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The Theories of Ethnic Entrepreneurship,  
and the Alternative Arguments of  
Social Action and Network Analysis

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Social Action and Network Analysis**

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## Introduction\*

The entrepreneurial activities of immigrants in receiving urban areas have often been analyzed by considering ethnic membership and in-group solidarities as the fundamental factors for market opportunities and success in business activities. Both elements underpin the development of three main analytical categories related to *ethnic* businesses: *local ethnic entrepreneurship*, *entrepreneurial middleman minorities* and *entrepreneurship in ethnic enclave*. As a prerequisite to showing how they tend to close immigrant entrepreneurship in an ethnic environment without taking into account the possible existence of other resources, which are available beyond the *ethnic sphere*, the recurrent references to these categories in sociological analyses are examined in the first part of this paper. Moreover, immigrant entrepreneurial activities tend to be viewed as the outcome of a predominantly ethnic-centred social action which is the result of a closure from the out-group and the intensification of internal characteristics as a response to social discrimination and hostility. This conception will be subject to examination.

Having critically examined the theories of *ethnic entrepreneurship*, it will be argued, in the second part, that the label *immigrant entrepreneurship* would allow the development of a wider field of investigation insofar as it considers not only ethnicity but also the social and economic environment of immigrant entrepreneurs (whether these are co-ethnics or not), who are depicted as human and social actors, as resources which contribute to the persistence of the immigrant enterprise. Consequently, the existence of manifold interpersonal relationships and mutual help may be given an expression beyond the ethnic group as far as market information, financial aid, and business opportunities are concerned.

Moreover, as shown in the third part of this paper, immigrant entrepreneurs may be active in networks of social relations that provide a significant adjunct for the survival and diversification of their entrepreneurial activities. Network analysis, in the field of immigrant entrepreneurship, exemplifies the dynamics of such activities. Conversely, these may contribute to the maintenance of network organizations which can go beyond the receiving area, owing to the personal migration trajectories of immigrant entrepreneurs. Following the study of two types of networks (namely, *communal* and *associative networks*), it is contended that immigrant entrepreneurs may successfully invest their own experiences of migration in business activities, the dynamics of which is not necessarily based on ethnicity, nor is it limited to the opportunity structures and resources found in the receiving area. In an attempt to modulate the interpretative approaches to *ethnic* entrepreneurship, attention is directed to the expansion of immigrant entrepreneurial activities within a wider environment.

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The purpose of this approach is *not* to study the still "*extraordinarily elusive*" nature of ethnicity (Body-Gendrot, 1992: 9) when analyzing immigrant entrepreneurship, but rather to insist on the complementarity of various theoretical approaches that allow the fundamental and persistence of immigrant entrepreneurship in today's society to be understood.

### *The Theories of Ethnic Entrepreneurship*

Before presenting the theoretical frameworks within which some explanatory approaches to *ethnic* business evolve, the analytical elements that support such approaches should be examined. Admittedly, as regards the ethnic reference, these pertain to the theoretical contribution of Weber's *Economy and Society* (1978), which states that groups are *ethnic* when they "*entertain a subjective belief in their common descent because of similarities of physical type or of customs or both, or because of memories of colonization and migration; this belief must be important for the propagation of group formation; conversely, it does not matter whether or not an objective blood relationship exists*" (1978: 389). However, the different approaches to ethnic business described here tend to focus exclusively on the apparent characteristics of ethnicity (i.e. race identity, which, actually, in the words of Weber, differs clearly from ethnicity inasmuch as the former is based on "*common inherited and inheritable traits that actually derive from common descent*") and not on the subjective belief in common ethnicity of individual actors that could constitute a central element for understanding solidarities among economically active immigrant groups. As shown, the common origins of *ethnic* entrepreneurs are considered in many approaches as *the* fundamental factors - if not the determining ones - which lead to the success of transactions, resource mobilization, and mutual help among, for instance, the Cuban entrepreneurs in Miami's Little Havana (Portes, 1987), the Iranian and Japanese entrepreneurs in Los Angeles (Light, 1992; Bonacich and Modell, 1980) or their Chinese counterparts in Paris (Ma Mung, 1992). To describe these approaches, three theoretical frameworks will be used (culturalist, functionalist and structuralist theories). Although they are described separately, it has to be said that, in the field of *ethnic* entrepreneurship, they tend to overlap.

#### *The Culturalist and Functionalist Theories of Ethnic Entrepreneurship*

Both theories articulate two main approaches. On the one hand, ethnic group culture is viewed as a factor that leads the ethnic entrepreneur to specific market slots in the receiving economic area. On the other hand, ethnic group characteristics and cultural endowments orientate placement in low-level jobs or in small-business positions.



The maintenance of a cultural tradition in immigrant groups is a response to the need for organizing. It is considered to be a collective resource which helps exploit small-business opportunities, i.e. elements with which access to business is made easier. The collective resource may be, as Ivan Light (1972) argues, "*orthodox*" or "*reactive*". The former refers to cultural patterns of behaviour which were present in the group prior to migration, whereas the latter constitutes a collective response to the social receiving environment. Whatever the origin of the resource, the cultural theory tends to embed all initiatives in an inhibiting division between immigrants and natives. Group characteristics are shown as a capital which allows the ethnic entrepreneur to set up on his own by relying *naturally* on ethnic solidarity. Culture is seen as a determinant and not a cohesive instrument aimed at supporting entrepreneurial initiatives. Roger D. Waldinger believes, on the contrary, that "*cultural consensus seems likely to have been less important in organizing the ethnic sub-economy than control mechanisms*" (1986: 252). In fact, the cultural approach presupposes that small business opportunities are shaped by culturally (but also historically) contingent factors. As an attempt to account for the under-representation of the blacks in small-business activities in the United States, I. Light (1972) argued that such a phenomenon might originate in a lack of cultural tradition (which the blacks might rely on to raise capital for entrepreneurial ends), while, for Robert Boyd, it could stem also from "*the legacy of slavery*" which may account for the blacks' blocked opportunities for setting up businesses. The "*legacy of slavery*" refers to "*the discouragement of initiative and [to] little incentive to work any more than necessary to escape punishment [from the slave-owner]*" (Boyd, 1989: 35). Boyd does not mention only this argument but considers, nonetheless, that it is a factor "*highly relevant to the evolution of black enterprise [in the United States]*". In such a conception, ethnic resources appear as the outcome of a tradition which guides the organization of the economic activities of a given ethnic group. Moreover, cultural rules leave no room for individual initiative in a given environment. Entrepreneurial characteristics are, hence, embedded in a cultural framework of analysis which makes every economic behaviour an objective data. They offer a static (if not standardized) image of the immigrant entrepreneur's role, for cultural elements are seen as determining. Whether they are "*imported*" from the sending countries or "*produced*" following contact with the receiving society, cultural resources and endowments as well as "*ethnic values*" remain, from a culturalist stance, predominant in analyzing the economic and social orientations of ethnic groups in receiving cities.

Although a culturalist approach may account for the various orientations of ethnic entrepreneurship in terms of labour force mobilization, market outlets, clients, financial cooperation and mutual aid, its analytic scope -which remains equivocal- does not seem to be fully explanatory of the growth and dynamics of immigrant entrepreneurship.

As shown below, Waldinger, in his structuralist conception, deliberately seeks to go beyond the cultural framework by contending that "*the ethnic affinities that underlie the immigrant-owned firm are neither ascribed constants nor temporarily persistent bonds, but rather products of structural conditions linked to the organization of markets and the technology of production*" (1983: 59). In other words, ethnic business is not the outcome of isolated initiatives by agents whose ethnic and cultural predispositions contributed to the creation of their business affairs. The radical assertion that contends that certain ethnic groups are culturally better endowed for entrepreneurship than others is questionable.

Similarly, the *naturalness* of ethnic solidarity, in the ambit of the enterprise, is strongly disputed by Edna Bonacich and John Modell (1980). In an attempt to escape the evidence of ethnicity in explaining the organization of minority groups, they refer to the reactive nature of ethnic solidarity by contending that it constitutes a "*created phenomenon.[...] Economic factors [in receiving areas] play an important role in the retention or dissolution of ethnic ties*" (1980: 3). They focus on the relationships that exist between ethnicity and class, claiming that, within ethnic groups, the existence of social class antagonism may qualify the taken-for-granted cohesiveness of ethnicity. Their central example are *middleman minorities* who are considered a buffer between the elites and masses; therefore, their role is that of an intermediary. Middleman minorities are viewed as marginal; they are regarded with "*considerable hostility*" by both the elite and the masses, and are described as very dependent on their sponsors (i.e. the native elites).

Bonacich and Modell's see ethnic entrepreneurs or *middleman minorities* as being continuously subordinate to the out-group, because of social hostility and closure. They are also seen as marginal with respect to their co-ethnics because of their petty *bourgeois* behaviour, which distinguishes them from the ethnic community as a whole. They represent a kind of clannish sphere opposed to a hostile majority environment, which has no relationship with the "*outside world*" other than a subordinate one. Moreover, their clannishness provokes societal hostility (Bonacich and Modell, 1980: 20), and societal hostility is a response to the closure which characterizes middleman minorities. While Bonacich and Modell object to the taken-for-granted ethnic solidarity, they tend, nonetheless, to consider societal hostility as natural (it actually constitutes one of the pivotal elements of their overall analysis), and the subordinate political and social positions of Japanese middleman minorities in Los Angeles as constants. Resources, for the survival of the enterprise, tend to be exclusively available in the limits of the middleman minority because, in a hostile environment, no other kind of resources may occur. The image of this ideal-type remains problematic when one considers the diversity of resources that economically active groups can mobilize (see Chapter 3). Bonacich and Modell place their analysis out of the culturalist framework (which would state that the economic behaviours of middleman minorities are dependent on particular cultural traits) but, eventually, replace it in a functional framework where ethnic resources constitute a reactive response to societal hostility



and antagonism. External distrust reinforces internal solidarity among middleman-minority members to such an extent that, despite generation change, mutual closure and discrimination remain predominant in the analysis. Although the two sociologists take into account some elements of social mobility concerning a generation of Japanese immigrants (namely the *Nisei*), societal hostility remains the main factor which shapes and stimulates ethnic solidarity (Bonacich and Modell, 1980: 252), while contributing to limiting the expansion of ethnic businesses in a given sector of the broader economy.

Whether they are cultural or functional, the theoretical approaches presented in this chapter tend to embed the immigrant group in an unchanging situation. In Bonacich and Modell's view, the persistence and centrality of in-group solidarity are considered as reactive values and not as "*orthodox*", i.e., in the words of Light (1972), present in the group prior to migration. In an attempt to demystify the culturalist successful image of Japanese ethnic entrepreneurs, Bonacich and Modell have painted a picture where the social marginality of immigrants and ethnic entrepreneurs is viewed as centrally stimulating for the creation of business activities.

Moreover, both approaches exclude any participatory and contractual relationship with the out-group; participatory action is marginal, because of this mutual closure, which remains unaccounted for.

### *The Structural Theory of Ethnic Entrepreneurship*

This theory explains how structural conditions may give rise to and reinforce attitudes favourable to economic achievement. In that sense, ethnic predispositions are no longer a cause of the subsistence of ethnic enterprises, but rather, "*urban processes [which] continue to generate structural situations that give rise to ethnic behaviour*" (Waldinger, 1983: 60-63). Ethnic business appears as a "*product*" of a complicated global process, such as the international division of labour, which creates "*opportunity structures*" at the local level. In fact, Waldinger contends that, because of the limited economies of scale that exist in the production process, market uncertainty, which stems from market disequilibrium, and changes in fashion and consumer tastes, large firms can no longer engage in planned production and thus they "*create a space for small labor-intensive firms operating on a localized scale that function to absorb the risk in the system*" (Waldinger, 1983). The potential dynamics of such a market slot facilitates the emergence of ethnically-organized businesses in cities, and the proliferation of small units where labour costs are low and ethnic residential concentration is high. Thus, in a structural theoretical approach, ethnic business persistence may be accounted for, on the one hand, by the proximity of ethnic consumers who give a substantial basis for the continuity of the ethnic enterprise at a local level, on the other hand, by the structure of industry which creates favourable conditions for ethnic business (Aldrich and Waldinger, 1990:



116-117). Howard Aldrich and Roger Waldinger identify four circumstances. Firstly, markets in the core urban economy are increasingly being abandoned, leaving a space for small local immigrant sellers. Secondly, markets for ethnic businesses emerge where economies of scale are low. Thirdly, they also appear where instability and uncertainty prevail. Fourthly, ethnic business operates where the demand for exotic goods is stable.

Nonetheless, such structural analysis does not exclude arguments which consider ethnic traits as "emergent" factors accentuated by the industrial context of settlement. While the culturalist explanation of the emergence of ethnic enterprises in receiving cities does not consider structural conditions, structuralist arguments seem partly to integrate them to account for the organizing capacities which allow immigrant entrepreneurs to continue their own economic activities. At a local level, the problem with such a theory is that it states that resource mobilization emerges to reinforce a trade position within the broader economy, that is to say a perennial "subordinate relationship" with majority concerns (i.e. native large firms). The ethnic entrepreneur is, hence, placed in a set of vertical links with the out-group economic actors. For such reasons, the structural theory does not seem to consider any possibility for the development of ethnic business out of the dual-labour-market structure. Moreover, their peripheral activities seem to reproduce and sustain a relationship of subordination where the secondary sector absorbs the unstable portion of demand.

The theory of dual labour market advocated by Michael Piore and Peter Doeringer divides the labour market into two different sectors, namely the primary and secondary sectors. *"Jobs in the primary market possess several of the following characteristics: high wages, good working conditions, employment stability, chances of advancement, equity, and due process in the administration of work rules. Jobs in the secondary market, in contrast, tend to have low wages and fringe benefits, poor working conditions, high labour turnover, little chance of advancement, and often arbitrary and capricious supervision [...]. Workers in the secondary sector, relative to those in the primary sector, exhibit greater turnover, higher rates of lateness and absenteeism, more insubordination, and engage more freely in petty theft and pilferage"* (1971: 165-183).

Links between the two sectors, as Piore and Doeringer emphasize, have to be seen as episodic. Devices like subcontracting and temporary employment, considered by theorists as tightly confined, draw a tenuous link between the two. Both sector structures engender specific attributes to employment, workers, and employers. Piore and Doeringer's theory presents a central division in the labour market between high and low wages, but, more importantly, the *ad hoc* and dichotomous hypothesis seems to be based on a behaviourist approach where barriers to mobility between primary and secondary employment exist because of workers

characteristics. These are depicted as a high rate of absenteeism and lateness; secondary-sector workers are described as unstable individuals. Because of the instability of the labour force, "the employer has no incentive to invest in training" (Doeringer and Piore, 1971: 175). Moreover, they tend to have a "low-income life style". "The episodic street life and the episodic pattern of work are obviously compatible" (Doeringer and Piore, 1971: 176). Job opportunities are hence presented as the result of workers' life style. Low incomes illustrate, according to Doeringer and Piore, the social and economic position of secondary-sector workers, whose occupational mobility remains hindered.

The dual labour market theory has been briefly explained because it also constitutes a parallel framework of analysis that serves to study the conditions under which ethnic entrepreneurship emerges. It would seem that job discrimination confines immigrants in determined structural market opportunities. The entry of ethnic entrepreneurs into small business activities is no longer explained on the basis of cultural traits but on the discriminatory attitudes of primary-sector trade unions. Howard Aldrich and Ellen Auster (1984) denounce such a framework of analysis by arguing that social discrimination could, on the contrary, foster the organizing capacities of ethnic groups. According to these authors, and in a structuralist vision, the existence of small businesses in so-called "ethnic enclaves" in receiving cities may contribute to the understanding of how ethnicity reinforces the opportunities linked to a group's internal organizing capacity to create small businesses.

In contrast, when sociologists use the theoretical framework of the dual labour market to account for the emergence of ethnic entrepreneurship, they presuppose that individual economic action is the automatic outcome of the influence of a social group which tends to be conceived as permanently established. More importantly, interpersonal ties and actors' behaviours result from their named position in society. For instance, a blue-collar worker evolves in a set of roles limited by his factory and his lower-class social group, and the immigrant worker's attitudes are explained in the ambit of his group of origin and host society discrimination.

However, such a theory does not take into account social mobility, individual motivation, potentially changing systems of social relationships that the ethnic enclave theory tends to illustrate.

### *The Ethnic Enclave and the Dual Labour Market Theory*

Since the publication of the original article on ethnic enclaves written by Alejandro Portes and Kenneth Wilson (1980; see Portes and Jensen, 1987), there has been growing interest in this concept. It focuses essentially on the "enclave effect", that is to say the emergence and consolidation, in a spatially limited area, of economic activities set up by immigrant entrepreneurs. In the enclave economy, "although new arrivals are forced to work



*hard for low wages, they do not find upward mobility channels blocked*" (Portes and Wilson, 1980: 301). Upward occupational mobility is, hence, the central element which differentiates the enclave economy from the characteristics of the secondary sector mentioned in the dual labour market theory and which makes it comparable to the occupational advantages found in the primary sector.

Portes and Wilson dismiss the traditional dual labour market literature when dealing with immigrant entrepreneurship. Their own approach, based on empirical observations, clearly contradicts the taken-for-granted "*entrapment*" of the immigrant in the secondary labour market. The arrival of certain professional talents in an economic receiving area, encouraged, on the one hand, by the legal provisions, such as the Cuban Refugee Program, and, on the other hand, the diversification inherent in immigration arrivals, support the economic expansion of an area that is not comprised in the dual labour market theory.

Two conditions are necessary for the consolidation of an ethnic enclave : firstly, the presence of immigrants with sufficient capital to provide for the creation of an enterprise needed; then, the continuous renewal of immigration arrivals in the ethnic enclave. The main advantage of enclave enterprise is, according to Portes and Wilson, the development of "*ethnically sympathetic sources of supply and consumer outlets*" (1980: 302) that may account for the gradual expansion of the ethnic enclave. Low-wage labour is also a prerequisite. Subsequently, workers are rewarded for skills and past investments in human capital. Low wage labour of immigrant workers is what permits the survival and expansion of enclave enterprises, which, in turn, open up new opportunities for economic advancement. Hence, as shown in Table 1, it appears that these distinguishing features consist in ethnic solidarity between economic agents (both workers and employers), of expected upward mobility for workers in or out of the enclave economy, and of informal organizational capacities which allow every potential ethnic enclave entrepreneur to mobilize capital, for example, thanks to rotating credit associations which are active out of the institutional credit channels (Besley, Coate and Loury, 1990). This last option is common in ethnic enclaves. It allows capital to be raised in order to create enterprises managed by experienced ethnic entrepreneurs. Co-ethnic business partnership is also a significant factor which characterizes the dynamics of ethnic enclaves. When writing of the positive integrative action of the ethnic enclave, Portes highlights that "*broader external forces may be less important for the rise of an ethnic economy than the characteristics of the minority itself*" (Portes, 1987). This assertion does not mean that the ethnic enclave is viewed as a voluntary process. Rather, its emergence requires a series of influential and contextual factors (some are external, e.g. state legal provision, out-group discrimination; others are internal, e.g. resource mobilization, ethnic solidarity) to such an extent that this excludes any anticipation of the process.

Concerning the "enclave effect", Waldinger and Bailey focus on the major opportunities to acquire skill through training that exist in the enclave. The training system in the enclave works in an informal manner which is not governed or is not the outcome of joint apprenticeship programmes, as it is in the primary sector. Like Portes, these two sociologists consider the determining effects of the ethnic affinities in the ambit of the recruitment; *"for jobs requiring training, employers seek recruits among the relative and ethnic group members of the workers whom they already employ"* (1991: 440). However, they tend to object this conception that circumscribes the enclave to a self-encapsulated economy; *"[workers and business owners] remain in an enclave to the extent that a training system serves to distinguish and separate the labour market for immigrant firms from otherwise comparable non immigrant competitors"* (1991: 438). In other words, the enclave is seen by Bailey and Waldinger as preferably an ethnic social network located in the city which steers immigrants to the ethnic economy. Through recommendations, the employer hires workers on the basis of information obtained about them (e.g. the stability and reliability of the worker is evaluated to see whether training investment is worthy or not). Training processes are embedded in such networks which characterize the ethnic economy as a whole. In the informal training system, workers may also be mobile from firm to firm, while acquiring new skills and developing them. The larger the expansion of the enclave sector, the higher the mobility opportunities for workers. Moving into the non-immigrant industrial sector (out of the enclave economy) is a possibility, but the familiarity of the enclave environment as well as common culture and language, informal work arrangements, and job flexibility are seen as particular characteristics which reinforce the consolidation of the ethnic enclave economy. Ethnicity appears to be the factor which generates, on the one hand, job opportunities for newly arrived immigrants in receiving urban areas, and, on the other hand, a structure for entrepreneurial development for experienced immigrants with sufficient capital. The process of recruitment (on the basis on ethnic affinity) secures the labour force and stabilizes the employment relationship. Waldinger argues that *"the employment relationship is more than a purely instrumental exchange"* (1986: 273), insofar as personal loyalties and ethnic allegiance may shape the expectations of both ethnic entrepreneurs and workers.



Table 1: The Ethnic Economy and the Overall Market

	The Primary Sector	The Secondary Sector	The Ethnic Economy
<b>Structure</b>	Well-structured. Internal structure provides training.	3 cases: (1) unstructured labour market (e.g. domestic work, dish washing in restaurant, construction); (2) possess a formal internal structure but little mobility, low wages, unpleasant jobs (e.g. blue-collar jobs, menial jobs in hospitals, jobs in clothing factories); (3) having few steps of promotion, these jobs are attached to the primary sector by subcontracting.	Informal structure. Common understandings between the workers and the employers. Horizontal integration between ethnic firms and vertical integration in the global economy. The ethnic firm is in close contact with the broader economy through subcontracting.
<b>Employment</b>	Job hierarchy. High wages, good working conditions, employment stability, equity, due process in the administration of work rules.	Job hierarchy. Low wages, fringe benefits, poor working conditions, high labour turnover, arbitrary and capricious supervision. On-the-job training is nonexistent but there are "modes of behaviour" which are learned. Paucity of training opportunities. Conflicting worker/employer relationships.	Low wages and cheap labour costs. "Enclave effect": the more ethnic firms in a line of business, the greater the potential for co-ethnic employment. Network hiring (1) imports previously existing relationships into the workplace, (2) reduces and evaluates uncertainty, (3) guarantees training ends.
<b>Workers</b>	Loyal, his rank is related to his productivity. Joint (Union-employer) apprenticeship programs and union hiring halls organize and integrate the recruitment of workers and the acquisition of skills.	Great turnover which precludes the formation of stable relationships. Absenteeism, lateness, insubordination, petty theft. Have poor work histories. Are socially and professionally discriminated. Discrimination on the basis of race: (1) a set of behavioural traits is developed. No alternative behavioural models. (2) rejection of workers who could gain access to primary-sector employment, because of potential abuse from the work group which can force the disadvantaged worker back to his "street group". They are not interested in chances of advancement and are more tolerant of an unattractive work environment. Income requirements are limited.	Are recruited through ethnic networks. Ethnically homogeneous working population which makes implicit understandings and contracts easier. The investment in on-the-job trainings is guaranteed by mutual responsibility. The wider the worker's contact within the overall industry, the higher the mastering of appropriate skills.
<b>Employers</b>	May draw workers both from the ranks of the unemployed and from leverage jobs.	Anticipate the disloyalty of the worker and adjust wages downward accordingly.	Immigrant employers use "word-of-mouth" recruiting techniques. Networks hiring furnishes more knowledge about the worker. Investment in skill and training is evaluated by the employer.

Sources: T. Bailey, J. Cobas, P. Doeringer and M. Piore, A. Portes, R. D. Waldinger, K. L. Wilson, The Author(s), European University Institute.



However, it is contended in this paper that ethnicity does not fully explain the organizational capacities and resources of immigrant entrepreneurs. On the contrary, it seems to be a practical tool of analysis that accounts for the internal organization of ethnic enclave structures and presupposes implicitly the existence of a closed relationship, based on subjectively identifiable characteristics (by the observer) such as language, ethnicity and common origins. The theory of the ethnic enclave presents a dynamic picture of the ethnic entrepreneurial activities in receiving areas. Such a *third sector* allows immigrants upward mobility. Within it, economic businesses are diversified, and financial aid through rotating credit associations seems to constitute resources that are easily available. Moreover, uncertainty in transaction costs is reduced. It also highlights the effectiveness of networks in terms of hiring and information about economic actors (either immigrant employers or workers) and the market. However, networks tend to be embedded in the ethnic enclave. Entrepreneurial initiatives are explained at the firm level, while the fundamentals of the subcontracting transaction, which link the enclave with the broader economy, remain unaccounted for. The effectiveness and maintenance of such transactions with the broader economy may prove the existence of transactional linkages between entrepreneurs who are involved in the ethnic enclave and those who are not.

The framework in the second part of this paper has to be considered as complementary to the foregoing approach. It is hoped to show that successful entrepreneurial experience should not be systematically and exclusively defined in terms of ethnicity or "*bounded solidarity*" between co-ethnics. Other cases of participatory action will be introduced by considering the entrepreneur as a social actor.

### *From the Ethnic Entrepreneur to the Social Actor*

The diverse theoretical approaches presented in the first part offered an explanation of the over-representation of immigrant groups in business-orientated activities. They echoed the observations made by Max Weber (1976) in *The Protestant Ethic and the Spirit of Capitalism* concerning the representation of Protestant minorities in capitalistic activities. However, while Weber insisted on accounting for *one* original form of the modern spirit of capitalism (without contending that Calvinism could be the major or single explanatory element of action), ethnicity, as a recurrent pattern of reference in the foregoing studies, seems, conversely, to encapsulate economic action in a particular set of mutual obligations, opportunities and expectations stemming from the in-group, which is seen as a fundamental system of relations through which entrepreneurship emerges. However, in the long term, the economic activities of immigrant entrepreneurs may rest on opportunities (real or assumed) that are linked to social relations as a whole, and not fundamentally to ethnic resources.

To illustrate this assumption, the immigrant entrepreneur has to be considered as a social and human actor whose initiatives cannot be exclusively explained in terms of ethnic predispositions, culture, ethnic resources and mobilization.

On the one hand, social action may orientate the economic activity of the immigrant entrepreneur who, eventually, has to take into account the responsive attitudes of third people (co-ethnics and non-ethnics). Economic action can also acquire a social meaning which is neither limited to the ethnic group nor simply explained through it. On the other hand, the reference to human action, that is "*the manner in which reasoning human beings interact while seeking to achieve their individual purposes*" (Kirzner, 1982: 139), may highlight other types of economic behaviour, which will be subject to examination, in the field of immigrant entrepreneurship.

Consequently, it is contended that the examination of the elements that constitute entrepreneurial activities as such will permit the roles, the qualities and the resources of immigrant entrepreneurs to be seen in a fresh light, while arguing that the ethnic reference may not be the exclusive explanatory factor of immigrant entrepreneurship. The label *immigrant entrepreneur* will refer, in this study, to economic strategies that do not stem automatically and exclusively from ethnicity, but that may also originate from relationships in a broader economic and social environment

### *Understanding Entrepreneurship*

The understanding of what is meant by *entrepreneurship* is illustrated, in the following analysis, by two main views. Both of them depict entrepreneurship as an economically orientated activity performed by the entrepreneur; that is, an individual motivated by the pursuit of various goals aiming at securing the survival of his enterprise.

In the first view of the entrepreneurial activity, the function of the entrepreneur has to be distinguished from the inventor's, insofar as "*the inventor produces ideas, [while] the entrepreneur gets things done, which may but need not embody anything that is scientifically new [...]. [Entrepreneurship] must be identified with a creative response in business activity*" (Schumpeter, 1991: 412-413), that is to say with "*something that is outside of the range of existing practice*", and which leads to *innovation*. By innovating, the entrepreneur does new things or does things "*that are already being done in a new way (innovation)*" (Schumpeter, 1991: 412), but his own activity also constitutes a "*bursting influence*" (Schumpeter, 1991: 414) on the established equilibrium of the economy. Thus, Schumpeter, according to Boettke, considers the entrepreneur as a "*disequilibrating force in economic activity*" (Boettke, 1993: 196-198).

Innovation, which he is able to carry out thanks to credit, allows him to take advantage of new opportunities which motivate his desire to found a private kingdom. As such, the



Schumpeterian entrepreneur is not motivated by hedonistic ends, i.e. profit, like the *Homo oeconomicus*, but, above all, by the *grandeur* of profit and achievement (see Gislain and Steiner, 1995: 155). His exceptional personality helps him to go beyond the constraining influences of his social class. It is thanks to credit that he is in a position to innovate in the market economy and to move upward in the social scale. Moreover, once entrepreneurial success is attained, he and his family may integrate the capitalist stratum within the *bourgeois* class (Schumpeter, 1991: 419). More importantly, the Schumpeterian entrepreneur is not a risk-taker, in contrast to the *capitalist*, who speculates. The credit needed for innovation is provided by the banker, who, as a *capitalist*, in fact, bears all the risks.

### *Human Action and Economic Activity*

The second view of entrepreneurial activity, which constitutes the main argument of this chapter, is as dynamic as the first one. However, whereas Schumpeter considers the entrepreneur as an individual who does not speculate, other scholars, such as Israel M. Kirzner, emphasize that the entrepreneur's role also consists in bearing the hazards of business, for the entrepreneur lives in a "*world whose uncertainty is such as to render all deliberate action inevitably subject to surprises, both welcome and unwelcome*" (Kirzner, 1989: 88). Consequently, it is because of such market instability that the entrepreneur, who is seen as a driving force of the economy, has to speculate in order to discover other "*ways of buying inputs and/or selling outputs for existing lines of production*" (Kirzner, 1989: 90). In such a concept, he owes his existence to the "*unpredictability of his environment and to the ceaseless tides of changes that undergird that unpredictability*" (Kirzner, 1982: 139).

In Kirzner's view, the entrepreneur is an actor who is faced with market discrepancies. Moreover, and more importantly, he is an individual who has developed qualities which allow him to deal with the vicissitudes inherent in the market place. Firstly, the role of the entrepreneur consists in exploiting the market opportunities that have been left unexploited by his counterparts. To give an example, the high concentration of a given immigrant community in a given receiving city may constitute a potential market opportunity that will be exploited by a "*creative*" entrepreneur who will respond to immigrant consumers' tastes. Admittedly, human action pertains to the "*alertness*" or "*prescience*" of the entrepreneur. In that sense, it focuses on the entrepreneur's motivation to envisage the future realization of his decision by looking for potential and unexploited resources.

Alertness arises from the *endeavour* to imagine the future market opportunities more accurately on the basis of the course of present events. "*The future-to-be-imagined is a future that will include the consequences of the entrepreneur's own present and future actions*"

(Kirzner, 1992: 27). Entrepreneurial action is, then, shaped by the propensity to envisage the future.

This notion is all the more fruitful in terms of immigrant entrepreneurship as it focuses on the ability of the entrepreneur to act in moving toward a subjective and expected vision of the future and his economic environment (which may go beyond the ethnic economy), while being willing to adapt himself to the vicissitudes of the marketplace. Such adaptation takes place thanks to the "creativity" of the entrepreneur. This occurs, in Kirzner's view (1989), at all times during the market process, that is to say between the moment when present available data are assessed to future action ("imagined realities"), and the moment when future action is performed ("new realities").

Secondly, the entrepreneurial function alludes also to the "discovery" of opportunities that had been over-looked up until then. The ignorance of such opportunities for profit generates the underrated evaluation of current resources. These were not perceived by the entrepreneur before acting (Kirzner, 1982: 147). The latter, individually, reconsiders his own action in accordance with the new context, and readapts it as accurately as possible to attain his goals and to limit the divergence between anticipated and realized future.

The continuous search for other resources ("creativity") that could secure the persistence of the enterprise also constitutes the purpose of entrepreneurship.

Similarly, entrepreneurial action is "neither random, nor predetermined" (Kirzner, 1982: 149). It stems from a partial knowledge of the market opportunities, at a given moment, which knowledge is necessarily subject to transformation and revaluation on the part of the entrepreneur during the performance of his economic activity.

The concept of human action in economic life offers a subjectivist vision of the entrepreneur's figure. He is seen as an individual who perceives and recognizes the opportunities existing in the market place that could enhance his position.

In the field of immigrant entrepreneurship, the fruitfulness of human action, as stated before, lies above all in the fact that it highlights the capability of each market participant to evaluate the resources that contribute to the persistence of his enterprise. In other words, immigrant entrepreneurs may *also* evaluate the potential resources and opportunities for setting up businesses that exist in economic receiving areas. Moreover, at the level of the individual, Kirzner's entrepreneurial *alertness* throws light on the personality and the role of the entrepreneur; while, at the level of the market, his action must be coordinated with that of his counterparts, in order to accumulate knowledge and information about economic opportunities. "The function of the entrepreneur is to bring different parts of the market into coordination with each other. The market entrepreneur bridges the gaps in mutual knowledge [...]" (Kirzner, 1982: 153).



The purpose of the next section is to develop this argument, which considers the active role of the immigrant entrepreneur as being potentially involved in a broader system of entrepreneurial interaction and social relationships that are not to be found exclusively in the limits of the ethnic environment.

### *Social Action and Economic Activity*

While human action refers to the entrepreneur's *alertness* in looking for future economic opportunities that have been left unexploited until now, social action pertains, more particularly, (1) to the subjective meaning that the entrepreneur attaches to his own activity, and (2) to his membership, which is influential on his economic behaviour (Weber, 1994). It has to be said that social action does not propose an over-socialized version of entrepreneurship which would predetermine the economic orientation of an actor. On the contrary, it suggests that economic activities may be social inasmuch as they are performed with reference to the behaviours of third people. As such, it also consists in a social content that is subjectively meaningful in the ambit of a membership without being determining.

In Weber's view (1994: 6), membership may be voluntary and based on individual consent, such as an association or a group of people; but it may also be involuntary when the legitimacy of an institutional and legal order is established by a superior authority. Entrepreneurs may act with reference to the belief in an order of social relationships which is delimited by the participation of a plurality of actors.

Whether it is permanent or temporary, a social relationship consists in a subjective meaningful content that is constantly subject to change, re-evaluated and adapted to a given environment. In other words, the parties give a meaning to the social relationship according to a context; the subjective fundamentals for cooperating with a third party, for conferring trust on an individual need not be the same all the time, just as they may not be *reciprocal*<sup>1</sup>. The subjective meaning of a social relationship may orientate the (social and economic) action of individuals, despite differences of tradition, religion, citizenship and ethnicity.

In fact, beyond the ethnic reference that has been used so far, it is now important to draw the line between the "*communal*" and "*associative*" types of social relationship which can lead to social action. The former is based on the subjective feeling of the parties, whether affective (i.e. determined by emotions), or traditional, that they belong together. Religion, brotherhood and *esprit de corps* are significant communal factors in a social relationship, according to Weber (1994; see Bourdieu, 1989: 254-259; Gellner, 1988; Weiss, 1995). As regards the associative type of social relationship, it "*rests on a rationally motivated adjustment of interests or a*

<sup>1</sup> A social relationship is symmetrical only if the meaning for one party is the same as for the other, but this case is rare. For this reason, Weber (1978) talks about "*reciprocity*" to evoke the dynamics of a mutual orientation of the action, even though the expectations are not symmetrical.



*similarly motivated agreement, whether the basis of rational judgement be absolute values [e.g. natural law] or reasons of expediency [e.g. self-interest]" (Weber, 1994: 16).*

Weber's approach potentially combines both types of social relationship; hence, an entrepreneur may participate in market exchanges and have simultaneously the subjective feeling of being part of several networks of communal social relationships (e.g. the family, a brotherhood, a group), which facilitates the pursuit of his economic and social activities.

Actually, in Weber's view (1978; 1994), communal and associative social relationships complement one another. Understanding the role of the entrepreneur in the logic of social relationships may account for this phenomenon. Attention is, then, directed to the various types of social relationships that range from the limited social link to the extensive network of relationships in which immigrant entrepreneurs may be involved - involvement which goes beyond the ethnic community.

The remainder of this section will be based on the concept of "*embeddedness*" that Mark Granovetter (1985) elaborated. Thanks to this concept, it is possible to distinguish some patterns of social relationships which, arguably, furnish the basic resources necessary for the durability of immigrant enterprises.

### *Embeddedness and Governance*

Before presenting these patterns, it is important to note that Granovetter believes, in the tradition of the New Institutionalists, that "*actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations*" (Granovetter, 1985: 487). Furthermore, through *embeddedness*, Granovetter considers that economic life can also be explained by referring to networks of social relations and acquaintances that may generate trust and discourage malfeasance in economic transactions. Moreover, and rightly, culture and ethnicity in intergroup relations are not perceived as constants by the author. On the contrary, they are the outcome of a continuous construction and reconstruction which may be performed, for instance, for economic and political ends (Granovetter, 1995). This fruitful approach will be integrated later in the development of the third part of this study.

On the one hand, *embeddedness* does not pertain to the over-socialized concept of economic action, which presupposes, broadly stated, that a generalized morality in business could be a guarantee for moral behaviour. This concept would correspond with Weber's "*rational orientation to an absolute value*" (Weber, 1994: 4; see Weber, 1976), such as ethics or religion. Social action, and by the same token, economic action, are achieved with reference

to principles, for the sake of the actor. Alejandro Portes and Julia Sensenbrenner call this type of economic action "*value introjection*". Economic action is understood within a collectivity, the expectations of which "*affect the economic goals and goal-seeking behaviour of its members, even if these expectations are not oriented toward the economic sphere*" (Portes and Sensenbrenner, 1993: 1323). On the other hand, Granovetter's concept of economic action contrasts with the under-socialized rationalist concept which states that economic action and decision-making are necessarily performed in a hierarchically organized structure of authority and monitoring (*governance*), owing to the tendency of economic actors to opportunism and calculation.

It appears that, in the field of social organization and economic action, two main conflictual approaches exist. The first considers that economic action occurs in the ambit of an institution which deals with economic transaction costs by elaborating contracts and obligations between rationally profit-seeking economic individuals. Such institutional arrangements do not create trust between the latter but contribute - in theory, at least - to the struggle against malfeasance. This concept of economic life has various implications. It presupposes firstly that economic actors are atomized individuals who are motivated by calculativeness and the pursuit of self-interest in transaction. They are described as subtle, devious and cynical by Oliver E. Williamson (1993). Secondly, the need for transaction safeguards in an institutional environment is justified by the tendency of economic actors to opportunism. Hence, "*governance structures [of monitoring] which attenuate opportunism and otherwise infuse confidence are evidently needed*" (Williamson, 1993: 456). Without an overarching authority, which could guarantee the enforcement of rules, the course of a relationship would become too complicated. Williamson accounts for this in an article where he explains that opportunism (or guile) and "*bounded rationality*", i.e., "*limited cognitive competence according to which agents are intendedly rational, but only limitedly so*" (Williamson, 1993: 458), are the key behavioural assumptions on which his theory of *governance* is based. *Governance* makes economic individuals act responsibly within the boundaries of hierarchical firms. It has to be said that the distinctive usage of the word "*economic agent*", as opposed to *economic actor*, is meaningful to Williamson who wants to emphasize the "*natural*" need for governance structures and mutual contractual obligations, in an anonymous economic world where calculativeness is rife and "*real trust*", he argues, so rare. Moreover, the increasing anonymity of market varies with its growth, to such an extent that a superior authority of control and *governance* is necessary in order to reduce opportunism and to control agents (see Figure 1).

The second approach states that economic transactions are not necessarily subject to opportunism or guile which would be mitigated by governance structures. According to



Granovetter, reputation, reliable information about contractual partners and strong expectations of trust among actors have to be taken into account. The purportedly "*anonymous market of neoclassical models is, thus, virtually nonexistent*". Consequently, market transactions do not "*approximate a hobbesian state of nature that can only be resolved by internalization within a hierarchical structure*" (Granovetter, 1985: 495).

Firms are "*embedded*" and connected by networks of relations and it is thanks to such "*embeddedness*" of business in social relations that the settlement of disputes is eased. In other words, the difference between *embeddedness* and *governance* lies mainly in the concept of the marketplace, which "*is reorganized in favour of the cynics*", in Williamson's view (1993: 485), and which is shaped by long-term social relations, according to Granovetter (1990).

Importantly, Granovetter does not underrate the efficiency of institutional *governance* in settling disputes and organizing markets. More precisely, he wants to re-establish a framework of analysis which could consider social relations as central and no longer as peripheral to economic action.

Arguably, the dynamics of industrial districts, the organization of subcontracting networks as well as the development and mobilization of human resources throw new light on the incidence of social networks in economic transaction and modes of cooperation. Trust, as one of their components even though it is not the sole foundation of social action, will be subject to deeper examination.

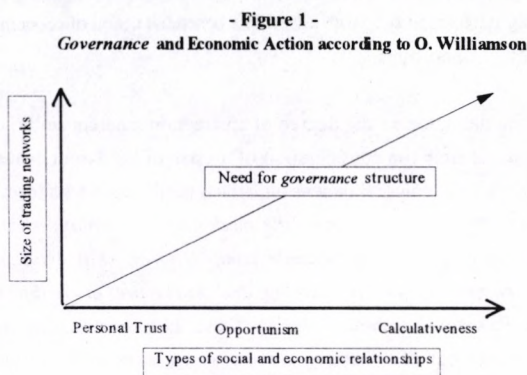
Admittedly, the concept of trust varies according to the context in which it takes place and to the social position of the individual who confers trust or earns it. Trust is, then, a polysemic word which needs clarifying each time it is used. Diego Gambetta's book, *Trust: Making and Breaking Cooperation Relations* (1988), confirms this problematic polysemy. The question maybe lies in integrating the temporal variation of social relationships in the analysis. This parameter, i.e. time, is almost nonexistent in the behaviourist approaches to social relations. In fact, they tend to focus on the need for *governance*, which varies according to the type of social relations that exists in trading networks. Williamson (1993) distinguishes three categories of trust. These are illustrated in Figure 1.

Firstly, *calculative trust*: this involves transaction between "*opportunistic agents*", who try to maximize their own profit. Parties appear as calculative in terms of efficiency, credibility and risk-taking, and insofar as calculativeness constitutes the basis of economic action, trust is no longer implied in the process. Hence, calculative trust, in Williamson's view, turns out to be a contradiction in terms. Calculativeness is the proper word; it may implicitly occur in an informal, reciprocal aid mechanism which depends on the practice of sanctions (ostracism, moral suasion) if reciprocity is absent. "*Trust has become more transparently calculative as new communication technologies have main inroads [...] by making it possible to track*

*commercial reputation effects in large trading networks*" (Williamson, 1993: 471). However, it could be argued that talking about reputation and communication technologies may contradict Williamson's initial assertion of a large and "anonymous" marketplace.

Secondly, *institutional or hyphenated trust*: this refers to the social and organizational context within which contracts are embedded. Transactions are organized with reference to the institutional context, and risk is calculated in accordance with the attributes of the transaction and the formal environment.

Thirdly, *personal trust or nearly noncalculative trust*: this constitutes the single category where calculativeness is or has to be suppressed. But Williamson asserts that if "*the decision to suppress calculativeness is itself purposive and calculative, then the true absence of calculativeness is rare, if not nonexistent*" (Williamson, 1993: 471). Hence, personal trust is described as nearly noncalculative; it can be either experienced as a *passion* (intimately, between relatives, friends and lovers) or as a *modality of action* (strategically).



Williamson's approach provides a fruitful explanation of calculative behaviour in different settings and kinds of environment. However, the problem is the prerequisite that determines the application of such concepts. In fact, it is stated that "*human actors are described here as boundedly rational and opportunistic*" (Williamson, 1993: 485)<sup>2</sup> in the realm of commerce. The adherence to such a vision of human action depends on whether one considers it as being embedded in a cynical trading environment or not. In such a framework,

<sup>2</sup> Williamson's rationale can be better understood with reference to E. O. Laumann, J. Galaskiewicz and P. V. Marsden (1978). The authors contend that in a perfectly competitive economic market, and only in such an economic context, "*the basic relationship between organizations is antagonistic; organizations are viewed as rational, purposive actors pursuing goals defined narrowly on the basis of organizational interests [...] linkages between units [i.e., actors or firms] tend to be viewed with suspicion*". Actors are seen as "*conspirators seeking unfair advantage and subverting the market mechanism*" (Laumann, Galaskiewicz and Marsden, 1978: 467).



calculativeness and profit-seeking appear crucial, whereas trust remains inevitably marginal if not nonexistent in economic action.

From another point of view, while calculativeness is exclusive of trust, the latter, used as "*a convenient label for behaviour whose explanation is to be found in some further theory*" (Craswell, 1993: 488), may be integrative of calculativeness. In fact, Granovetter's *embeddedness* takes into account the potentiality of malfeasance inherent in (his conception of) trust. Consequently, while a social relationship generates trust, it does not always guarantee the continuity of the partnership, owing to the diversity of networks of social relationships, which can lead to disorder, guile and malfeasance. Hence, *calculativeness* (in the terminology of Williamson) is contained in Granovetter's concept of social relationship, which encompasses various degrees of behaviours ranging from trust to distrust, guile and deceit. The difference between the two scholars seems to lie in the vagueness of a commonly used word. But this terminological dispute may illustrate a vision of economic action which is presupposed either as being responsibly performed (i.e., with a view to a beneficial action of cooperation with a potential partner) or as *naturally* opportunistic.

Whatever the definition or the degree of abstraction inherent in the usage of trust, the conception involves not only the consideration of a class of behaviour (whether it is calculative or noncalculative) but also a temporal dimension, which needs, before its formation, familiarity. Niklas Luhmann (1979) emphasized that "*the modes of acquaintanceship, the capacity for truth, and the extent of the comprehensible complexity of what exists in the world vary according to the manner in which meaning and world are intersubjectively constituted*" (Luhmann, 1979: 19; see also Luhmann, 1988). Trust, as a construction, is only possible in a familiar world; it comes out of a learning process which takes time. Although trust does not solve the problem of the rationale for economic cooperation, it reduces, in Luhmann's view, the complexity of the world.

Admittedly, it cannot be fully explanatory of economic action but complements, nonetheless, the analysis of its complexity in a temporal dimension. Luhmann agrees on the necessary absence of control over individuals who trust one another (this corresponds to Williamson's "*personal trust*", which is limited to the family, friends and lovers), and on the existence of mutual expectations and reciprocity. By extrapolating, Luhmann's distrust would correspond with Williamson's calculativeness as the latter's "*personal trust*" would be congruent with Luhmann's trust, except from the additional temporal variable that allows, through experience, a knowledge (subjected to constant examination) to be acquired.

Trust appears as a conscious effort of knowledge and revaluation which takes place in ongoing systems of social relations. It constitutes a factor through which "*a system gains time*" (Luhmann, 1979: 89). This is congruent with the observations of Charles Perrow (1992),



concerning the dynamics of small-firm networks (SFNs). Thanks to this structural cooperative basis, trust is facilitated and affirmed. Although trust is difficult to assess and illustrate, it seems to be perceived, by the actors involved in SFNs, only retrospectively, that is, after a certain period of time during which SNF actors' efficiency and reliability have been "*tested*".

The purpose of this second part was to show that the figure of the *creative* and *alert* entrepreneur can be fruitfully applied to the case of immigrant entrepreneurship. As a matter of fact, the immigrant entrepreneur may also be active in looking for unexploited resources which could contribute to the persistence of his enterprise. By the same token, he may also know that reliable information about market opportunities can be available beyond the ethnic economy.

Moreover, as explained before, the immigrant entrepreneur's action is embedded in a system of relations that provides a meaning. The scope of this system may be dependent on the individual's action. Also, it may simultaneously include ethnicity and other types of social relationships, while contributing fundamentally to the pursuit of given goals. It has been shown that different communal social relationships could involve, in the receiving marketplace, other forms of cooperation which may be based on subjectively created linkages (e.g. trust) and networks of acquaintances that facilitate economic transactions.

Finally, by stressing the analytic advantages of "*social embeddedness*" in terms of immigrant entrepreneurship, it is hoped to present a wider field of investigation which, arguably, seems more appropriate to the complexity of this problem. Embeddedness puts forward an approach which insists on the multiplicity of social membership that is influential on the economic orientation of the immigrant entrepreneur. Moreover, and owing to his trajectory, the entrepreneur may be involved in networks of social relations that are not limited to the receiving area. The extension of these networks may also constitute a resource for the economic initiatives of the immigrant entrepreneur. This phenomenon is treated in the following part.

### *Networks and Immigrant Entrepreneurship*

In the wake of Granovetter, it is important to recognize that actors confer a subjective meaning to their actions in a given context. It also seems crucial to admit that their economic and social initiatives are "*embedded*" in networks of relationships which are influential, without being determining, on their performance. Being *alert* and *creative*, entrepreneurs look for potential sources of information about the market which will be available thanks to their participation or membership in network organizations. These will be examined in the following sections, while trying to limit the analytic development to the field of immigrant

entrepreneurship. It is argued that network organizations are intentionally created as a response to a given environment. This contention will be theoretically exemplified as a prerequisite to articulating the analysis on two categories of networks, namely *communal* and *associative* network relations.

### *Understanding Networks*

In order to overcome uncertainty in the market place, social actors (i.e., individuals, firms) may find ways "to ensure a smooth and predictable flow of resources from other organizations" (Galaskiewicz and Mizruchi, 1994: 231). In other words, they may use networks as a means of reducing transaction costs and be active in the maintenance of interpersonal ties that will influence their cooperative network structures. Conversely, existing social networks may be influential on the subsequent set of relations. Clearly, and insofar as they are dependent on the relations existing between persons or firms, networks seem to be subject to constant variation in terms of relational content and actors' positions.

The generic definition of a *network* proposed by David Knoke and James H. Kuklinski (1982; 1991) constitutes the starting point of the analysis in this section. It states that a network is "a specific type of relation linking a defined set of persons, objects, or events [...]. The set of persons, objects, or events on which a network is defined may be called the actors or nodes. These elements possess some attribute(s) that identify them as members of the same equivalence class for purposes of determining the network of relations among them" (Knoke and Kuklinski, 1982: 12). This definition emphasizes the relational content of network ties that underpins network structure within which actors are embedded. It also highlights a phenomenon that has no existence at the level of the individual actor.

When talking in terms of network, one considers that an actor's participation and behaviour involve other members of the same network for the pursuit of a given goal. One also presupposes that, being a member, an actor has chosen to involve a part of his activities in such relations, for reasons that cannot be analyzed exclusively from a functionalist point of view. Networks are thus intentionally created with a view to achieving objectives that can be economically, socially and politically defined. Once the objective is attained, the network structure, namely the global configuration of social structures at a certain period of time, does not necessarily disappear, because "networks are capable of change, adaptation and accommodation of new tasks" (Baker, 1992: 398) and aims. These aims may include the exchange of what K. S. Cook and J. M. Whitmeyer call "valued items" (Cook and Whitmeyer, 1992: 110). For both scholars, actors (persons or corporate groups) participate in exchange relations which form and reinforce, in turn, a "social structure" which corresponds to a "pattern of particular ties between actors, where variation in the network in the existence or strength of ties is meaningful and consequential" (Cook and Whitmeyer, 1992: 118).



### *The Exchange Theory and Network Analysis*

In the views of exchange theorists and network analysts, whether they are material or symbolic, ties or relations refer to an exchange process. On the one hand, analyzing networks consists in focusing on the exchange ties and their relational content, which can be based on kinship, friendship or contractual obligations. On the other hand, the exchange interaction occurs because of the exchange value of items that has been transferred. Hence, in the exchange theory, *"network ties consist of exchange relations of valued items, and what matters causally is the exchange value (i.e. due to actors' interests) of the items exchanged"* (Cook and Whitmeyer, 1992: 123). In other words, the application of the exchange theory to networks highlights the content inherent in the links existing between patterns of relations (or social structures).

In the field of immigrant entrepreneurship, this means that actors confer a meaning or exchange value to their actions, which are *"embedded"*, as Granovetter (1995) argues, in social structure. Exchange theory provides an essential basis for considering the content of interpersonal relations and their consequential aggregation, which is seen as influential on the global structure of relations (see Figure 2). To give an example, Yoram Ben-Porath (1980) notes that, in the market place, family ties may be a major determinant of the mode of transaction between individual actors. The family could represent, in Ben-Porath's analysis, a form of social structure where transactions are specialized by identity, that is to say, exchange relations are *"embedded in the identity of the partners [i.e. relational content], without which it loses its meaning"* (Ben-Porath, 1980: 3).

While the exchange theory sheds light on the diverse content inherent in interpersonal ties, network analysis refers more specifically to the interaction of groups of actors or institutions. It does not only study the roles and motivations of individual actors in social structures, but also integrates *"dualism"* (Emirbayer and Goodwin, 1994: 1417; see Giddens, 1984; Sewell, 1992: 4). In other words, it combines the study of group behaviours with the analysis of interpersonal ties. Network analysis depends on the examination of interpersonal relations as well as on the study of the configuration of group or institution relations. Moreover, it shows that *"individual and group behaviour cannot be fully understood independently of one another"* (Emirbayer and Goodwin, 1994: 1418). Such *dualism* is central in the analysis of immigrant entrepreneurship and the involvement of immigrant entrepreneurs in social networks, because it goes beyond the explanation of social and economic action in terms of connecting attributes (such as ethnicity, cultural predispositions and religious beliefs) by postulating that network patterns of relationships cannot be expressed solely in terms of the categorical attributes of actors. It is now possible to examine this problem more deeply by





Sensenbrenner. According to them, bounded solidarities, community norms, enforceable trust, and the regulations imposed by immigrant associations, (such as the *Chinese Six Companies* in San Francisco's Chinatown), reduce the scope of the action of immigrant entrepreneurs as well as their access to non-ethnic resources. These are conditions which may hinder the search for additional opportunities out of the ethnic group. They argue that this is due to the fact that "*when immigrants can draw on a variety of valued resources - from social approval to business opportunities - from their association with outsiders, the power of their ethnic community becomes weaker*" (Portes and Sensenbrenner, 1993: 1336). It is contended in this study that such a general assertion needs qualification.

In fact, the access to external resources does not automatically weaken the cohesive power of a social structure. On the contrary, thanks to network analysis, it is possible to consider that the overlapping and the interconnectedness of two patterns of social relationships may turn out to be of great interest to the actor himself as well as to both social structures, while strengthening their respective characteristics.

Maybe, the problem lies in the commonly adopted nominalist approach, which requires the setting of limits on networks, on the basis of arbitrary categorical criteria, such as common ethnic origins<sup>3</sup>.

### *The Delimitation of Network Boundaries*

The selection of actors is essential to the analysis of networks. Identifying and selecting a sample is not a sufficient criterion. In fact, stress is also placed on actors' subjective meaningfulness to participate in networks. This is what Edward Laumann, Peter Marsden and David Prensky (1983) consider a "*realist approach*" to networks, in that network relations are consciously experienced as such by actors themselves. This means that "*a social entity exists as a collectively shared subjective awareness*" (Laumann, Marsden and Prensky, 1983: 21).

In this study, the criterion which will be used to define the limits of the network in which immigrant entrepreneurs are involved, will refer to the subjective perceptions of system actors themselves. It will allow us, firstly, to understand the relationships which are viewed by the actors, and not by the observer, as important to the pursuit of their individual and collective goals. The delimitation of a relevant population in a system of actors is a prerequisite to investigating the relational content of linkages existing between actors. Secondly, the chosen criterion stresses the organizational characteristics that may influence interpersonal relationships. These may be based (1) on the principle of "*complementarity*", that is, "*cases*

<sup>3</sup> Knoke and Kuklinski explain the analytic consequences of this arbitrary restriction by referring to the example of school children's relationships and their influence on academic performance. "*An analyst who examines the effect of school children's classroom interactions on their academic performance, for example, arbitrarily omits the relationships that occur outside the classroom (e.g. playground activities). If these latter interactions somehow condition academic performance, conclusions based on in-classroom observations alone may be incorrect*". (Knoke and Kuklinski, 1982: 25).

where there is a scarcity of resources [...] are conducive to an exchange framework, the products of one organization in the network are resources to another" (Laumann, Galaskiewicz, and Marsden, 1978: 462). Network relationships can be based (2) on the principle of "*the similarity of goals*", which leads to "*a commonality of interests and hence interorganizational linkages*" (Laumann, Galaskiewicz, and Marsden, 1978: 461). Thanks to this method, it is possible to identify the degree of coordination among actors and groups of actors as well as the fundamental reasons for their interaction.

Admittedly, empirical investigations seem to offer the best solution to understanding the relational content of social structures in the whole network and their influence on relationships. They also allow the constant *creativity* inherent in such exchange relations to be deciphered. Wayne E. Baker notes that exchange relations may be embedded in networks having a high degree of "*integration*" across formal and hierarchical boundaries. In other words, he considers that, in a complex network structure, relations might be shaped by the various degrees of *integration* or *differentiation* inherent in the patterns of network relations (Baker, 1992: 405). In Baker's terminology, "*differentiation*" refers to the hierarchical division of a network organization into ranks and formal (bureaucratic) positions, while "*integration*" pertains to the flexible coordination of a plurality of actors' behaviours; "*formal categories or groups such as formal position, geographic location, and market focus are not significant barriers to interaction. Interpersonal ties of all types, task-related communication, advice, socializing and so on, are as easily established between as within formal groups or categories*" (Baker, 1992: 401).

When interactional relationships are highly *integrated*, the endless ramifications inherent in a network can posit the question of characterizing the linkages which are relevant to the analysis and those which are not. An approach based on *mutual relevance*, combined with network analysis and the exchange theory, may offer empirically the possibility of delimiting the scope of the sample. The approach should, therefore, refer to the actor's subjective feeling of belonging to an entity - Weber's *Zusammengehörigkeit* (1994: 16) - as well as to the relations that an actor considers as mutually *relevant* to the achievement of his activities and to those of his partner. The interview of the partner should, thus, make it possible to understand how the network has been created and used, how it is perceived and evaluated from both poles and how it actually appears (with its constraints and advantages). In one important respect, Robert G. Eccles and Rosabeth Moss Kanter suggest that "*social ties depend upon perceptions and evaluations, and while there are pressures that push in the direction of similarity, asymmetry of various kinds and to varying degrees is common*" (Eccles and Moss Kanter, 1992: 523).



As far as immigrant entrepreneurship is concerned, much knowledge can be acquired by referring to the actor's participation in networking activities. By doing so we can understand how some social relations (present and absent) contribute to the resources and persistence of the firm while being simultaneously influential on the whole structure of relations.

Network analysis is not only a congenial theoretical tool that permits the configuration of exchange relations between actors or groups of actors to be determined; it also facilitates the discovery of a complex structure that has been designed by such linkages, through the lived experience of actors.

### *The Formation and Maintenance of Networks*

The processes of mobilization and network formation have to be discussed here. The formation of linkages does not take place exclusively on the basic sharing of common financial interests between participants. The exchange of valued items, as stated before, can also be the outcome of the "*recognition of the existence of imperfect markets [which] leads to an explicit consideration of the problems of defining the sets of potential actors within which specific exchanges can take place*" (Laumann, Galaskiewicz, and Marsden, 1978: 471; see also Eccles and Moss Kanter, 1992: 526). Network formation may be considered as being responsive to a particular context which is viewed as socially, politically or economically imperfect. By extrapolating the thought of Kirzner, mentioned in the second part of this study, networks generate opportunities (but also constraints) that "*creative*" and "*alert*" actors will transform into resources.

Actors may be mobilized on a communal basis, which will constitute the main meaning of their social relationships. The behaviours of actors may be influenced by the relational content of their types of membership.

According to the actor's experience, a plurality of memberships may involve him in various social structures (this is illustrated by the central position of Actor A3/B3 in Figure 2). Whatever the diversity of personal involvement, membership requires mutual consent from both the actor himself and his co-members<sup>4</sup>. Consent, which leads to voluntary membership, may also be the outcome of a learning process which finds its roots in experience. As such, it is subject to constant selection and reformulation either by the actor or by the group to which he belongs. Consent, as the expression of the will to belong to a set of social relationships, is one central element which secures the willingness of actors to mobilize themselves and to participate in the

<sup>4</sup> Mutual consent seems to be congruent with Rainer Bauböck's analysis of citizenship: "*everybody who is a citizen must have consented to be a member and the state as an association of citizens must have consented to each individual's membership [...] I assume that the various interpretations of 'voluntary association' can be reduced to those of consent: a voluntary association is a group of individuals each of whom has in some way consented to be a member and accepted the rules which the association has given to itself*", (Bauböck, 1994: 53).

performance of activities. From a general point of view, family and kinship ties may exemplify this kind of communal relationship and its spontaneous solidarity. The recognition, on the part of the actor, of the validity of an order is also a central element that has to be taken into account in the process of network formation and mobilization.

Another kind of mobilizing basis inherent in the network relationship stems from the associative relationship. This can be experienced by two actors who belong respectively to two different social structures. Cooperation has been evaluated by both actors as mutually important (*complementarity*), though their interests may differ. It also stems from a mutual consent, plus a compromise.

Moreover, associative membership is subjected to certain conditions. There are types of formal association where admission requires some selective qualifications. The applicant to the association has to meet with the selective criteria of admission which evaluate the usefulness of his potential participation as well as his own personality (and morality). Associations consist of closed social relationships which are embedded in a numerically limited social structure, with a view to keeping deliberations secret, and to securing, in a given context, an overriding communal relationship. Closure also allows the protection of the interests and advantageous connections of members as well as their rights (e.g., a guild). Similarly, because of the existence of a limited number of participants in the association network, actors know and recognize each other more easily. Mutual expectations are better formulated and collective action is facilitated.

Moreover, associations generate an institutional order which creates binding obligation and mutual expectations that are influential on the behaviours of members. This order is "*capable of making a lasting and autonomous contribution to rendering the behaviour of social actors reciprocally adjustive and predictable*" (Schmitter and Streeck, 1991: 228-231). In contrast to communal networks of social relationships, an association generates a solidarity order by consent and concertation. This order is guaranteed by a hierarchical institution (e.g., a commission) which acts as a third party between co-members. It will secure the actual practice of a given cooperation. From a structural point of view, members' connections in associative organizations may reflect a kind of reciprocity. However, from the exchange theorist's point of view, and in terms of relational content, it has to be said that these connections are not necessarily reciprocal, owing to the varying meaning that each actor attaches to his own membership.

The legitimacy and recognition of a third party as well as the actor's membership consciousness may be mutually necessary. It is thanks to such complementarity that the actor himself attaches a meaning to his associative participation (in a social circle or in a professional association), and that an order exists and is collectively respected as such. Owing to such



*dualism*, it is difficult to contend that a certain degree of subordination is present between members and the hierarchical associative institution which guarantees order. If this were so, most associations would become temporary. The reciprocal (and necessary) interaction between order, belief, and membership is of paramount importance for the maintenance of the associative network. These three elements secure the durability and credibility of associative ties. Moreover, the stronger the associative linkages and trust (in Granovetter's sense), the easier the access to resources.

As shown in the foregoing development, what Weber (1978) called in *Economy and Society* an overriding communal consciousness and relationship (i.e., *übergreifende Vergemeinschaftung*) is necessary to both kinship and associative networks. Associations are productive and reproductive of an identity, a common understanding and a belief between members, while communal network relationships seem to be based fundamentally on pre-existing ties (at least, subjectively perceived as such by actors). Both types of networks reduce anonymity in the marketplace while contributing to increase the opportunities of access to additional resources (mutual help, information, financial aid).

Clearly, the conditions that give rise to network forms are fundamentally different. With Walter W. Powell, it can be suggested that "*the network story, then, is a complex one of contingent development, tempered by a [continuous] adjustment to the social and economic conditions of the time*" (Powell, 1990: 318).

Interestingly, and in the field of immigrant entrepreneurship, Alain Tarrius' empirical case study illustrates this contextual adjustment (Tarrius, 1995; see Missaoui, 1995). He notes that, in the central district of Marseilles, called Belsunce, the dynamics of immigrant entrepreneurship have been diversified since the end of the 1980s, following the arrival and settlement of Tunisian immigrant entrepreneurs. Some of these entrepreneurs had previously been living in Libya, before migrating to Marseilles. Before the expulsion of thousands of Tunisian immigrants from Libya, which happened in the 1980s, they had been developing, in the Libyan region, network relationships with local and regional traders. Once they arrived in Marseilles, some of them developed their business affairs on the basis of these "*numerous Mediterranean informal networks*", which require the mobilization of social ties and the respect of norms by the actors involved in this mechanism, or "*dispositif*" in the words of Tarrius. "*Today, such a trading mechanism ["dispositif commercial"] federates so many different actors [who are ethnic and non-ethnic] that the domination of a single ideological and political reference to Islam would not suffice to account for its fundamentals*" (Tarrius, 1995: 47). More importantly, these networks involve a plurality of actors who share a common belief (Tarrius talks about an ethic). Geographically, they cover a wide area in which Belsunce constitutes just one pole of settlement and transit.

Algerian immigrant entrepreneurs are also active in such cross-border networks. However, their trading activities in Marseilles have decreased severely since the mid 1980s, when it became much more difficult for an Algerian to obtain a visa for France, and when the devaluation of the Algerian Dinar reduced the purchasing power of the Algerian tourist-consumers who were used to spending a large amount of money on various goods (mainly cars and domestic appliances) in Marseilles. From 1988 to 1992, *"half of the whole number of immigrant firms [in Marseilles] were bankrupt. The turnover of the remainder decreased, on an average, by circa 50%, 70%"* (Le Monde, March 29th 1993: 27). Consequently, many former Algerian business concerns existing in Marseilles were bought up by Tunisian immigrant entrepreneurs. The persistence of the Tunisian immigrant firm, in this receiving city, seems to be highly dependent on the cohesion of these networks, the configuration of which has been readjusted. They provide a significant adjunct to the resources and opportunities available to the Tunisian immigrant entrepreneurs.

Tarrius' empirical case shows that networks can be flexibly reactive to particular environmental conditions. The action of a state has a definite impact on the operation and transformation of a network (whether it has a communal or associative basis). Moreover, the impact of state regulation seems to vary with the configuration and the types of linkages that characterize a given network. As for the maintenance of the network structure, it seems more dependent on the capability of responsiveness (and *alertness*) of its participants to new conditions.

For six reasons, at least, network analysis is of great interest to the study of immigrant entrepreneurship. Firstly, it states that network linkages and social structures have to be considered as mutually dependent on one another. Secondly, it does not presuppose arbitrary categorical attributes for the development of the analysis. It suggests, on the contrary, going beyond the observation of in-group characteristics and opportunities for the explanation of the creation and maintenance of firms. Thirdly, it highlights the various contents of actors' relationships (i.e., individuals or corporate groups). Fourthly, at a broader level of interaction (i.e., cross-border networks of relations), it shows that the availability of resources is not necessarily limited to the area of settlement of immigrant enterprise. Moreover, thanks to network analysis, the aggregation of actors' decisions are subject to deeper examination. Fifthly, and most importantly, scant attention has been given in empirical studies to the fundamental characteristics and *dualism* inherent in networking activities in the field of immigrant entrepreneurship. Finally, by delving into the examination of network interests, tasks, and aims, it may be possible to demonstrate (thanks to the criteria of *complementarity* and *similarity*) how networks may complement or overlap (in a conflicting manner or not) the interests and functions of other forms of social order and incorporation.



## Conclusion

The reference to network analysis and to its correlated concepts allows the gap between the organizational structure of networks and the relational content that actors attach to their involvement and membership in such networks to be bridged. In the field of immigrant entrepreneurship, it articulates two levels of study. First, immigrant entrepreneurs are seen as social actors who are involved in a set of relational ramifications that encompass ethnic and non-ethnic linkages. By observing the practice of immigrant entrepreneurship in the *dualism* inherent in network structures and interpersonal ties, other elements of analysis may highlight the multiplicity of involvements of these actors, as well as the types of organization that are influential on their behaviours. Second, different network structures (whether they are based on communal or associative links) offer different opportunities in a given context, and different orientations and strategies. It may be from this perspective that immigrant entrepreneurs derive their interests and that, at the same time, networks persist.

Networks are linked to action in organizations, and *"the patterns of relations among organizations influence the strategies they pursue, the people they recruit, and their opportunities for growth and survival"* (DiMaggio, 1991: 90). Much empirical research is needed, in terms of immigrant entrepreneurship, to understand how and why the configuration of networks changes, and to which (local and international) context such change is responsive. Moreover, their extension across national borders as well as their high capability of adjustment seem to constitute elements of great importance in the understanding of immigrant entrepreneurs' opportunities and resource mobilization.

Admittedly, the development of the second part focused mainly on the fruitfulness of considering the figure of the entrepreneur in terms of human action. Actually, this theoretical reference constituted an attempt to put forward another approach to immigrant entrepreneurship, which, in the long term, cannot be angled towards income substitution. As regards social action, it was helpful in highlighting the combination of multiple involvements and their implication, for the actor and his social group(s). This phenomenon may be fundamentally the outcome of an individual or collective experience that has been *creatively* invested in business activities.

Finally, additional knowledge could also be acquired by investigating, first, the way in which immigrant entrepreneurs understand and invest their own participation in networks; second, individual actors' trajectories as well as their past experience; and, third, the actors' perceptions of networks compared with their apparent functioning. This could possibly show to what extent the maintenance and fundamental characteristics of networks (whether they are extended or localized), are interdependent on the practice of actors or members.

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