneurship offered in this article reflects some of our basic assumptions. First, student entrepreneurs engage in the process of creating value by combining and recombining resources, such as knowledge acquired through entrepreneurship programs, or physical space, university reputation, and grants in new ways. Unlike other entrepreneurs, student entrepreneurs have the opportunity to explore these limited resources, which they use to gain new network connections. These resources may be helpful in establishing business or could be a tool to acquire additional resources for starting a new venture. Entrepreneurs, including student entrepreneurs, are not motivated by any one common objective, but by a diverse set of personal goals, economic and non-economic (Shane, Locke, & Collins, 2003). Second, these resource
combinations are intended primarily to explore and pursue opportunities to earn financial rewards; this includes the discovery, creation, and exploitation of opportunities to generate future goods and services (Chiles et al., 2007; Shane & Venkataraman, 2000). Though student entrepreneurs exhibit similar entrepreneurial behavior as archetypal entrepreneurs, unlike them, students are limited in terms of resources and entrepreneurial experience when starting a new venture while still in school. They rely on their faculty for consultation, advice, education, and new connections, or take advantage of the university’s reputation to acquire finances for their business. And third, student entrepreneurship involves offering new products or services through the creation of new organizations (Katz & Gartner, 1988). Importantly, student entrepreneurship occurs only in the context of a new organization. This emphasis on the creation of a new organization sets student entrepreneurship apart from other more loosely structured initiatives that students may pursue such as ad hoc self-employment (e.g., students who mow lawns or sing in a bar on a freelance basis) as well as more hierarchically structured arrangements such as employment in another business (e.g., a student worker who acts entrepreneurially in a new and/or small business (Kuratko, 2006)) or internship in a large entrepreneurially oriented corporation (King, Pearson, & Young, 1997; Zahra, Nielson, & Bogner, 1999)).

A Proposed Typology of Student Entrepreneurship

Our definition of student entrepreneurship highlights the large domain of the phenomenon of student entrepreneurship and the diversity of people involved in this activity. In this section, we propose a three-category typology for describing student entrepreneurs. Our typology is designed to assist scholars in conducting research on student entrepreneurs and better understanding the antecedents, processes, and consequences of different forms of student entrepreneurship. Of course, all typologies are imprecise (Hornaday, 1990) and our quest for parsimony may have caused us to overlook other types of student entrepreneurs. We are not aware of any existing typologies of student entrepreneurs, so we believe that this article is a small, albeit important, first step toward improving scholarly understanding of this complex phenomenon.

Our proposed typology identifies three distinctive types of student entrepreneurs based on alternative conceptualizations of entrepreneurship derived from Austrian economics. Though long viewed as outsiders whose rebellious tenets pitted them against mainstream economic thought, three economists have gained widespread respectability over the past 30 years as a heterodox school, both within economics (Vaughn, 1994) and, more recently, among organizational scholars who predict a vital role for their ideas in 21st-century organizational research (Eisenhardt, 2002). Indeed, Austrian economics has become recognized in many organizational circles as the leading economic approach to entrepreneurship research (Chiles et al., 2007; Venkataraman, 1997; Shane, 2000).

The three economists that inform our typology of student entrepreneurs are Joseph Schumpeter, Israel Kirzner, and Ludwig Lachmann. These three scholars differ in their understanding of entrepreneurs and the role they play in the economy (Gloria-Palermo, 1999; Vaughn, 1994). We describe and provide illustrative examples of these three forms of student entrepreneurs, which we label the Rocker, the Arbitrageur, and the Imaginator. While all student entrepreneurs may love what they do and their values, identities, or circumstances compel them to engage in entrepreneurial activity, major differences exist between these entrepreneurs and the types of ventures they start.

The Rocker

Joseph Schumpeter was perhaps the first modern scholar to make a significant contribution to the theory of entrepreneurship (Hughes, 1993; Praag, 1999). He saw entrepreneurs as heroic figures who disrupt the prevailing equilibrium at rare and irregular intervals (Schumpeter, 1934). He believed that though new inventions are “trivially and abundantly available and known to all sorts of people” in society (Witt, 1995: 219), entrepreneurs have the unique ability to combine these inventions with available resources to introduce new innovations in products, process, markets, resources, and organization (Schumpeter, 1942). He argued that innovative entrepreneurs conceived new resource combinations to capture profits, which subsequently attracts imitators and brings the system back to a state of equilibrium (Schumpeter, 1934).

We refer to student entrepreneurs who perform such functions as the Rockers. They identify a commonly available invention (e.g., the Internet) and combine it with other resources (e.g., their friends) to introduce new innovations (e.g., social networking websites such as MySpace and Facebook). Their business germinates from their interest in a ‘cool’ technology that they believe can
be used in new ways. These student entrepreneurs usually start with limited resources that they recombine in new ways to introduce innovative products and services that disrupt the prevailing equilibrium and "rock the boat." In time these new products and services engender entirely new industries or fields that are likely to attract imitators. The Rockers, driven by the pursuit of profit, prefer to exit before the imitators move in or other newer technologies threaten their business. Therefore, student entrepreneurs need to invest time to remain competitive in the industry and bring innovative products to the market. It would probably not be incorrect to describe Mark Zuckerberg, the founder of Facebook, as a geek who loved computers. When he "starts a programming project, all else takes a backseat. He doesn't eat, doesn't sleep, doesn't talk to friends" (Grynbaum, 2004). He used his knowledge of computers and the Internet to develop new innovative products and services (his first one was when he was in high school) before introducing Facebook to a receptive student audience in February 2004 during his undergraduate days at Harvard. From there Facebook quickly spread to other universities with about 1.6 million monthly U.S. visitors in 2006 (Delaney, Buckman, & Guth, 2006). Reportedly, he turned down a $750M buyout offer from Yahoo, holding out instead for as much as $2B. Like a typical Rocker, Zuckerberg started with very limited resources, used a technology that was commonly available then (in 2004), and combined it with an idiosyncratic resource—his social network, to start a company that attracted significant venture capital funding in 2005 ($13 million), and is pursuing "serious discussion[s]" to sell his company to the largest bidder (Delaney et al., 2006).

The Arbitrageur

During the past four decades, no economic theorist has devoted more attention to the entrepreneur than Kirzner. He views the entrepreneur as an arbitrageur who, through superior alertness, addresses the needs of customers not yet realized by existing providers (Kirzner, 1973). Because these opportunities are readily identifiable by entrepreneurs who discover opportunities through their unique ability of alertness, entrepreneurs do not bear the risk of making a mistake in identifying opportunities (Kirzner, 1982). Further, Kirzner’s entrepreneurs seek opportunities that can be easily exploited by buying low and selling high, and so require no or negligible capital investment (Hébert & Link, 1982; Kirzner, 1973). These entrepreneurs derive their advantage from having good knowledge of the place and time they live in (“tacit knowledge”; Hayek, 1945; Polanyi, 1966). The needs identified by them tend to be so context-specific that they usually do not even appear on the radar of larger and less proximate providers.

A relatively large number of student entrepreneurs can be classified as arbitrageurs. They identify needs that local businesses are unable or unwilling to meet at a reasonable and acceptable price. The solutions crafted to fill market gaps are initially small in scale and limited in scope. The small scale and local scope tends to limit resource requirements, enabling student entrepreneurs to operate relatively independently from resource suppliers (Pfeffer & Salancik, 1978), which promotes flexibility and quickens their entry into and exit from different economic activities.

Insomnia Cookies is an example of a venture begun by an Arbitrageur student entrepreneur who discovered existing opportunities and met market needs not provided by other parties. Started at the University of Pennsylvania in 2003 by a junior, Seth Berkowitz, Insomnia Cookies provides cookies and beverages to students at late-night hours. By offering students a warm home-cooked food option during night hours, Berkowitz addressed a market need largely ignored by existing businesses in town. Aware of the fact that students craved convenient food late at night when they study or party, Berkowitz recognized an opportunity that was unmet and exploited it to offer cookies and (non-alcoholic) drinks right at students’ doorsteps. Berkowitz’s business was based on his unique knowledge of student needs.

As undergrads, we figured out what was missing from the perfect college experience: dependable late-night food delivery. It seems that every night at about the same time, students get hungry, either because they study hard, they party hard, or both….As you probably know, the only food available at night (without having to trek to the market) is greasy and heavy. Insomnia Cookies was born out of our dislike of heavy meals late at night, our love of food delivery, and our realization that by the time we got hungry at night, nothing was open. (http://www.insomniacookies.com/aboutus.aspx)

Today, Berkowitz’s business has expanded to seven U.S. university campuses. Other Arbitrageurs have followed in Berkowitz’s footsteps and started businesses that provide late-night snack options to students in different campuses. Because Arbitrageurs meet local needs and are not dependent on resource providers, starting these new business is relatively easy.
Since these businesses usually have a short service-to-payment cycle, exit cost is not high. Arbitrageurs can exit any time without a significant loss of capital. Low exit cost associated with these businesses is an attractive feature for students who are vulnerable to fluctuating demands on their time because of coursework, schedule conflicts, and career instability.

The Imaginator
Though Ludwig Lachmann is one of the central figures in Austrian economics, his paradigm for entrepreneurship has been introduced to management and organizational scholars only in recent years (Chiles & Choi, 2000; Chiles et al., 2007). According to Lachmann, entrepreneurs imagine possible futures, choose among these mental creations, and plan on how to achieve the desired future. He views the entrepreneur as a creative actor, as someone who devises a new organization to fulfill his vision for the future (Lachmann, 1976). In pursuing their plans, entrepreneurs usually have to invest their own resources and get other people to invest their resources as well. Imaginators continuously create and exploit opportunities through bundling and rebundling resources in different ways (Lachmann, 1986). They are driven by their creative imagination and passion for the artifacts they create. These entrepreneurs are usually loyal to the businesses they start and interested in staying with the businesses and growing them, usually not selling even if an opportunity presents itself. They love their business and derive personal satisfaction from the fulfillment of their dreams.

Among the most prominent examples of this type of student entrepreneur is Michael Dell. He started Dell computers in his dorm room at the University of Texas with a simple idea of providing affordable personal computers to college students. He believed in the possibility of a direct relationship between the computer manufacturer and the customer and passionately worked to change the existing supply chain structure in the PC industry to become a low-cost provider of customized computer systems. Though he had limited resources and started small (with about $1000 in 1984), his vision was big and had far-reaching consequences for the entire PC industry. He stayed with the company through good and bad times, and, even today, Dell, one of the richest people in the world, is the active CEO of Dell Computers. Typical of an Imaginator, Dell created a multi-billion dollar company from nothing and remains closely associated with his company to this day.

Though not every student entrepreneur classified as an Imaginator becomes as successful as Dell, what distinguishes these student entrepreneurs from others is their beliefs in their ideas and their willingness to stick with them through thick and thin. Imaginators, however, do not follow their visions blindly. They are sensitive to changes in external conditions that may influence the competition in their industries and are open to changing their vision as well as their plans to achieve them as circumstances change. Further, since Imaginators invest their own resources in launching new businesses, they struggle to maintain course schedules and often skip classes as they spend more time strategizing about different sources for investment. They aim to get high returns before exiting.

The above discussion highlights three types of student entrepreneurs and outlines major differences in their motivations and behaviors to define, evaluate, and exploit opportunities.

Student Entrepreneurship and Challenges for Stakeholders
In this section, we identify and discuss some challenges that might arise for the different stakeholders due to student entrepreneurship. These challenges frequently evolve from differences in the traditional objectives associated with centers of education like schools and colleges and the desires and goals of student entrepreneurs. They also derive from the diverse personalities, agendas, incentives, and values of teachers, university administrators, and student entrepreneurs, as well as the newness of student entrepreneurship.

Student entrepreneurship, like other forms of entrepreneurship, requires a significant time commitment (Katz & Green, 2007). Of course, for the student committing time to developing and growing a new business is likely to be more beneficial than engaging in many other traditional activities associated with student life such as partying or working in a low-skill job (Hanson & Engs, 1992). However, engagement in business activities as a student presents a problem for university management (Ndirangu & Bosire, 2004). The conventional university mission is focused on scholarship and service to society (Stahler & Tash, 1994). The large time commitment required to start or manage a new business is likely to interfere with students’ academic progress, which may adversely affect their long-term academic pursuits and achievements.
To some, student entrepreneurship holds the promise of improving students’ knowledge about the business world. Many people believe that being in two places at the same time (the university and the business world) helps student entrepreneurs translate the theoretical knowledge they get in the classroom into practical application and their business experience in running their own firms into knowledge that they can bring back to the classroom (Ridder & Sijde, 2006). The learning environment of student entrepreneurs is not confined just to the classroom or a textbook, but expands to include the market where competitive, productive, social, and political forces intersect (Chagas & Silva, 1997).

Yet, this emphasis on realism is problematic for faculty. Today, a large number of faculty members in business schools have always been in the academic world and never held a “real” job (Pfeffer & Fong, 2002). There are even fewer faculty members who have entrepreneurial experience. Most university instructors completed a rigorous doctoral program because of their passion for learning and teach courses that they love. Their knowledge is largely theoretical, based on books and published papers. Student entrepreneurs are seldom interested in theoretical knowledge (Fiet, 2001). They are interested in understanding how the information they are being provided in classes applies to their business. Faculty with no entrepreneurial experience may find it difficult to make the connection between their theoretical knowledge and students’ businesses (Aronsson, 2004), potentially reducing the student entrepreneur’s interest in the subject.

Student entrepreneurship can also present problems for students who are not starting or managing their own business. Many business school courses require students to work in teams (Baldwin, Bedell, & Johnson, 1997), typically three to five students, on a specific project. Students who work with student entrepreneurs on projects may find that the time and effort they spent on the group work was appropriated by their entrepreneurial colleague for his/her business without their permission or knowledge. Though these concerns can be somewhat alleviated by having students sign confidentiality agreements, a large part of the knowledge generated in these projects may be uncodifiable (Katz et al., 2000). In some situations, student entrepreneurs may not even consciously remember that the information they are using in their businesses was developed as part of a group project. Thus, working with student entrepreneurs in course projects may put other students at risk of providing free research and consulting service without any direct economic benefit to themselves.

Discussion and Future Research Implications
The concept of student entrepreneurship has gained recognition and popularity in our society. The objective of this article has been to arouse scholarly interest in the phenomenon of student entrepreneurship. We consider student entrepreneurship to be a particularly exciting and fruitful research topic and it is our hope that this article will bring us a step closer toward legitimizing and encouraging student entrepreneurship as a field of research.

The working definition of student entrepreneurship put forward in this article is intended to facilitate a more detailed examination of the two components of student entrepreneurship, namely the student element and the entrepreneurship element. Our discussion highlights the need to better understand the domain of student entrepreneurship. We believe future empirical and conceptual work will help establish a more comprehensive picture of student entrepreneurship.

Many of the issues explored in this article are typical of any new field of research: the need to draw boundaries so as to delimit scope and clarify whether it really can be an independent field of research, and the need to identify differences within the field. To conclude, we will elaborate on topics and issues we consider important in order to advance our understanding of student entrepreneurship: student entrepreneurship as an independent field of research, assessing the impact of student entrepreneurship, and clarifying the different forms of student entrepreneurship.

One of the most controversial issues we foresee is whether student entrepreneurship can be a legitimate and independent field of research. Some may consider student entrepreneurship a subcategory of entrepreneurship, in which the student is a just a subject to study and test entrepreneurial phenomena. In this article, we have tried to identify the distinctive domain of student entrepreneurship and to distinguish it from other forms of entrepreneurship. We argue that student entrepreneurship differs from other forms of entrepreneurship as it combines studentship and entrepreneurship, two traditionally incongruent concepts. We believe that student entrepreneurship deserves considerable attention as a scholarly phenomenon. It has enormous potential to inform and enhance the field of entrepreneurship as well as the study of higher education, as it provides an excellent opportunity to challenge and rethink our conventional views and assumptions about both entrepreneurship and higher education.
Assessing the impact of student entrepreneurship on the different stakeholders will be a great challenge for researchers, educators, and administrators. The real problem may not be the measurement of the performance of the business started by a student entrepreneur, but how to quantify and measure the overall impact of student entrepreneurship. More effort must be made to develop useful and meaningful measures that capture the impact of student entrepreneurship and reflect the objectives pursued by the different stakeholders. Considering the attention that student entrepreneurship has received in the last few years in popular media and the establishment of new institutes and centers to encourage entrepreneurship on campuses, it is clear that more research is needed to understand and measure its performance outcomes and impact on all the stakeholders involved.

This article emphasizes the many forms of student entrepreneurship by identifying three different types of student entrepreneurs. Our proposed typology serves only to illustrate the key differences that might exist among three types of student entrepreneurs. It is certainly not the final solution to understanding student entrepreneurship and future research may present other typologies. A promising area of research lies in empirically testing our proposed typology and identifying their various antecedents, such as individual, organizational, cultural, and economic variables. This poses additional interesting questions. Assuming that student entrepreneurship, like conventional entrepreneurship, involves various stages (e.g., an intention formation stage, a start-up stage, a growth stage, etc.), how do the different types of student entrepreneurs navigate these stages differently? How do the various antecedents affect student entrepreneurship at different stages? One could argue that the common strand of studentship would lead these entrepreneurs to behave in similar ways during the different stages. On the other hand, contextual and motivational differences may influence the various types of student entrepreneurs in different ways at each stage.

It is noteworthy that this is the first article exclusively devoted to student entrepreneurship. We believe that a wide variety of research questions requires further attention. Student entrepreneurship can benefit from research drawing from multiple disciplinary perspectives and literatures, such as that on entrepreneurship, higher education, and teaching pedagogy. We conclude with a list of questions that provide only a snapshot of important issues.

- How do student entrepreneurs balance their academic and business goals simultaneously?
- Should universities encourage student entrepreneurship? If yes, how?
- Future research is warranted to explore whether some colleges are more or less likely to foster student entrepreneurship. If so, why?
- What is the role, if any, of individual teachers in student entrepreneurship?

Most empirical research findings suggest the connection between university entrepreneurship programs and entrepreneurial activity, in a way to investigate how universities can foster student entrepreneurs (Souitaris, Zerbinati, & Al-Laham, 2007). Examining six Iranian universities, Karimi et al. (2016) found that elective courses offered at these universities have positive impact on the students' entrepreneurial intentions. Student entrepreneurs look for practical experience and, therefore, universities have moved away from classroom settings to action-oriented approaches in teaching entrepreneurship (Rasmussen and Sørheim, 2006). This evidence supports the premise that student entrepreneurs acquire entrepreneurial skills and knowledge while studying the entrepreneurial courses. Forbes (2015) reports that over the years, high numbers of student entrepreneurs come from top-tier universities and colleges, such as Cooper Union and Stanford University. However, universities can foster student entrepreneurs by also hiring faculty with business experience who will not only impact the entrepreneurial skills of students, but also provide them with much needed network connections to start a new venture. Universities may also change their policies to influence the amount of resources students entrepreneurs are eligible to receive while enrolled at the university (Bailletti, 2011). Future research should explore how instructors can go beyond their roles of teaching and research to increase the number of student entrepreneurs.

Scholars agree that cultural and social norms are important antecedents of entrepreneurial intentions (Kwong & Thompson, 2016). The GUESSS (Sieger, Fueglistaller, & Zellweger, 2014) findings suggest that students entrepreneurs in developed industrialized countries are attractive to and looked favorably upon by their “important others.” Self-employment is becoming more common in Europe, with nearly two in three students intending to start their own businesses immediately upon graduation. Future research should
explore whether cultural differences influence the motivations and processes of student entrepreneurship differently across countries. As mentioned above, student entrepreneurs are motivated by personal gains but through their new business, they also provide jobs and decrease unemployment. Future research should explore the link between student entrepreneurship and economic development, and examine ways that student entrepreneurship can contribute to regional development.

We hope that the focus on student entrepreneurship in this study will attract other scholars and educators to this field. The level of scholarly attention on student entrepreneurship is far behind its practice. We believe that the answers to some of the questions outlined above, and the further discussion they engender, will help motivate more attention and rigorous inquiry in this field. We look forward to other scholars joining in the effort to understand the complex, but interesting, phenomenon of student entrepreneurship.

ENDNOTE

1Studentship has traditionally been associated with academic goals such as acquiring and learning new knowledge and skills; entrepreneurship generally refers to financial objectives such as running a profitable business.

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AN INTRODUCTION TO STUDENT ENTREPRENEURSHIP 43


**ABOUT THE AUTHORS**

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Social entrepreneurship literature acknowledges that social capital is vital to the success of social entrepreneurship efforts and trust is integral to the process of building social capital. However, there has been limited research on trust itself in social entrepreneurship literature. This article aims to begin filling this gap by utilizing a specific social entrepreneurship initiative to illustrate the role of trust in social entrepreneurship efforts. It describes the model of trust developed by Sheppard and Sherman and the social entrepreneurship initiative, Global Brigades. The article discusses the relationships between the parties involved in the initiative and applies Sheppard and Sherman’s model to these relationships. It illustrates the importance of trust to social entrepreneurship efforts, as well as the need for additional research regarding social entrepreneurship and trust.

Keywords: social entrepreneurship; trust; international social entrepreneurship; case study; indigenous people; poverty

Social entrepreneurship has generated much interest in the private, public, and not-for-profit sectors (Jiao, 2011). Although there are many definitions for this concept (Jiao, 2011), social entrepreneurship can broadly be described as “a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs” (Mair & Marti, 2006, p. 37). Many variables determine the success of a social entrepreneurship initiative. One such variable is social capital, which is prominently addressed in social entrepreneurship literature. Social capital is the “actual and potential assets embedded in relationships among individuals, communities, networks, and societies” (Mair & Marti, 2006, p. 41). Social capital includes access to resources, information, and support; trust; respect; and friendliness (Mair & Marti, 2006).

It is well established in social entrepreneurship literature that social capital is vital to the success of social entrepreneurship efforts. Jiao’s (2011) conceptual model for social entrepreneurship indicates that social capital is positively related to both the creation and survival of social entrepreneurship initiatives. Mair and Marti (2006) state that social capital helps social entrepreneurs relieve social problems and enter the public sphere. Scheiber (2014) finds that social capital allows social entrepreneurs to develop a better understanding of complex social problems, which results in more effective social entrepreneurship initiatives.

Entrepreneurship literature acknowledges that trust is integral to the process of building social capital (Bogren & von Friedrichs, 2016; Zhang & Hamilton, 2010). However, social entrepreneurship literature largely neglects the analysis of trust itself (Curtis, Herbst, & Gumkovska, 2010). This is not due to lack of relevance; trust is undeniably important in social entrepreneurship efforts. Trust facilitates cooperative behavior, decreases detrimental conflict, reduces transaction costs, promotes network relations, enables swift formulation of ad hoc work groups, and promotes effective responses to crises (Rousseau, Sitkin, Burt, & Camerer, 1998); all of which are critical in social entrepreneurship efforts. Scheiber’s (2014) analysis of 27 social entrepreneurs in Rio de Janeiro found trust to be instrumental in increasing participation in social entrepreneurship initiatives, gaining access to additional members of the target population, and achieving greater levels of effectiveness and social impact. Nevertheless, very little existing social entrepreneurship literature explicitly focuses on trust.

This article aims to begin filling this gap by utilizing a specific social entrepreneurship initiative to illustrate the necessity of trust in social entrepreneurship efforts. The article begins with a description of the model of trust developed by Sheppard and Sherman (1998). It then describes the social entrepreneurship initiative, Global Brigades. The article next discusses the relationships between the parties involved in the initiative and applies Sheppard and Sherman’s model to these relationships. The discussion that concludes this article illustrates the importance of trust to social entrepreneurship efforts, as well as the need for additional research regarding social entrepreneurship and trust.
The initial research for this case study was completed by two of the authors as they participated in a social entrepreneurship initiative organized by Global Business Brigades, a program dedicated to creating and sustaining economic empowerment within impoverished communities in various third-world countries. As participants in the brigade, the authors spent a week providing financial literacy workshops and individualized business consultation in the village of Ipeti Emberá, Panama. This experience gave the authors valuable firsthand knowledge of the parties involved in this social entrepreneurship initiative, as well as the relationships and forms of trust between these parties.

The Grammars of Trust and the Corresponding Model

Sheppard and Sherman (1998) argue that trust can be understood as four separate and ordered forms determined by two dimensions of a given relationship: relational form and relational depth. These four forms, which are informed by Fiske’s (1990) four elemental forms of human relationships, are shallow dependence, deep dependence, shallow interdependence, and deep interdependence (Sheppard & Sherman, 1998).

Shallow dependence is characterized by a unidirectional dependency and limited, often short-term, relational depth (Sheppard & Sherman, 1998). One example of shallow dependence is the relationship between a shopper and an online clothing store. The main risks associated with shallow dependence are (1) unreliability, which is the risk that one party will not behave as expected and (2) indiscretion, which is the risk that one party will inappropriately utilize or disclose sensitive information (Sheppard & Sherman, 1998). Sheppard and Sherman (1998) contend that the appropriate mechanism to produce trust in a shallow dependence relationship is deterrence based. This mechanism may involve penalties imposed on parties that perform unreliably or counter to the agreement, or costs of discontinuing the partnership that outweigh the benefits of acting in a distrustful manner (Sheppard & Sherman, 1998).

Deep dependence describes a relationship with intensive, often long-lasting, relational depth in which the trustee’s behavior is outside the trustor purview and consequently challenging to monitor (Sheppard & Sherman, 1998). An example of a deep dependence relationship is the relationship between a boss and an employee. The risks associated with deep dependence include the aforementioned risks as well as (1) cheating, which is when one party utilizes information asymmetry to the dependent party’s disadvantage; (2) neglect, which involves the omission of one party’s interests; (3) abuse, which occurs when one party uses its ability to determine the fate of a second party to impose additional costs; and (4) self-esteem, which can occur when one party’s sense of self is directly related to the deep relationship (Sheppard & Sherman, 1998). The appropriate trust mechanism to use in deep dependence relationships is the evocation of a sense of obligation (Sheppard & Sherman, 1998).

Shallow interdependence describes a relationship with limited, often short-term, relational depth in which the achievement of desired goals depends on effective coordination between parties (Sheppard & Sherman, 1998). One example of shallow interdependence is the relationship between members of a short-term project team. The risks associated with shallow interdependence are unreliability; indiscretion; and poor coordination, which is the risk that coordination will not be rapid or effective enough to be successful (Sheppard & Sherman, 1998). The appropriate trust production mechanism in shallow interdependence relationships is “active discovery through communication and research” (Sheppard & Sherman, 1998).

The fourth form is deep interdependence, which is characterized by intense, often long-term, relational depth and interdependent parties (Sheppard & Sherman, 1998). An example of deep interdependence is the relationship between husband and wife. Deep interdependence is subject to all of the aforementioned risks as well as misanticipation, which is the risk that without detailed instructions, one party will be unable to anticipate the needs or actions of the other party (Sheppard & Sherman, 1998). The necessary trust mechanism in deep interdependence relationships is internalization, which occurs when each party adopts the other party’s beliefs and preferences (Sheppard & Sherman, 1998).

The model developed by Sheppard and Sherman (1998), summarized in Table 1, is useful in understanding the production of trust in multiple types of social entrepreneurship relationships. This article utilizes a case study of Global Brigades, an international non-profit organization, to consider these forms of trust in the context of a contemporary social entrepreneurship initiative. As discussed below, Global Brigades is a non-profit organization that empowers small, impoverished
communities to gain medical, financial, and environmental self-sufficiency. The work of Global Brigades in the Panamanian village of Ipetí Emberá provides a very interesting platform for the discussion of Sheppard and Sherman’s (1998) forms of trust and social entrepreneurship for two reasons. First, Ipetí Emberá simultaneously maintains three relationships: one with the national government, one with Global Brigades, and one with student volunteers. Second, due to Global Brigades regulations, the relationship between the village and the organization is very different from the relationship between the village and the student volunteers. As a result, these three relationships allow three distinct forms of trust to be observed in just one case study. Because this case provides insight into three of the four forms of trust, the findings of this article can be adapted and applied to many social entrepreneurship initiatives, even when situational details vary.

This article will discuss each relationship and the resulting form of trust. Namely, we will discuss deep dependence in regards to the village and the national government, deep interdependence in regards to the village and Global Brigades, and shallow interdependence in regards to the village and student volunteers. These three forms of trust are particularly relevant to social entrepreneurship initiatives. First, deep dependence is relevant to social entrepreneurship because the need for social entrepreneurship is often created by the failure of a deep dependence relationship, such as the relationship between a community and its government. Second, deep interdependence is relevant to social entrepreneurship because social entrepreneurs often invest significant resources into the initiatives, and the target populations rely on the resulting assistance. Finally, shallow interdependence is relevant to social entrepreneurship initiatives because such initiatives often involve individuals who participate without fully internalizing the social entrepreneur’s dedication or investments; this can produce a shallow interdependence relationship between these individuals and the target population.

The fourth form of trust, shallow dependence, is not present in this case study. The intensive nature of Global Brigades prevents such a relationship from forming; the brigades are week-long immersive experiences, and the student volunteers are responsible for funding their own travel and accommodation expenses. As a result, the students are both financially and emotionally invested in their brigade; they rely on the villagers’ participation and cooperation to achieve the satisfaction of having a successful brigade, just as the villagers rely on the students’ efforts. This situation is, as we will discuss later in this article, not unusual. Social entrepreneurship initiatives rarely result in shallow dependence relationships because both parties are often invested in the outcome, and must rely on each other to achieve success.

Table 1. Summary of Relevant Components of Sheppard and Sherman's Model of Trust

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The Social Entrepreneurship Initiative: Global Brigades

Global Brigades is an “international non-profit that empowers communities to meet their health and economic goals through university volunteers and local teams” (Global Brigades, 2015d). The organization identifies impoverished villages within poverty-stricken nations and determines the specific needs of each community. These needs may be medical, architectural, entrepreneurial, etc. Global Brigades then mobilizes students and professors from universities around the world, sending them on week-long trips to these communities. Each trip, or “brigade,” is customized to provide for the community’s specific needs. The students, also known as “brigaders,” are encouraged to join brigades that utilize their skill sets and education. For example, a brigade comprised of medical students and professors would be sent to a community requiring medical assistance.

History

Global Brigades traces its roots to 2003, when a lone medical brigade travelled to Honduras (Global Brigades, 2015a). The brigade was mainly comprised of students and doctors from the Midwest United States who spent their time in Honduras providing medical care to members of rural communities (Global Brigades, 2015a). Later in 2003, one of the original brigade members helped found Global Medical Relief, Inc., working with American medical students to bring good, sustainable medical care to rural communities in developing countries (Global Brigades, 2015a). Global Medical Relief, Inc. was disbanded in 2005, but one of the original Honduras brigade members continued its mission through a new organization entitled Global Medical Brigades (Global Brigades, 2015a). The growth of Global Medical Brigades led to the inception of Global Brigades, Inc., a nonprofit corporation headquartered in the United States. Like its predecessors, Global Brigades utilized student volunteers to provide medical services to impoverished communities in Honduras. As the organization grew, the medical brigades noted additional needs within the communities they were serving, and expanded to include Business, Water, Public Health, Microfinance, Environmental, Architecture, and Law Brigades throughout 2007 and 2008 (Global Brigades, 2015a). During the following years, Global Brigades welcomed universities from multiple countries and began serving additional impoverished nations.

Today, Global Brigades is comprised of multiple independent legal entities, each of which is a member of the Global Brigades Association (Global Brigades, 2015b). These entities are based in the United States, Canada, Germany, Switzerland, Ireland, the United Kingdom, Ghana, Honduras, Panama, and Nicaragua (Global Brigades, 2015b). Within the Global Brigades Association, each entity has equal representation as a member of the Board of Directors (Global Brigades, 2015b).

Business Model

As Global Brigades grew, it recognized the need for its “holistic model,” which ensures each brigade complements the others (Global Brigades, 2015a). For example, a Water Brigade may help a community install a clean water supply in response to a Medical Brigade's indication of such a need. The holistic model also includes a clear exit strategy to be executed once a community becomes sustainably self-sufficient (Global Brigades, 2015a). Global Brigades has also implemented organization-wide best practices and designed universal marketing kits to streamline the creation of additional Global Brigades chapters (Global Brigades, 2015a).

As one of the largest student-led volunteer relief organizations in the world, Global Brigades receives the vast majority of its income from the volunteers themselves. In the months leading up to a brigade, each brigader is responsible for financing brigade expenses in advance. The revenue received from brigaders themselves is supplemented by contributions from organizations and individuals who would like to finance specific Global Brigade projects, as well as the organization’s overhead expenses.

The Relationships within the Social Entrepreneurship Initiative

Ipeti Emberá and the Panamanian Government

The village visited by the authors, Ipeti Emberá, is a rural community comprised of approximately 85 families. Its inhabitants are members of the Emberá ethnic group. This indigenous group is one of the largest in Panama, but constitutes only 0.9 percent of the country’s population (Central Intelligence Agency, 2015). Unlike the mestizo (mixed indigenous and white) population in Panama that generally embraces contemporary Hispanic culture, the indigenous population of Panama—composed of multiple distinct and unique ethnicities, including the Ngabe, Kuna, Emberá, and Bugle people—tends to place a much stronger emphasis on the history and culture of their respective tribes (Central Intelligence Agency, 2015).
Due to these and other complex societal and historical reasons, relations in Panama between the mestizo population and indigenous communities are strained, and the nation’s indigenous people are often treated as second-class citizens. As a result, while the non-indigenous rural poor have had some success in escaping poverty by migrating to urban areas, the indigenous populations constitute an increasing portion of the nation’s poor and extreme poor (Central Intelligence Agency, 2015). Panama has the second worst income distribution in Latin America, and government attempts to alleviate poverty and inequality have been largely ineffective (Central Intelligence Agency, 2015).

The poverty statistics for the village of Ipeti Emberá are not known because a high illiteracy rate and lack of financial education preclude many members from recording their income. However, it is reasonable to assume the community’s poverty level closely resembles official statistics, which state 96.7 percent of Panama’s indigenous population falls below the poverty level of $3.13 per day (Global Brigades, 2014).

The community’s government follows a general policy of autonomy and separation from the outside world and the Panamanian government allows the community to conduct its own affairs with very little assistance or interference. This occurs for many reasons. The most significant reason for the separation between the village and the government is the cultural differences and friction, described above, between the mestizo population and the indigenous population. However, observed lack of assistance has further embittered villagers against the government. For example, the government once promised to send agriculture experts to the village to assist and instruct the agrarian community. The visit was supposed to last for many days, but the experts arrived and left within one hour. In addition, the teachers in government-funded schools teach in Spanish, a second language to the children of Ipeti Emberá. These children do not receive additional assistance or instruction due to the language barrier; instead, they are marginalized and often fall behind as a result. Another example involves the infrastructure surrounding Ipeti Emberá. Due to its close proximity to the Columbian border, the Panamanian government intentionally leaves the region’s roads in disrepair to hinder drug smugglers who may attempt to escape pursuing police. Due to the lack of support provided by the Panamanian government, the vast majority of community problems are solved within Ipeti Emberá without assistance from individuals or institutions outside of the village (Global Brigades, 2015c).

Ipeti Emberá and Global Brigades
Global Brigades spends ample time initially evaluating a community and its needs before initiating brigades to that community. First, Global Brigades communicates with the community to determine if it is needful of and receptive to external assistance. Then Global Brigades works with the community to assess which type of assistance—medical, dental, business, etc.—would be most beneficial to the community. Once the community and Global Brigades have agreed on a program, the Global Brigade initiatives can begin.

Each community typically receives two week-long brigades each year. These are supplemented by in-country Global Brigades staff members who establish weekly communication with each community. In this way, Global Brigades can provide ongoing support to a community until it becomes self-sufficient. Self-sufficiency is accomplished in a unique way for each aspect of life. Concerning water, self-sufficiency may mean that the community is capable of maintaining its own clean water system. In a business sense, self-sufficiency may be achieved when the community is knowledgeable enough to make informed financial decisions and able to run its own community cooperative. Once a community is self-sufficient, Global Brigades ceases to send brigades and offers only minimal support.

The authors of this article took part in a Global Business Brigade (GBB), a subset of Global Brigades designed to help communities in an economic capacity. GBB utilizes three tools to improve the economic standing of communities such as Ipeti Emberá: credit and savings cooperatives, financial literacy workshops, and personalized business development and consulting.

Credit and Savings Cooperative. GBB helps each community establish a Credit and Savings Cooperative. GBB provides the initial start-up capital and teaches elected leaders of the cooperative how to manage the operation. These cooperatives, which are essentially banks run by the community, introduce much-needed investment capital into the community and enable small businesses and individuals in the community to take out loans. Any profits from the loan operations are reinvested in the community. At the time of the authors’ brigade, the Ipeti Emberá cooperative had 21 members and 7 outstanding loans totaling approximately $265. Although the interest from the loans was simply increasing the cooperative’s capital at the time of the brigade, cooperative members expressed a desire to use the interest income to purchase a community vehicle at some point in the future.
The Credit and Savings Cooperative also entices members to save their money by offering an interest rate of 1 percent per month. As a culture, the indigenous people of Panama do not embrace the concept of saving. The prevailing wisdom is a type of monetary carpe diem: you don't know when you'll have money again, so you better spend it while you have it. Combatting this ingrained way of thinking and encouraging villagers to save is one of GBB's main goals.

**Financial Literacy Workshops.** GBB has outlined a series of financial literacy topics to teach community members how to make financial goals, create budgets, save money, plan for financial emergencies, and obtain loans. This curriculum is designed to be taught, bit by bit, by multiple brigades. In each community, wherever in the curriculum one brigade ends, the next brigade begins. At the time of the authors’ brigade, the community members had only been exposed to the first portion of the curriculum, which included making financial goals and examining spending habits. The education in Ipetí Emberá outside of these financial literacy workshops is minimal due to a lack of resources. Many community members strive to provide their children with a better education than they themselves had access to; few individuals within the community have more than an elementary-level education, and approximately 50 percent of the community’s population is illiterate (Global Brigades, 2015c).

**Personalized Business Development and Consultation.** GBB enables brigade members to provide business development and consulting to entrepreneurs who have been previously identified by and worked with GBB. A business brigade is divided into smaller teams, each of which is responsible for providing business consultation to a small business within the community. Just as multiple brigades will come to the same community to teach financial literacy workshops, each small business will receive guidance from multiple small teams. In Ipetí Emberá, essentially every community member is self-employed, as agriculture and craft-making work employs most of the villagers. The more advanced entrepreneurial efforts within Ipetí Emberá include a few pig farms and six small kiosks owned by individuals who sell consumer goods such as snacks, soda, and trinkets.

**Ipetí Emberá and the Authors’ Team**

Two key facts should be initially noted. First, each community receives brigades from chapters around the world; it is extremely rare for a chapter to visit the same community more than once. As a result, each brigade will be the first interaction between the community and the individual brigade members, but not the first interaction between the community and Global Brigades. Second, it is very difficult for brigade members to contact community members after they have left the country. This restriction in communication has both practical and regulatory causes. The former concerns the difficulty of reaching community members, as very few of them have access to contemporary communication tools. The latter relates to the Global Brigades policy itself; Global Brigades discourages communication between the community and previous brigades due to negative past experiences. In previous years, Global Brigades allowed brigades to contact villagers after they had completed their brigade. However, while most brigaders promised to remain dedicated to the community until the villagers’ difficulties were mitigated, very few students kept their promise. Most students returned home and became too involved in their own lives and responsibilities to continue communicating with community members. The villagers felt abandoned, and they often blamed Global Brigades. As a result, Global Brigades has implemented policies that enable it to be the sole point of contact for all brigade-related matters the community members may wish to discuss.

The authors (one student and one professor) took part in a brigade consisting of 12 business students, 2 business professors, 3 students majoring in Spanish, and 2 Global Brigades employees. One Global Brigades employee served as a translator and the other, Kevin, served as a translator, guide, and overall liaison between the brigaders and villagers. The brigade was split into three teams. Each team had two distinct responsibilities: financial literacy education and small business consultation.

Before the brigades went to the community for the first time, Kevin gave a presentation that highlighted the cultural differences between the American brigaders and the Ipetí Emberá villagers. First, while the majority of the students spoke only English, the community members spoke a mix of Spanish and Emberá. Second, although the students were anxious to get started, the community members felt no need to hurry. The presentation encouraged the brigaders to be both patient and flexible, as the community members did not want to move nearly as quickly as their American visitors. Third, the presentation stressed the pride the villagers had in their culture. This point was reinforced time and time again once the brigaders met the villagers.
During the initial meeting between community members and brigaders, the village leader illustrated multiple traditions that were maintained for purely cultural reasons. For example, the Emberá people had lived by rivers and other sources of water for centuries, and had learned to raise their buildings on stilts to protect them from potential flooding. Even though the Ipetí Emberá community was on ground high enough to provide protection from all but the most severe flooding, the community continued to build its structures on stilts to preserve this cultural tradition. Additionally, almost all adults in the community, men and women alike, took great pride in creating traditional Emberá crafts. The women typically made jewelry and embroidered, while the men carved wood. Women in the community had even created an artisan group that sold their crafts to tourists. Due to the dearth of visitors, members of the artisan group were overstocked, but they continued to travel to Panama City once a month to buy supplies to make additional crafts because they refused to neglect this aspect of Ipetí Emberá tradition.

**Financial Literacy Workshops.** As described above, GBB outlined a series of topics designed to increase financial literacy within the community. Students within the brigades were responsible for developing lessons for each of their designated topics and deciding how best to present these lessons to community members. During the lessons, the GBB staff members served only as translators, offering minimal input. Aside from adhering to various cultural mores, there was only one recommendation the brigaders were strongly encouraged to follow: begin each lesson with an icebreaker. Icebreakers could essentially be anything, as long as they were designed to establish trust and rapport between the brigaders and the community members. To further develop camaraderie between the students and villagers, GBB implemented a "best friend" component of the financial literacy workshops. At the beginning of a brigade, each community member chose a student to be their "best friend." Throughout the rest of the week, each brigader was responsible for ensuring, as much as possible considering the language barrier, that his or her best friend was following along and understanding the concepts presented in the workshops.

The authors’ team began each financial literacy workshop with an icebreaker. One icebreaker progressed as follows: an imaginary line down the middle of the floor divided a “yes” side from a “no” side. Kevin made a statement about anything he wished, and all the participants—brigaders and villagers—moved to the side of the floor that responded to the statement properly for them. Simple statements (e.g., “I like to sing” and “I don’t like spicy food”) helped both brigaders and villagers realize that each one of them was an individual with preferences and desires that could not be dictated by country and culture. By drawing a line and asking participants to consistently cross it, the divide between brigaders and villagers diminished. Even when certain cultural differences showed themselves (e.g., a desire of the female villagers to cook and raise children that was not shared by their American counterparts), the differences were intriguing instead of alienating. By the end, brigaders and villagers were suggesting statements and laughing with each other at the sometimes unexpected results.

As the workshops progressed, the brigaders never ceased to be amazed by the villagers’ willingness and ability to learn. The villagers were excited to understand the brigaders’ financial advice and apply the guidance to their own lives. A prime example of this occurred when the brigaders warned against making impulsive purchases. They recommended creating a shopping list before going to the store or community kiosk and taking only the amount of money necessary to purchase items on the list. The next day, a woman in the group described her trip to one of the town’s kiosks. She had seen a lovely hair clip but only had enough money with her to buy food, as recommended in the workshop. She was consequently unable to buy the clip. When she returned home and considered going back to purchase the accessory, she realized she owned a clip that was almost identical to the one in the kiosk. She was understandably relieved that the advice from the workshop prevented her from wasting money that was better spent on provisions for her family. The ability to absorb and apply concepts exemplified by this woman was shared among almost all of the members of the workshop, and was an encouragement to both brigaders and villagers.

**Personalized Business Development and Consultation.** Each afternoon following the financial literacy workshops, the teams spent time advising their respective business owners. The authors were on a team of six assigned to work with Melania Sarco, the owner of a pig farm named Cría de Melania. The team assigned to Melania’s business had received some background information before the brigade, but their knowledge of Cría de Melania was minimal. While the team had hoped to gain knowledge
from Melania during the workshops, this was not possible because Melania was in a different team’s workshop group. Additionally, Melania’s “best friend” was not in the business consultation team, so the team was not able to get to know her in that regard. Kevin served as the translator for the team because he had worked with Melania earlier in the year alongside a different university. Nevertheless, he had shared little of his prior knowledge of Melania’s case; he did not want past experiences to dictate present actions.

The meetings with Melania took place in her home. During the first meeting, the team committed many cultural gaffes that undermined its members’ relationship with Melania. For example, when the team went to meet Melania for the first time, they saw that her home was a hut on stilts with a thatched roof. Except for a blue tarp that formed one outer wall of the house, the structure had no walls. Because of this, the team was able to see Melania sitting inside when they reached the hut. The students and professor waved and climbed up the notched log leaning against the side, which served as a ladder. The team later learned that proper etiquette demanded calling out to, and being acknowledged by, the home’s inhabitants before climbing up the log ladder. This process was essentially equivalent to ringing a doorbell before entering a house. The team members also inadvertently neglected to remove their shoes upon entering the domicile, which was a sign of disrespect. Additionally, the excited team immediately jumped into rapid-fire questions about Melania and her business, forgetting the cultural norm of getting to know new acquaintances on a personal level before discussing practical matters. Even worse, the team’s first question, which was designed to help the team gauge Melania’s abilities, concerned her level of education and whether she was literate. Because Melania was illiterate, this well-intentioned question seemed condescending and intrusive.

During their meeting, Melania explained that she had lived in Ipeti Emberá her entire life and had received her knowledge of pig farming from her mentor, Lucia, who had been raising pigs for years. GBB had offered to give Lucia business consulting services just as Melania was receiving, but she had refused. In addition to the knowledge she gained from Lucia, Melania had some personal experience raising pigs. She started her pig farm two years before with the hope of generating additional income to provide basic necessities for her family. She had previously raised a pig until it grew to be 300 pounds. Her husband, Ariel, sold the pig without consulting Melania or her children. Because Ariel was unfamiliar with the pig market, he did not realize a fair price for the pig was approximately $675, and consequently sold the pig for $125. This unfortunate sale represented a huge setback for Melania. Because she had invested so much money in her first pig, she did not have much additional capital to invest in the business. She had since managed to buy another pig, but her limited resources prevented her from feeding it properly, which drastically impaired its ability to gain weight. Additionally, because she also worked in agriculture and made artisan crafts to sell to tourists, the time she had to devote to the pig farm was minimal.

Through many questions and much translation, the team continued to learn more about Melania’s business. Kevin suggested Melania take the team to see the pig pen, and the team readily accepted. The pen itself consisted of a concrete slab on the ground fenced in by wooden slats. Melania had many ideas for improvements: she wanted to install a septic tank nearby, which she estimated would cost hundreds of dollars. She also wanted to install a pump that would transport water from a nearby stream uphill to the pig pen. To protect her pig from the heat, Melania also wished to buy metal sheeting to form a pig pen roof, which would cost approximately $90. This would serve as a temporary solution until Ariel could spare the money and time necessary to make a higher quality palm frond roof.

During later questioning, Melania described her plans to expand the pig pen to fit the current adult male pig and two piglets that would soon be given to Melania as payment in a breeding agreement. The team was surprised by this, as the pen had seemed large enough to fit the male pig and multiple piglets. Further questioning prompted Melania to revise her original statement and concede that the current pen was spacious enough to accommodate three adult pigs. During another discussion, the team asked whether there were other pigs in the community with which to breed. Melania responded that she did not know. Her son, who sat in on each meeting, stepped in and made it clear there were other male and female adult pigs nearby, as there were three other pig farms within and near the community.

Throughout their discussions, the team continued to question Melanie about every aspect of her business. At one point, Melania asked why the students had so many questions. She asked if they meant to take her information and begin a pig farm in the United States. The students did their best to explain through Kevin that they needed the information in order to give Melania accurate...
recommendations for her pig farm. They thought she must understand their intentions, as she had previously worked with another GBB team and had been briefed by GBB before their arrival. Upon hearing their assurances, Melania cautiously agreed to proceed.

Throughout the week, the team responsible for Cría de Melania continued to meet with Melania every afternoon after the morning workshops had concluded. Each day, the group traveled three hours in a cramped van to get from their hostel to the village and back. Each evening they used this information to devise their plan. The students worked 16-hour days preparing the financial literacy workshops, working with villagers, and brainstorming business development solutions.

By their final morning, the exhausted students believed they had developed a plan that could help Melania attain her goals. But they also had a devastating epiphany: getting Melania to implement the plan would be even more challenging than creating it. All their work could come to nothing. As the students reflected on the week, they realized that they had never developed Melania’s trust, making it almost a forgone conclusion that she would never follow their suggestions.

Realizing the problem, the students took many steps to repair the relationship. To develop better rapport, they bought Melania a $15 tarp that could serve as a temporary pig pen roof and provide shade for her pig. They worked hand in hand with the family to put up the tarp. The students also made sure to follow cultural norms, such as waiting until being “invited” before entering Melania’s house and taking off their shoes once inside. Also, before presenting their recommendations, they talked to Melania about her culture and her grandchildren, both of which she was immensely proud. The students then shared information about their lives. Before the last day, Melania had worn an almost perpetual scowl. But on the last day, she was often smiling. The team realized it was much more likely that Melania would consider following their suggestions.

**Discussion: Application of the Trust Model to the Social Entrepreneurship Initiative**

The model of trust developed by Sheppard and Sherman (1998) is valued by entrepreneurship literature because it conceptualizes trust in two dimensions: relational form and relational depth (Ferguson, Schattke, & Paulin, 2016; Ulhøi, 2005). An application of this multidimensional model of trust to the various relationships in the Global Brigades case illustrates how trust and interparty relationships play a significant role in the effectiveness of social entrepreneurship initiatives. For instance, the relationship between Ipetí Emberá and the Panamanian government can be characterized as deep dependence. The villagers did not trust their government due to the neglect they experienced. The lack of trust in this relationship forced them to seek assistance from an external party, Global Brigades.

The relationship between Ipetí Emberá and Global Brigades can be characterized as deep interdependence. The villagers and Global Brigades established trust in their relationship that enabled them to avoid the risk of misanticipation. In this relationship, each party understood and identified with the other. This led to coordinated, effective, and successful initiatives that improved the quality of life in the village and allowed Global Brigades efforts to be fruitful. If Global Brigades had not trusted the villagers, it would not have invested resources in this particular community. Similarly, if the villagers had not trusted Global Brigades, they would not have agreed to spend the time and effort necessary to participate in the GBB initiatives.

The relationship between the villagers and the author’s team can be characterized as shallow interdependence. The team established trust with their financial literacy workshop, which led to more effective lessons and successful application of the lessons to the villagers’ lives. However, the authors’ team almost did not establish trust in their relationship with Melania, which not only would have prevented their brigade from being successful, but also would have precluded Melania from implementing advice that could possibly increase the profitability of her pig farm and, consequently, the quality of her life.

**Strategies of Cultivating and Maintaining Deep Dependence**

Sheppard and Sherman (1998) indicate that the relationship between a government and its citizens can often be characterized as deep dependence. As mentioned previously, one of the risks associated with deep dependence relationships is neglect. This risk is realized in the relationship between Ipetí Emberá and the Panamanian government due to the government’s significant lack of involvement. On a broad scale, the government has failed to decrease the prejudice against indigenous populations. It has also been ineffective in mitigating poverty or inequality, and has failed to provide opportunities for indigenous individuals to escape poverty. Concerning Ipetí
Emberá specifically, the lack of attention given to indigenous students who struggle in school and the neglect of the region’s infrastructure demonstrate the government’s lack of support. This neglect, as well as broken promises such as the agricultural experts example, has prevented the Ipeti Emberá villagers from trusting the government. Sheppard and Sherman (1998) state that a sense of obligation is the appropriate mechanism with which to produce trust in deep dependence relationships. However, a lack of this sense of obligation, which is likely compounded by the cultural differences, prevents trust from being established between these two parties. As a result, the villagers attempted to solve their problems without assistance from individuals or institutions outside of the village. An inability to do this contributed to the community’s financial, educational, and other deficiencies. Consequently, the villagers require help from a trustworthy outside party: Global Brigades.

Strategies of Cultivating and Maintaining Deep Interdependence

An analysis of Sheppard and Sherman’s (1998) model reveals that the relationship between Ipeti Emberá and Global Brigades can be categorized as deep interdependence. Ipeti Emberá depends on Global Brigades for assistance that is not provided by the Panamanian government. Global Brigades depends on the villagers for insight into their problems and cooperation in Global Brigades initiatives.

As discussed above, Sheppard and Sherman (1998) state that the main risk associated with deep interdependence is misanticipation: the risk that, without detailed instructions, one party will be unable to anticipate the needs or actions of the other party. The appropriate trust production mechanism in a deep interdependence relationship is internalization (Sheppard & Sherman, 1998). Time, proximity, shared strategizing, shared identity, common incentives, and the negotiation of common values are all important facilitators of internalization (Sheppard & Sherman, 1998). Global Brigades and the community establish trust and mitigate the risk of misanticipation by utilizing many of these facilitators.

The first internalization facilitator used in this relationship is shared strategizing. As mentioned above, Global Brigades spends ample time evaluating and communicating with a community before initiating brigades. By strategizing with Ipeti Emberá leaders before beginning any initiatives, GBB ensured it held the same goals and expectations as the community members.

This was a crucial component of establishing trust and preventing misanticipation. Additionally, once a brigade is finished and the brigaders depart, Global Brigades limits communication between villagers and brigaders. This prevents brigaders from making promises that they may not keep and effectively ensures that only GBB and the villagers engage in strategizing. This policy is instrumental in limiting misanticipation and maintaining trust with community members.

The second and third internalization facilitators used in this relationship are time and proximity. The in-country Global Brigades staff communicates with villagers on a weekly basis. This consistent attention shows villagers that Global Brigades is dedicated and trustworthy. Additionally, because the Global Brigades staff is located in the same country as the community, they can physically visit the community on a regular basis, further enhancing the relationship between the community and Global Brigades. When brigades take place, the Global Brigades staff serves as translators and liaisons between villagers and brigaders, further developing trust through time and proximity.

The fourth internalization facilitator used in this relationship is negotiation of common values. This is a clear function of the financial literacy workshops, which are designed to teach financial literacy concepts to the members of Ipeti Emberá by using personalized, relevant discussions. Additionally, the negotiation of common values is exemplified by the Credit and Savings Cooperative. As mentioned above, the members of Ipeti Emberá are committed to their culture, and one aspect of this culture is spending money as soon as one earns it. However, GBB understands the importance of saving money and encourages community members to adopt this value. The generous interest rate for savings at the cooperative (1% per month) represents GBB’s attempt to convince the community members to embrace the organization’s values regarding saving. Moreover, elected leaders of the Ipeti Emberá community manage the cooperative and community members are able to determine how the cooperative profits are used. This indicates that the community members are empowered to keep their own values through the same GBB initiative. In this way, the Credit and Savings cooperative illustrates the negotiation of shared values between GBB and the members of Ipeti Emberá. This negotiation allows GBB and villagers to adopt similar values, which increases trust between these two parties.
Strategies of Cultivating and Maintaining Shallow Interdependence

There were essentially two different relationships involving the authors’ team, each of which can be characterized as shallow interdependence. The first relationship was between the authors’ team and their financial literacy workshop group. The second relationship was between the authors’ team and Melania.

The relationship between the authors’ team and their financial literacy workshop group can be characterized by shallow interdependence. The team depended on the villagers to pay attention and apply the concepts presented to their own lives. If villagers did not do this, the team’s time, money, and effort invested in the brigade would be in vain. The villagers depended on the team for good instruction that would improve their financial literacy, and thereby improve their quality of life. Sheppard and Sherman (1998) indicate that the appropriate trust production mechanism in a shallow interdependence relationship is “active discovery through communication and research.” The two parties completed this active discovery throughout the financial literacy workshops. For example, the icebreaker that involved responding “yes” or “no” to statements of personal interests enabled each party to learn about and better understand the other. Additionally, when villagers participated in workshops by describing their financial experiences and situations, brigaders better understood villagers and were able to tailor their lessons so they were more useful. This was clearly illustrated by the woman who followed the financial workshop teachings to save money instead of purchasing a redundant hair clip. Her feedback encouraged both the brigaders and other villagers that the discovery from the workshop lesson was successful, and consequently created trust between the two parties. The “best friend” system also contributed to active discovery between villagers and brigaders. Discussions between best friends, facilitated by translators, encouraged a deeper level of discovery that created trust on a personal level.

The relationship between the authors’ team and Melania can also be characterized by shallow interdependence. Team members depended on Melania to give them accurate information concerning her business, understand their suggestions, and implement the recommendations after the brigade ended. Melania relied on the team to give her good advice and to not misuse the information that she provided. This relationship is particularly interesting because trust was not established until the very end of the brigade.

Trust was initially elusive in this particular relationship for many reasons. As discussed above, the students committed many cultural gaffes, such as entering Melania’s home without gaining permission, neglecting to remove their shoes in her home, beginning meetings with business instead of culturally acceptable social pleasantries, and inquiring about her ability to read without establishing any kind of rapport. Factors that were out of the team’s control also likely contributed to the mistrust Melania felt toward the brigaders. These included Melania being in a different financial literacy workshop group and therefore not bonding with the students through icebreakers, being paired with a different “best friend,” and having a mentor who refused GBB business consulting assistance.

As previously mentioned, the risks associated with a shallow interdependence relationship are unreliability, indiscretion, and poor coordination (Sheppard & Sherman, 1998). All three of these risks were realized before the team was able to produce trust in the relationship. Unreliability is the risk that one party will not behave as expected (Sheppard & Sherman, 1998). This occurred multiple times throughout the week as Melania withheld information from the brigaders. For example, Melania stated that she did not know if there were other pigs in the village. It is very unlikely that Melania truly did not know, considering the community has only 85 families, Melania had lived in this community her entire life, and her son readily knew the answer. Melania’s tendency to withhold information was not malicious. She was clearly worried about the second risk of shallow interdependence relationships, indiscretion, in which one party will inappropriately utilize or disclose sensitive information (Sheppard & Sherman, 1998). Melania’s consideration of this risk was explicitly stated when she asked the team members if they were posing so many questions because they intended to use her information to begin a pig farm in the United States. The final risk associated with shallow interdependence relationships, poor coordination, is the risk that coordination will not be rapid or effective enough to be successful (Sheppard & Sherman, 1998). This was the risk that brutally confronted the authors’ team at the end of the week; the lack of trust in their relationship with Melania made the possibility that she would refuse to cooperate and ignore their suggestions very real.
Team members utilized the trust production mechanism for shallow interdependence relationships, discovery through communication and research, to establish trust at the end of their brigade. First, the team improved their communication by beginning the final meeting by speaking with Melania about her family and culture, culturally appropriate topics and much appreciated by Melania. Second, the team showed that they had conducted sufficient research about Melania’s culture by entering her home in the proper manner and removing their shoes once they were inside. Similarly, team members indicated that they had conducted sufficient research regarding Melania’s business by responding to her express desires. When the students presented Melania with a recommendation, they told her the amount of money she could gain if she followed their recommendation. They then explained that this money could be used to further her grandchildren’s education, which was very important to her. Additionally, the team responded to Melania’s desire for additional shelter for her pig by buying the tarp and working with her family to erect it. This active discovery began to produce trust in the relationship, mitigating the risks of shallow interdependence and facilitating a successful outcome of the social entrepreneurship effort.

The Absence of Shallow Dependence

Even though this case study analyzes multiple relationships, it does not provide an example of shallow dependence, the fourth form of trust discussed by Sheppard and Sherman (1998). This gives a small indication of the relevance of shallow dependence relationships to social entrepreneurship. In general, social entrepreneurship initiatives are not conducive to shallow dependence relationships because each party is invested in the success of the initiative. Social entrepreneurs are motivated to begin initiatives because they seek social change, social impact, or social transformation (Ebrashi, 2013). Volunteers and employees who take part in social entrepreneurship efforts often have similar goals. Their desire to make a difference causes them to be invested in the outcome of their initiatives. Simultaneously, social entrepreneurship initiatives are typically designed to help or empower certain populations; members of these populations are inherently invested in the outcome of the initiatives. This shared investment makes one risk very pertinent: poor coordination. Poor coordination, as discussed earlier, is the risk that coordination will not be rapid or effective enough to be successful (Sheppard & Sherman, 1998). Coordination cannot be achieved without the participation and contribution of each party; consequently, both parties rely on each other to achieve the success of the initiative in which they are both invested. For this reason, it is very rare to find shallow dependence relationships in social entrepreneurship.

Conclusion

Sheppard and Sherman (1998) believe their model of trust can help users understand the form and depth of a relationship, and thereby manage the trust and associated risks within the relationship. In this article we argue that this model can also be used to understand the trust and associated risks of relationships within social entrepreneurship initiatives. Although we acknowledge the very narrow scope of our research, we are confident that our experience in Panama is not unique; we contend that trust is an essential component of social entrepreneurship success. Nevertheless, more research regarding trust and social entrepreneurship must be completed in order to provide broad conclusions that can be utilized by social entrepreneurs. It is our hope and conviction that better understanding and enhanced consideration of trust will enable social entrepreneurs to achieve greater effectiveness and increased social impact.
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