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Boundaries of Social Capital in Entrepreneurship

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Our research begins with a theoretical critique of the social capital literature, and then focuses on Old Harbor, Alaska. In this remote outpost, mainly populated by Alutiiq people, all entrepreneurs self-identified as Euro-Americans or multi-ethnic, not Alutiiq. Although Alutiiq people have abundant social capital, which they employed for economic purposes, they did not employ their social capital for commercial entrepreneurship. Our findings suggest that social capital promotes entrepreneurship only when supportive cultural capital is in place.

Introduction

The role of social capital in entrepreneurship has become an increasingly prominent topic in business literature, and the debate has become increasingly complex (Casson & Della Giusta, 2007). Early contributors to this literature were content to introduce social capital and then to portray its previously unacknowledged contribution to entrepreneurship (Allen, 2000, p. 490; Burt, 2003; Light, 1972). On this conventional view, social capital involves relationships of trust and reciprocity that inhere in social networks (Halpern, 2005: chaps. 1–2; McEvily & Marcus, 2005; Mustafa & Chen, 2010; Ostrom, 2009; Slotte-Kock & Coviello, 2010, p. 33). The contribution of social capital to entrepreneurship, understood broadly as self-employment in commercial business, is “the assets that may be mobilized” through networks, thanks to mutual trust and the norm of reciprocity (Galbraith, Rodriguez, & Stiles, 2007, p. 18; Nahapiet, 2009, p. 208).¹

However, more recent approaches to social capital have complained that too much social capital squelches entrepreneurship whether because it protects mediocrities (Light, 2010a), reduces objectivity (Locke, 1999), imposes mental conformity on whole groups (Aldrich & Kim, 2007, p. 160; Dana & Morris, 2007), or inhibits escape from failing allies and partners (Adler & Kwon, 2002). There is also concern that social capital can suppress

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1. Thompson distinguished three forms of reciprocity: pooled reciprocity, sequential reciprocity, and reciprocal interdependence (1967: 54–55; see also Etemad, Wright, & Dana, 2001, p. 488). What is essential here, however, is only the recognition that a trust-based capacity for any form of reciprocity conveys a huge advantage for economic action in general and entrepreneurship in particular. The asset flows along the network promote entrepreneurial success, both domestic (Uzzi, 1996) and international (Terjesen & Elam, 2009).

entrepreneurship when a dominant group excludes subordinates “from the information, influence, and solidarity benefits” it enjoys (Adler & Kwon, p. 31; also Crow, 2004, p. 12). This debate has raised the question of when social capital is a catalyst, when an obstacle, and when unrelated to entrepreneurship.

Entering this debate, we explore both the pro and the con argument regarding social capital, concluding that both sides require specification. On the pro side, we address the frequent claim that resources born of social capital enable and enhance the entrepreneurship of groups endowed with social capital. This claim now approaches confirmation in the research literature, which has justly celebrated the contribution of social capital to entrepreneurship. However, as we show, the research literature has relied overmuch on prevailing social contexts in which cultural capital supports entrepreneurship, thus concealing the supportive role of cultural capital just as one would conceal the contribution of oxygen to athletic performance if one conducted all research at sea level. We address a research location in which cultural capital does not support commercial entrepreneurship, and we identify a group with high social capital, Alutiiq people, whose abundant social capital does not eventuate in commercial entrepreneurship. We infer that, beyond the boundary of supporting cultural capital, social capital ceases to encourage entrepreneurship. To this extent, then, the frequent claim that social capital supports entrepreneurship is apparently overstated, and its necessary symbiosis with cultural capital overlooked.

On the negative side of this debate, we evaluate the frequently encountered claim that the social capital of powerful groups obstructs the entrepreneurship of less powerful groups (Adler & Kwon, 2002, p. 31; also Crow, 2004, p. 12). Again, that generalization usually holds true. That conceded, circumstances exist in which the social capital of the powerful does not prevent entrepreneurship by subordinates. The historical literature on middleman minorities makes that point. Additionally, if subordinate groups bridge to dominant groups, then the social capital of the dominant group may support (rather than obstruct) the entrepreneurship of the subordinates. The empirical issue becomes how often the bridges mitigate the barrier posed to subordinate groups by the social capital of the powerful.

Methodological Source of the Problem

Under the usual circumstances of research, the people of interest participate in social networks that offer wide bridging access to neighboring networks (Aldrich & Kim, 2007, p. 150); and they approach economic life from a cultural standpoint congenial to commercial entrepreneurship. When these conventional conditions are in place, researchers reliably find that, as Slotte-Kock and Coviello (2010, p. 33) summarize the literature, “networks have been shown to improve entrepreneurial effectiveness by providing access to resources.” If the world consisted only of such cases, the generalization would ring true. However, since the requisite support conditions are not always in place, this generalization may be generally but not universally true.

We examined the 18 issues of *Entrepreneurship Theory and Practice*, published between 2008 and 2010. Of the 144 articles in these 18 issues, only two dealt with ethnic or racial minorities. This focus is quite understandable inasmuch as the entrepreneurship of ethnic and racial minorities is off the business mainstream and of restricted reader interest outside the social sciences.² Anthropology should not be a focal concern of the

2. For a comprehensive review of the voluminous social science literature on the subject of ethnic and immigrant minorities in self-employment, see Light (2004).

business literature, but we could learn about social capital's boundary conditions by observing the experience in entrepreneurship of minorities in unconventional settings. After all, conventional circumstances are not universal circumstances. Under some circumstances, even given the availability of within-group (bonding) social capital, ethno-religious or ethno-racial groups are sharply distinct and unequal in respect to tangible economic resources, intergroup bridges are few or nonexistent, and cultural capital does not support entrepreneurship. Under these circumstances, common in the world of indigenous minorities,³ social capital does not produce entrepreneurship, which suggests that social capital's beneficent effect is not what Klyver, Hindle and Meyer (2008, p. 344) call a "simple universal."

Indigenous Communities of North America

Exactly these frustrating circumstances recurrently arise in indigenous communities across North America despite an abundance of social capital (Anderson & Giberson, 2003). If entrepreneurship depended only on bonding social capital, indigenous Americans and Canadians would be supremely entrepreneurial. However, indigenous North American communities exhibit now and have long exhibited below-average rates of self-employment (Garsombke & Garsombke, 2000; Peredo, Anderson, Galbraith, Honig, & Dana, 2004). In 2007, despite their abundant social capital, "American Indians and Alaska Natives" in the United States operated 1.3 employer firms per 10,000 of population compared to 535 employer firms per 10,000 in the total U.S. population (U.S. Bureau of the Census, Economic Census, 2007). Exploring the reasons for this discrepancy, we identify boundary conditions that must be in place for social capital to support entrepreneurship. We propose that, *in addition* to their other economic handicaps, such as legal and administrative obstacles, already well addressed in the existing literature (Anderson, Dana, & Dana, 2006; Dana & Anderson, 2007, 2011a), and which we neither discuss nor question, indigenous communities typically have three network-derived problems in developmental entrepreneurship:

First, except for bonding social capital, which they have in abundance, they often lack business supportive cultural capital (Frederick & Henry, 2004, pp. 116, 127). They have abundant cultural capital, but their cultural capital does not necessarily support commercial entrepreneurship—although it does support other forms of economic activity, such as subsistence agriculture (Wall & Masayeva, 2007), hunting (Povoroznyuk, 2007), and fishing (Simeone, 2007). While food may be shared (Meis-Mason, Dana, & Alexander, 2009; Van de Velde, 1956; Wenzel, 2005), there is not necessarily an economic transaction in such a context. True, in principle, any social capital "can be converted to other kinds of capital" such as economic, human, and cultural (Adler & Kwon, 2002, p. 21). That conversion need not occur, even though it can, and even when it does occur the conversion may require centuries to complete.

Second, lacking bridging ties to the powerful, indigenous communities are locked out of resource-swapping networks essential to introducing external resources of entrepreneurship (Jarillo, 1989; McEvily & Zaheer, 1999). Third, indigenous minorities exist outside the cultural orbit of encompassing market societies (Dana & Anderson, 2011a,

3. This is common but not invariant; Dana and Anderson (2011b) identify an indigenous culture of the Canadian Arctic in which commercial entrepreneurship is a growing trend. We thus note variations among peoples as well as change over time.

p. 250). In the indigenous cultural context, entrepreneurship is rarely a conscious desideratum or an appropriate occupation, especially for men; moreover, should indigenous communities generate any nascent entrepreneurs, they lack bridging access to external networks that control essential business resources.

Social Capital as Catalyst

We acknowledge the advantages for entrepreneurship that social capital conveys in the developed world's cultural orbit (Halpern, 2005, chaps. 1–2; McEvily & Marcus, 2005; Mustafa & Chen, 2010; Slotte-Kock & Coviello, 2010, p. 33). Our negative case depends only on identification of the neglected boundaries outside of which social capital does not have this effect. Social capital normally appears in the developed world in tandem with supportive cultural capital. Under these circumstances, some readers and reviewers might assign to social capital all the credit for promoting entrepreneurship—at the risk of ignoring its indispensable partner. Hence, claims of social capital's advantageousness for entrepreneurship are overstated. The most sophisticated theoretical treatments of social capital warn against this mistake without, however, drawing out the methodological implications for research. Adler and Kwon (2002, p. 33) warn that “norms and beliefs figure in the analysis of social capital,” a caveat that suggests an intervening cultural variable needed to bring social capital to entrepreneurial fruition. Similarly, Edelman, Bresnen, Newell, Scarborough, and Swan (2004, p. 67) and Lee and Jones (2008, p. 60) introduce the concept of “cognitive social capital” in an attempt to introduce a cultural dimension into the concept. Although this definition accesses a cognitive dimension in decision making, it conflates social capital and cultural capital, which Bourdieu (1979b, 1986) firmly distinguished. In the interest of reducing conceptual clutter, we prefer Bourdieu's (1979a, 1979b; Weininger, 2003) older distinction between social capital and *cultural capital*.

Drori, Honig, and Ginsberg (2010, pp. 8–13; also Patel & Conklin, 2009) have recently explicated Bourdieu's (1977) concept of *habitus* in respect to entrepreneurship. The *habitus* is a system of acquired dispositions that encompasses the social component of personality. Bourdieu introduced the concept of *habitus* to explain the unproblematic reproduction of social worlds or, putting it negatively, failure to change. A unitary *habitus* confers a unitary economic direction to whole groups whereas cultural capital, its matrix, need not.⁴

To Özbilgin and Tatli (2005), a *habitus* is “embodied history internalized as second nature” (p. 864). De Clercq and Voronov (2009) state *habitus* is “practical sense of the game” (p. 401). A group's *habitus* orients participants to appropriate livelihoods, enabling whole groups to find their *usual* occupations in the usual way (Light & Gold, 2000, p. 92). As Drori et al. (2010, pp. 7–10) and their contributors rightly claim, a dual *habitus* can liberate entrepreneurship, but a unitary *habitus* tends to enslave groups to the reproduction of traditional livelihoods (Light, 2010b).

We subsume the static *habitus* within a broader concept of cultural capital that includes everything cultural that feeds into occupational choice and performance, including the *habitus*, but also externally introduced values, skills, attitudes, and beliefs that may

4. The *habitus* imposes “different definitions of the impossible, the possible, and the probable” that, in turn “cause one group to experience as natural or reasonable practices or aspirations which another group finds unthinkable or scandalous, and vice-versa” (Bourdieu, 1977, p. 78).

modify a *habitus*. For example, preferring to work outdoors is part of the vocational culture of farmers and lumberjacks. Someone who prefers to work outdoors will be unhappy as a dentist. Everyone has cultural capital. The cultural capital of bricklayers and entrepreneurs are not identical, but both *have* cultural capital. The cultural capital of bricklayers encourages laying bricks; that of entrepreneurs conduces to business ownership. Bourdieu (1977, p. 187; 1979b, 1986) distinguishes cultural capital from social capital, conceding the direct and unmediated contribution of social capital to economic action in general, but underscoring as well the independent contribution of cultural capital to entrepreneurship in particular or, for that matter, to any field.

Cultural capital directs social capital to approved vocational goals. Max Weber's (1904–1905) celebrated Protestant ethic was, we now realize, a specific form of cultural capital (Light, 2010a). Obviously, the role of culture in entrepreneurship is not a new issue, but cultural capital still struggles to obtain recognition in the business academy for reasons that include, we believe, the methodological issue raised in this paper. Theoretical awareness is present, but the prevailing methodology distorts the empirical results. "Entrepreneurship is a value-driven activity" declare Morris and Schindehutte (2005, p. 473). Similarly, Adler and Kwon (2002, p. 33) warn that entrepreneurship may be "seen as legitimate" in one culture, while another culture regards it as "opportunistic and self-seeking." As Dana (1995, p. 61) also explained, some cultures "do not value" entrepreneurship. Accordingly, we are not introducing a novel idea when asking whether or to what extent the cultural capital of any group endorses entrepreneurship as a legitimate much less desirable vocational choice.⁵

Suppressive Social Capital

Now turning to the negative side of the social capital debate, we address the suppression hypothesis. The suppression hypothesis proposes that the social capital of powerful groups locks subordinate groups out of entrepreneurship (Adler & Kwon, 2002, p. 31; also Crow, 2004, p. 12). If so, social capital sometimes *reduces* entrepreneurship rather than invariably strengthening it. Sympathetic to the suppression hypothesis, which addresses a genuine barrier, we find that the hypothesis requires additional specification. First, clarifying an ambiguity in the existing literature, we distinguish malevolent suppression from inadvertent suppression. Suppression is malevolent when powerful groups consciously exploit resource monopolies to lock less powerful groups out of entrepreneurship; suppression is inadvertent when the lock-out occurs simply out of the lopsided monopoly of resources that exists in a situation but without conscious intent. Not every suppression is malevolent.

Additionally, two loopholes invalidate the simple and unmodified suppression hypothesis: (1) we must specify the relative strength of social capital in the dominant and subordinate groups; (2) we must specify the extent of bridging social capital between the dominant and subordinate group. First, the validity of the suppression hypothesis depends

5. Additional citations might start with Becker (1956), who noted that some societies consider entrepreneurship "unholy." Similarly, Jones and Sakong (1980, pp. 210–211) explained that in Korea, entrepreneurship "runs counter to the traditional value system." Min (1987) found that the perceived absence of key values reduces the probability of entrepreneurship within a culture group. Enz, Dollinger, and Daily (1990) concluded that value orientation is an important explanatory variable in ethnic enterprise. Dana (1995) found that Alaska Natives related differently to opportunities for entrepreneurship than did nonindigenous Alaskans (p. 96). Dana (1997, p. 57) observed that the word trader in Javanese language is synonymous with tramp (p. 57).

on the strength of the social capital of the dominant group vs. its strength in the subordinate. The suppression hypothesis works best when the dominant group has strong social capital, and subordinate groups have weak. However, if the social capital of the dominants is weak, and that of the subordinates strong, then the dominants will be unable to constrain the subordinates' entrepreneurship so much as, given stronger social capital, they otherwise would have. In this case, dominants with weak social capital would not only enjoy less economic benefit from their own social capital, they would also prove less able to exclude the subordinates from it. Even if the social capital of dominants is strong, if the social capital of the subordinates is stronger, then the dominants will prove less able to suppress the subordinates' entrepreneurship than they would were the subordinates poorly endowed with social capital. This result would arise because the stronger social capital of the subordinates would, *ceteris paribus*, enable them to mount a stronger entrepreneurial challenge despite the resolute suppressive efforts of more powerful superordinates. For these reasons, the claim that dominants' social capital always locks subordinates out of entrepreneurship may be generally true but cannot be universally true.

The historical archive supports this deduction. The world's middleman minorities were subject to intense hostility from host societies, as Bonacich (1973; also Pal, 2007) pointed out, including expropriation, riot, murder, and even genocide. All ethnic and immigrant minorities do not display elevated levels of entrepreneurship as do middleman minorities (Portes & Bach, 1985). But the Jews of Europe, the Chinese of Southeast Asia, and the Armenians of the Levant, to name a prominent few, were for centuries extraordinarily entrepreneurial despite the most intense hostility of larger and more powerful groups (Light & Gold, 2000, pp. 6–8). Gradually, the entrepreneurship that began as a refuge became a *habitus*-linked competence. How was this transition possible? Middleman minorities had two overwhelming strengths: Their cultural capital strongly endorsed business ownership as a vocation, and the hostility of more powerful hosts could not deflect them from this vocational goal. Again, the middleman minorities mounted extraordinarily stronger social capital than what dominants mobilized against them. Their enhanced social capital enabled the persecuted ethnic minorities to overcome the hostile social capital of the powerful, even establishing entrepreneurship as their main line of economic defense.

The Amish of Pennsylvania, Indiana, and Ontario offer another empirical example of a weak minority with high entrepreneurship. Although they lack education beyond grade eight, and cannot own automobiles, the Amish have vast bonding (intragroup) social capital; and they isolate themselves from outside groups, who regard them with curiosity, if not derision; but the Amish have nonetheless maintained extraordinarily high rates of self-employment for three centuries. Here again, the cultural capital of the Amish actually prescribes self-employment as a vocation; the Amish do not need to acquire the motivation for self-employment from external sources. Like the middleman minorities, the Amish enjoy bonding social capital much stronger than what the non-Amish majority enjoys (Dana, 2007; Kraybill & Nolt, 1995). The same is true of Sámi reindeer hunters of northern Europe, who, like the Amish are not middleman minorities. The Sámis' cultural capital prescribes entrepreneurship as the preferred occupation (Dana & Light, 2011). Confronting the unsympathetic Finnish welfare state, the Sámi persist in extensive reindeer entrepreneurship so their experience does not validate the suppression hypothesis either.

That said, most excluded or marginalized ethno-religious groups are not middleman minorities with centuries of commercial entrepreneurship in their history. Middleman minorities are unique and exceptional (Bonacich, 1973; Dana, 2006). Most ethnic minorities do not have cultural capital that resolutely supports and endorses commercial

entrepreneurship nor bonding social capital that exceeds that of more powerful and possibly malevolent external groups (Portes & Bach, 1985). These were the key resources of middleman minorities. The suppression hypothesis succeeds quite well in explaining the frustration of entrepreneurship among numerous non-middleman minorities among whom we number the indigenous peoples of North America. Since most ethno-religious minorities are not middleman minorities, the suppression hypothesis succeeds appreciably more often than it fails. An obvious example of success is African American entrepreneurs in the Old South. Unlike the Chinese in Mississippi (Loewen, 1971), African Americans of the Old South were not middleman minorities. *Except in pockets of high density*, African American entrepreneurship was persistently weak. The explanations offered support the suppression hypothesis (Butler, 1991). The Old South contained White people and an African American minority; White people were economically dominant, socially exclusive, and maliciously determined to frustrate the economic progress of the Black people (Davis, Gardner, & Gardner, 1941, chaps. 12, 13, 20). African Americans had social capital, centered in the churches, but they lacked business skills, industrial information, financial capital, and bridging ties to the White people who had these resources of entrepreneurship, which they passed back and forth among themselves through bonding social capital. To the extent that the tangible economic resources in the Old South were controlled by White people, and the Black people were collectively irresolute regarding the vocational centrality of entrepreneurship, the social capital of the White people proved a serious obstacle to Afro-American enterprise. The apparent exceptions in the Old South, such as the brief business empire organized by the True Reformers fraternal order, emerged precisely at those historical locations and moments when Black people brought together a determination to mount entrepreneurship as well as the social capital to push forward that agenda (Light, 1972).

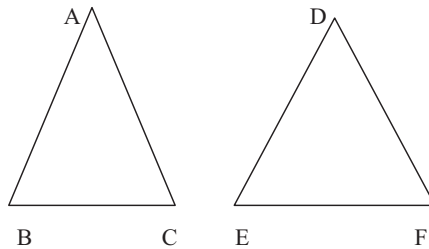
This discussion brings us at last to our second major criticism of the suppression hypothesis. The suppression hypothesis overlooks the possibility that, confronting an external and dominant group, well endowed with social capital, a subordinate minority may acquire social capital from that dominant group by bridging into it. In that case, bridging ties would open a flow of business resources from the dominant group to the subordinate group, ultimately enabling the subordinate group to mount an entrepreneurial response on the strength of externally introduced resources. Among these imported resources might be the vocational legitimacy of entrepreneurship, a crucial form of cultural capital. That is, if a minority acquires this cultural capital from the dominant group, the minority acquires the desire to mount an entrepreneurial response, which is the indispensable first step toward actually doing it.

To illustrate this discussion diagrammatically, Figure 1 introduces two schematic diagrams of simple social networks. In panel 1, the two networks ABC and DEF are independent. They exchange no resources. Each depends on its own cultural capital. If ABC does not regard entrepreneurship as a valid occupational goal, whereas DEF do regard it that way, then ABC will never acquire the cultural capital of entrepreneurship from DEF. The chances in entrepreneurship of both networks' members depend entirely on the resources, including the *habitus*, their own network already controls. In panel 2, the discrete networks are bridged by the strong tie of C and E. As a result, A and B and D and F now enjoy potential exchange of resources across network boundaries. If now A and D, A and F, and B and D were also connected, everyone in panel 2 would reach everyone else, and we could no longer speak of bridging between ABC and DEF or even of two distinct networks. In effect, the two distinct networks would have merged into one. In this case, C and E would have lost their unique capabilities for bridging entrepreneurship between the groups, but the two networks would have gained maximum flexibility of resource

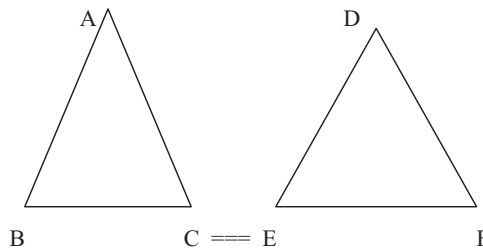
Figure 1

Two Social Network Panels

Panel 1: Independent



Panel 2: Bridged



exchange. Bridging is clearly of great significance to groups whose tangible and cultural resources of entrepreneurship are weak, and the suppression hypothesis ignores the issue.

But how important is this theoretical oversight? The answer depends on how common are bridging relationships in start-up entrepreneurship. If bridging is very common between subordinate and dominant networks, then bridging usually reduces the ability of dominants' social capital to stifle outsider entrepreneurship. In that case, the suppression hypothesis would rarely succeed. In the diagram's lower panel, ABC would import the entrepreneurship resources, including the cultural capital, that DEF enjoy. However, in point of fact, *even in* the developed world's business system, most start-up entrepreneurship occurs *within* social networks, and, therefore, on the basis of the resources the networks already control, not those they import. Bridging is *empirically unusual* in any start-ups anywhere whether those who start up are ethno-racial minorities or majorities, and whether they live in Manhattan or on Kodiak Island. The Panel Study of Entrepreneurial Dynamics showed that even within advanced economies, "small world recruitment is the nearly invariant form of start-ups. . . . Almost all start-ups assemble teams based on embedded ties from pre-existing relations within clusters" (Aldrich & Kim, 2007, p. 160). That is, in the business world of today in the advanced countries, almost all start-ups restrict team membership to known and trusted associates without bridging to *outsiders*. Chen (2011, p. 151) and Zain and Ng (2006) argue that once firms are underway, their initially small world recruitment basis becomes increasingly diversified and instrumental, but Chen acknowledges that start-ups emerge from homogeneous clusters.

The empirical infrequency of bridging relationships in start-up teams supports the suppression hypothesis. Returning to Figure 1, panel 1 is much more common than panel 2 in the start-up phase. That said, bridges are sometimes harder to build than in others, and bridging out of indigenous social networks is harder than bridging from one mainstream network to another in lower Manhattan. Caste systems institutionalize the most extreme restrictions on bridging relationships between the powerless and the powerful (Anthonissen & Blommaert, 2007). The whole point of caste is precisely to enforce the complete separation of groups through the suppression of bridging relations such as marriage and commensality. Indeed, a litmus test for the existence of a caste system is social taboo upon eating with or marrying into people of a proscribed group such as the *Dalit* of India or *Burakumin* of Japan. When caste barriers inhibit bridging relationships across groups or networks, members of poor groups cannot access resources of information, skill, and money that rich groups control (Briggs, 2005, p. 90). If resource-poor, nascent entrepreneurs cannot access resource-rich social networks, they probably cannot overcome their initial disadvantages (Zain & Ng, 2006, p. 184).

Old Harbor, Kodiak Island, Alaska

To illustrate empirically the theoretical discussion thus far, and set the stage for our conclusion, we introduce the entrepreneurs of Old Harbor, Kodiak Island, Alaska. Why Old Harbor? To understand boundaries of social capital, we felt it useful to venture outside a conventional setting of mainstream society. Usually, theories are developed in mainstream society, but we were looking for a location where we could interview people in a context other than mainstream. A conventional location might confirm what we know but with regards to building theory about boundaries of social capital, these boundaries might become more evident in a settlement isolated from conventional settings.

Several locations were considered, based on a list of remote communities where boundary conditions might become apparent. Among these, many had not been the focus of academic research, and we ran the risk of encountering people not open to researchers. However, we recognized Old Harbor as having been the research site of a famous study by Stanford's Professor Haruni Befu (1970), noting that residents of Old Harbor had not adopted American values. We contacted Professor Befu, and he kindly agreed to answer questions. It appeared that people in Old Harbor would welcome researchers.

Old Harbor was settled by Alitiiq (one people among many who are collectively grouped under the umbrella nomenclature, "Alaska Native") people over 7,000 years ago. In 2009, Old Harbor was home to 160 mono-racial Alaska Natives, 59 White, and 11 persons of mixed heritage;⁶ given the small population, we set out to interview every entrepreneur willing to be recorded.

Our research plan followed the mentor model, wherein authoritative local individuals facilitate the research process. We were first introduced to Old Harbor entrepreneurs by a well-respected leader who grew up there, Professor Gordon L. Pullar of the Department of Alaska Native and Rural Development at the University of Alaska, Fairbanks. Thanks to his introductions, we interviewed Alaska Natives, non-indigenous Alaskans, and people of mixed heritage. Participants were selected by means of snowball sampling (Goodman, 1961).

6. Source: <http://www.city-data.com/races/races-Old-Harbor-Alaska.html>, accessed February 15, 2012.

We did not enter Old Harbor equipped with hypotheses to test. First of all, as von Bertalanffy (1968), Morgan (1983), and Berry (1986) have emphasized, hypotheses are value laden. Given the cultural boundary, we were concerned that a hypothetico-deductive methodology might impose our beliefs and values. Therefore, we adopted a holistic-inductive design to allow us to be open to whatever would emerge from the data (Patton, 1982), and the theoretical ideas we propose are exactly that.

Our general objective was first to learn about entrepreneurship in Old Harbor, and then to theorize it. Following Eisenhardt (1989; also, Glaser & Straus, 1967), we read what was available, and we were opportunistic with regard to data collection methods. We photographed and digitally taped audiovisual recordings. We wrote down all impressions even those that did not seem very important at the time (Eisenhardt, p. 539), and we overlapped data collection and analysis including field notes. We found, as noted by Mintzberg and Waters (1982, p. 467) proposed, that empirical results often served as a stimulus for new thinking, and wide reading enabled us to synthesize literature and field research into a grounded theory.

Our interviewees included traditional subsistence hunters as well as commercial entrepreneurs and local leaders. Respondents were encouraged to discuss each answer to every question in a manner with which they felt most comfortable. In some cases, respondents conferred with others in order to verify facts and context; this effort was encouraged as it provided insights into the attitudes and logic underlying a respondent's answer, triangulated the information within the group, and also provided background information (Bresnen, 1988). After each interview, we re-evaluated our interview protocol as we were inspired to modify questions and add new ones.

The project took place between 2004 and 2010 with five separate field trips to Alaska, and a total of 55 days spent conducting interviews in the field. Once all the interviews were completed, responses to each question were compared. We also made use of triangulation (Denzin, 1970). In total, 25 persons were recorded on videotapes.⁷

Following Yin (1981, 1984), we analyzed the cases, compared results with the literature (Eisenhardt, 1989), and sent our initial write-ups to participants to identify misinterpretations. We then combined all our material and brain-stormed theory building. A first task was to reconstruct the history of Old Harbor from documents and interviews. Long before free markets developed, indigenous Alaskans were making a living off the land and sea. Subsistence self-employment was the traditional livelihood in Old Harbor and across the region, and bonding social capital was central to Alutiiq livelihood. When we explained the concept of social capital, Alutiiq respondents quickly understood its economic value. One respondent jokingly remarked, "Even the walruses have social capital" around here. "When we'd harpoon one and try to pull it out of the sea, its mate would intertwine its ivory with our catch and we would pull, and it would pull and we had to be a strong team to beach one."

In Alaska's harsh climate, social capital was and remains essential for economic survival in the traditional economy. Alutiiq men rarely hunt alone; they usually hunt in teams, usually of kinsmen, and they share the game (Befu, 1970, p. 34; Mishler & Mason, 1996). However, Alutiit (plural of Alutiiq) hunt only with men deemed trustworthy in respect to skills, courage, and fidelity. Every hunter's life depends upon membership in a team, all of whose members possess these qualities. Incompetent hunters would not return with game, and might themselves be killed by the game they stalked or cause the death of companions. This requirement meant that every Alutiiq youth learned the same

7. The tapes were regrettably destroyed during the Christchurch earthquake of 2011.

occupational lessons; few grew to maturity without the requisite skills, courage, and fidelity, but *any who did* could not hunt effectively. The hunters' social networks excluded the unfit, which the community fed as a charitable duty. This economic strategy worked for many generations. The hunter networks reliably supported the Alutiiq people. Thanks to this economic arrangement, these indigenous Alaskans survived and were content with their economic lot. Happiness is not a simple function of money (Anielski, 2007). However, though based in social capital, the kinship-based hunter networks did not transpose into commercial entrepreneurship because the Alutiiq people were satisfied with the economic status quo, contentment observed elsewhere in Alaska and in other traditional societies (Dana & Light, 2011).

Like the eighteenth century Protestants, who preferred not to take chances on outsiders as business partners (Lamoreaux, 2008, p. 11; Light, 2010a) Alutiiqs economic conservatism was a defensible business decision. Yes, it excluded entrepreneurial innovation; but, exclusion prudently guaranteed the survival of Alutiiq society. Why take chances with survival? In effect, these indigenous Alaskans' social capital reliably reproduced the society's economic survival but suppressed economic innovation.

The arrival of Russian colonists in the nineteenth century, with their institutions, technologies, and market sector changed Old Harbor forever. Nevertheless, in the early twenty-first century, traditional economic customs still remain strong in Old Harbor. Men hunting today learned to hunt with their fathers and kinsmen in the traditional way. Born in 1933, Paul Kahutak (Abalik) moved to Old Harbor when he was "about four." "We all lived off the land . . . I started fishing when I was only 10 years old." His first cousin, George Inga, Sr., born at Old Harbor in 1925, recalled that his father taught him to hunt, and he emphasized to us that the hunters wasted nothing. Every sinew and particle of a slain animal had its ordained purpose.

Unlike the buffalo economy that, according to Benson (2006) lacked environmental awareness, Old Harbor hunters assured us that their ancestors accepted responsible stewardship of the natural environment and for the human community that depended on it. In fact, the hunters' environmental ideas had been elaborated over generations into their animistic religion. Missionaries introduced the idea of subjugating nature rather than sustaining nature, but Christianity still had not extinguished the ancient beliefs and related spiritual obligations that long governed the indigenous Alaskans' economic theory and practice. Possibly for this reason, kin groups still share the fish catch (Mishler & Mason, 1996, p. 264), although commercial catch is sold.

Traditional subsistence self-employment in fishing and hunting continues to this day, and is an important economic activity of Alutiiq men. The Division of Subsistence of the Alaska Department of Fish and Game (Fall & Walker, 1993) found that virtually every household was involved in subsistence hunting and/or fishing at least part time; the same study found that Old Harbor had the largest *per capita* subsistence harvest of the six samples representing the indigenous Alaskan communities across Kodiak Island. But Old Harbor is now part of the global economy. Traditional fishing and hunting is a declining but still preponderant livelihood in terms of the share of the masculine population involved in it. Nonetheless, commercial entrepreneurship exists side-by-side traditional fishing and hunting. The U.S. Bureau of the Census (2005–2009) identified 25 self-employed persons in this town of 95 households. We counted 17 business licenses current in Old Harbor at this time. In the town's civilian labor force of 76 persons, nine (11.8%) were unincorporated self-employed. When we interviewed them, we learned that they identified with a culture other than that of Alaska Natives. Again, we consulted the State of Alaska commercial fishing permits held by Old Harbor residents in 2010. Of all the permits issued to individuals in Old Harbor with rights to fish in the waters surrounding Kodiak

Island, all were held by Euro-Americans or persons of mixed ancestry (Alaska Community Database, 2010). Alutiiq people from Old Harbor have other interests than becoming commercial entrepreneurs in the fishing industry, operating independent fishing boats and selling their catch. All Alaska Native men from Old Harbor fish, and/or engage in other subsistence activity, but every participant with a commercial fishing license in 2010 was Euro-American or of mixed ancestry. Furthermore, Euro-American Alaskans and those of mixed ancestry also dominated the town's new economy of tourism and restaurants.

The following are examples. Al Cratty is a prominent fishing entrepreneur. The son of a bush pilot, Cratty is a serial entrepreneur and commercial fisherman who also owns and operates the fishing vessel F/V Ashlee Christine C. He is also owner-manager of Al's Charter Service, providing transportation service to hunters and fishermen visiting Kodiak Island. Additionally, Cratty and his wife, Jonetta, jointly operate a seafood-smoking facility and specialty processing company as well as bed and breakfast accommodations. He also serves the Old Harbor's Cape Barnabas, Inc., which is the only community Quota Entity that has purchased halibut quota shares.

A military veteran of mixed ancestry, Jeff Peterson owns a boat called Refuge Rock. Peterson has a license to operate Kodiak Combos that escort visitors to fish and hunt on the ocean. Peterson's business won the 2005 Alaska Federation of Natives' "Small Business of the Year" Award. Peterson's economic attitudes came from what Alaskans call "the lower 48." When interviewed, Peterson proudly explained to us that he obtained no help from the government, no financing from any bank, nor assistance from any corporations. Although the Peterson family has lived in Old Harbor for decades, Peterson has Swedish ancestors as well as Alutiiq. He grew up on his father's boat and owned his first vessel at the age of 13. In addition to operating this formal business in the modern sector, Peterson provides food for his family from subsistence fishing and hunting; he explained that subsistence resource harvests have a traditional value not measured in dollars.

Another entrepreneur of mixed heritage and with a business license in Old Harbor is Carl Christiansen who owns and operates the Ocean View Lodge, a hotel. Christiansen's Norwegian father was 40 when he married a 17-year old indigenous woman from nearby Eagle Harbor, which is no longer inhabited. Christiansen's father was an entrepreneur in Barth's (1963, 1967) sense. He was the first in the area to get an oil stove. Carl's parents adopted four indigenous children in addition to having 19 children of their own, among them Carl, who was born during the World War II. Asked whether he was more influenced by the Norwegian cultural values of his father or by the indigenous Alaskan cultural values of his mother, Carl responded, "Well, I guess the hard work is from my dad's side." Carl is Russian Orthodox, as are many indigenous Alaskans, but he told us that his Protestant father transmitted the Protestant work ethic, teaching as well that "welfare is no goal in life." When Carl received a welfare check in the mail, he recalled, his father demanded that he "take that check back to the post office and mail it back." Carl also told us about his three siblings and his fisherman son all of whom are entrepreneurs.

Carl explained to us that the price of salmon dropped; now, one even needs a quota to harvest halibut. Undaunted, Carl diversified his business, building the Ocean View Lodge for his son, Carl Jr., who manages the lodge and doubles as a guide. Angie Christiansen manages the firm, and Meagan Christiansen cooks for the business. Carl opened a delicatessen in 2002. Carl's son and three siblings are all commercial entrepreneurs in ocean fishing.

One of Carl's sons is "Captain" Freddy Christiansen, born in Old Harbor. In 1989, Captain Freddy invested in Sitkalidak Lodge (Old Harbor's first hotel) and later bought out his original business partner, Captain Rick Berns. Freddy then developed an ecotourism operation, first with the Sitkalidak Straits, a vessel that he has since replaced by

several larger boats. He named his fishing boat, the Tarissa Jean C, after his eldest daughter. Freddie no longer owns the Sitkalidak Lodge, which was acquired by outsiders who renamed it the Kodiak Sportsman's Lodge.

Ray and Stella Krumrey have a license for their Mountain View Guest House. Business licenses have also been issued to several stores in Old Harbor, including: Gwendolooks Food Store, a retail grocery; Old Harbor Food Store, selling specialty foods; and the retail grocer Tidal Wave. Others to have business licenses in Old Harbor include the owners of the Old Harbor Shuttle Service and of Larionoff's gas station.

If we ask why Euro-Americans and people of mixed ethnicity pioneered the tourist, hotel, commercial fishing, and restaurant businesses of Old Harbor, whereas Alutiit clustered in other occupations, the answer can be framed in terms of social capital as retardant and as inadvertent suppression. Ninety-five percent of Old Harbor residents identified themselves as mono-racial in heritage (The U.S. Bureau of the Census, 2005–2009). Of these persons, 69% was mono-racial Alaska Natives, and one quarter was mono-racial Euro-American. Only 5% of Old Harbor residents identified themselves as of mixed ethnicity; e.g., part indigenous and part Euro-American. The Census estimate agrees with what we learned from the Old Harbor Tribal Village Council who estimated that of Old Harbor residents two thirds belonged to the “Native Village of Old Harbor,” which is a federally recognized tribe with a total membership of 655.

Intermarriage is the key measure of assimilation. Peach (2005, p. 46) declares that, “The United States has had an unparalleled, successful history of assimilating minorities,” but Peach acknowledges that assimilation skipped some groups. In the absence of intermarriage, ethno-racial groups remain culturally distinct. Assimilation fails. The centuries-long shortage of multi-ethnic people reflects the continued ethno-cultural distinctness of Euro-American and Alutiiq people in Old Harbor. That situation resembles the separation of African American and White social worlds in the Old South. In Old Harbor, Euro-Americans entered the Alutiiq social world from the “lower 48” and brought with them resources of money, education, business skills, and social capital that linked them to others in the lower 48. Alutiit lacked the entrepreneurial resources of the Euro-Americans, except for bonding social capital, which they had in abundance. In effect, migrants monopolized the financial capital, human capital, and resource-connected social capital within Old Harbor and the bridging ties out of Old Harbor. The Alutiiq hunters and fishermen did not lack bonding social capital; they had it in abundance, but they lacked access to mainstream social and financial capital. To some extent, persons of mixed ethnicity bridged the social capital of Alutiit and Euro-Americans. Some multi-ethnic persons became commercial entrepreneurs. However, there simply were few people of mixed ethnicity in Old Harbor, so bridges to the Euro-American social networks were few. In this context, by excluding the Alutiit socially, the social networks of the Euro-Americans implicitly (not malevolently) reduced Alutiiq access to business ownership.

Conversely, newcomers lacked the requisite training and skills and, of course, the access to Alutiiq social networks. De Carolis, Litzky, and Eddleston (2009, p. 532) observe that “Membership in a network or group can shape an individual's consciousness” and exactly that appears to have happened to Euro-Americans and Alutiit alike. In effect, the cultural capital of the Euro-Americans supported their entrepreneurship in the commercial sector, but it did not support their entry into subsistence hunting and fishing as a full-time occupation. Newcomers wanted to become commercial entrepreneurs, rather than traditional Alutiiq hunters and fishermen, while Alutiiq people had the opposite aspiration. The cultural boundary thus defined the sphere within which Euro-Americans' social capital was of economic value, and it directed them away from the subsistence economy of the indigenous people.

The same holds true in reverse for the Alutiiq people. When they did not value profit-maximizing entrepreneurship in the commercial sector, their abundant social capital did nothing to advance their chances in commercial entrepreneurship even though a diminished supply of ocean fish put some pressure on their ability to sustain the traditional economy (Aarstad, Haugland, & Greve, 2010, pp. 1005–1006), and even though 54% of Old Harbor families were below the poverty line in 2010.⁸

If not commercial entrepreneurship, what did Alutiiq people value? First, they valued their traditional way of life within which hunting and fishing in teams was an essential component as was sharing. Unlike Euro-Americans, who viewed commercial entrepreneurship as a secular business, and who could and did switch from one business to another as occasion demanded, Alutiiq people viewed traditional hunting and fishing as the traditional way of life for people like them. Changing an occupation and abandoning a way of life are changes of quite discrepant magnitudes.

Second, Alutiiq hunters and gatherers regarded hunting and fishing as essential to a masculine identity. In their view, sanctified by many generations, real men hunt and fish in teams, undergoing danger and hardship in the process. The shared hardship strengthened their bonding social capital. Alutiiq people had reservations about the opportunistic pursuit of money income through business enterprise. This view is shared in many contexts of early economic development now (Nida, 2007) and in the past (Smelser, 1959). “Entrepreneurship is for sissies” approximates their view. However, the Alutiiq people accepted wage-earning in town as appropriate and acceptable for women. Unlike their men, most Alutiiq women worked part time or full time in Old Harbor offices, especially in schools and the numerous public agencies. For this reason, Alutiiq households can be understood as splitting their labor power between a traditional subsistence sector, dominated by men, and a modern cash sector, dominated by women. Strictly speaking, this is a hybrid, not a traditional economy.

Empirically, we found that Alutiit in Old Harbor underrepresented in commercial entrepreneurship. We found that these people have strong social capital, but there was no indication of social capital bridging to the Euro-American or even to the small multi-ethnic population among whom alone there is commercial entrepreneurship. Our results are novel, testable, and empirically reliable (Eisenhardt, 1989, p. 547).

Summary

Our theoretical critique of the social capital literature has turned up conceptual problems that require specification on both sides of the debate. First, the business literature has been content to address the contribution of social capital to entrepreneurship in cultural contexts that support entrepreneurship. This methodological limitation has obscured the supporting role of cultural capital. Cultural *habitus* identifies occupations that are appropriate for group members. If a group’s cultural capital does not support and endorse the selection of entrepreneurship as a vocation, then the group’s strong social capital will not encourage entrepreneurship of group members. That negative contingency typically characterizes indigenous entrepreneurship in North America above and beyond the well-known legal and geographical barriers that also obstruct it. In the specific case of the Alutiiq people of Alaska, the strong social capital of indigenous people recreates among the men the traditional hunting and fishing economy, while bypassing commercial entrepreneurship.

8. Source: <http://factfinder.census.gov/servlet/ACSSAFFacts?> accessed February 15, 2012.

Second, turning to the suppression hypothesis, we showed that the suppression hypothesis fails in the case of the world's middleman minorities who have historically succeeded in entrepreneurship despite the vigorous opposition of dominants. That said, the suppression hypothesis works well when applied to ethno-racial and ethno-religious minorities who, like the Alutiiq, are not middleman minorities. Middleman minorities are exceptional and infrequent. We examined the possibility that bridging relationships with dominants might mitigate the suppression of subordinated minorities. From the literature, we learned that start-up bridging is empirically infrequent even in the business circles of the advanced world, and the obstacle is all the greater when dealing with entrepreneurship in caste or semi-caste societies such as the Kodiak Island. For this reason, we deem it highly significant that commercial entrepreneurship in Old Harbor is dominated by Euro-Americans and the descendants of multi-ethnic couples. The low intermarriage rate between Alutiit and Euro-Americans testifies also to the social conditions that inhibited the creation of dual *habitus* people (Drori et al., 2010) and therewith inhibited Alutiiq entrepreneurship in the commercial sector.

Conclusion

Arguing against unbounded faith in the power of social capital to promote entrepreneurship, we concede its power to promote economic activity in general as well as its power to support entrepreneurship among groups already sharing the requisite cultural capital. Social capital was essential to the economic life of the Alutiiq men, but that economic life consisted of hunting and fishing, not commercial entrepreneurship. Insisting on the contribution of cultural capital to social capital, we fully credit the vast body of evidence that demonstrates the power of bonding and bridging social capital to encourage entrepreneurship. Our point of divergence from the existing consensus derives from starting on a remote Alaskan island rather than in New York, London, or Paris. We found Alaskans abundantly endowed with social capital, and we found Alaska Natives traditionally self-employed in fishing, while commercial entrepreneurship in Old Harbor was dominated by outsiders and by people of mixed ancestry—who told us that they had origins from Norway, Russia, or Sweden, while Alutiit had other occupations of choice. The unusual sharpness of the ethnic separation in Old Harbor between the indigenous economic sector and the Euro-American economic sector compelled us to ask how such a situation could have arisen.

Social conditions slowed assimilation (see Befu, 1970), and therewith the transmission of the cultural capital of entrepreneurship, and the formation of bridging relationships between the Euro-American and the Alutiiq people. As a result, nascent Alutiiq entrepreneurs, if there were any, could not access entrepreneurial networks of the Euro-Americans. Putting the issue that way implies that the social capital of the Euro-Americans implicitly (not malevolently) excluded the indigenous from entrepreneurship.

The other part, equally valid, is that the cultural capital of the Alutiiq people did not encourage them to turn their own abundant social capital into individual entrepreneurship, and collective entrepreneurship, often recommended for indigenous Americans and Canadians (Anderson & Giberson, 2003, p. 144) did not materialize either. Instead, Alutiiq people used their abundant social capital to catch fish and shoot game, an economic activity all right, but they did not focus on commercial entrepreneurship.

On the strength of these results, we conclude that social capital's apparent efficacy in promoting entrepreneurship actually depends on a number of understudied and usually ignored boundary conditions that must be in place for the social capital to have that effect.

Table 1

Entrepreneurship, Social Capital, and Cultural Capital

	Cultural capital	
	Negative	Positive
Social capital		
Strong	1 No entrepreneurship	2 High entrepreneurship
Weak	3 No entrepreneurship	4 Low entrepreneurship

Those conditions are standard in the developed societies, but they are by no means universal; venturing into a remote outpost in Alaska, we found a context in which cultural conditions taken for granted in London, Paris, or New York did not exist. As a result, social capital did not have the expected consequences for entrepreneurship on Kodiak Island that one would expect on the island of Manhattan.

Our corrective to the prevailing view is summarized in Table 1 whose Box 1 depicts our research result, and whose other boxes synthesize our speculations regarding the general relationship between social capital, cultural capital, and entrepreneurship. On the basis of this Alutiiq research, we also suppose that bonding social capital directly facilitates *economic action in general* but not entrepreneurship in particular. This is probably a universal relationship. However, to facilitate entrepreneurship specifically, social capital requires supportive cultural capital that directs the social capital toward a particular vocational goal, entrepreneurship. Every culture does not value entrepreneurship, and social capital will not transpose into entrepreneurship where entrepreneurship is not valued. When research is conducted in cultural contexts that support entrepreneurship, the supporting role of cultural capital becomes invisible, and researchers wrongly conclude that social capital *universally* facilitates entrepreneurship.

Additionally, in contexts of separation between ethno-racial components of the population, such as existed in Old Harbor, bridging social capital is even more difficult to develop than in the more fluid social contexts in which research is usually conducted. It is hard there too, but it is even harder in outposts like Old Harbor. As a result, the existing entrepreneurs’ social networks are inadvertently closed to nascent entrepreneurs from the wrong side of the ethno-racial divide, frustrating their entrepreneurship.

Our results have implications for a broad range of situations involving entrepreneurship or the lack of it among propinquitous ethno-religious or ethno-racial groups in the developed as well as in the developing world.

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