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Shaking the Minority Box: Conceptualizing the Impact of Context and Social Capital on the Entrepreneurial Activity of Minorities¹

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Introduction

The objective of this chapter is to advance the theoretical understanding of the links between social capital, minority entrepreneurship, and entrepreneurial context (Dana, 1996; Welter 2011). Our specific interest is in the relationship between social capital and the entrepreneurial activity of minority groups that are well established in their particular societal context and have a relatively long history or background in that context. The study thus poses a counterpoint to the extensive research on entrepreneurship among social groups that may to some extent be described as disadvantaged, such as recent immigrants (see e.g., Minto-Coy, forthcoming, *IJESB*). Our main research question is: What kind of impact may social capital have on the entrepreneurial activity of an established minority²? We take a special interest in this issue in relation to the identification and development of entrepreneurial opportunities. To illustrate this important theoretical issue and simultaneously problematize the methodological challenges that our research question bring to the fore, we use the example of the Swedish-speaking population of Finland.

Why is this issue important? In short, we argue, because of a significant bias in existing research. Entrepreneurship among immigrant groups and in diaspora networks has attracted research interest across a large number of fields including business (Morris and Schindehutte, 2005), criminology (Gottschalk, 2011), economics (Fairlie, 1999), gender studies (Pütz *et al.*, 2007), labour markets (Nee and Nee, 1986), and sociology (Light, 1972). This research has drawn upon a range of methods from anthropological to census-based, and theories from middleman-minority theory (Bonacich, 1973) to enclave theory (Aldrich, *et al.*, 1989; Nee and Nee, 1986), and theories of migration (Muller, 1993). The Dana and Morris (2010) framework explains entrepreneurship among minorities who have immigrated. The common thread of all these above-mentioned is a focus on entrepreneurship in immigrant groups.

These and other previous studies have provided useful insight into the characteristics and features of new entrepreneurial groups that have migrated into Europe over the last 50 years, and that are often socially and financially disadvantaged (Dana, 2007; Jones *et al.*, 2014; see also Minto-Coy, forthcoming, for an analysis outside the European context). However, most of these studies have focused on recent immigrants, thereby ignoring minority groups and diaspora networks with long-standing and stable status in society. Some scholars have taken an interest in indigenous minorities (Dana, 1995; Dana and Anderson, 2007) and religious groups (Weber, 1904-1905; Sombart, 1911; Dana, 2010) who are minorities, but not recent immigrants, thus partially highlighting the time dimension. Overall, however, we have a limited understanding of entrepreneurship in ethnic communities and diaspora networks that may in many cases go back hundreds of years (Volery, 2007), and we lack studies that analyse the entrepreneurial activities of ‘old ethnic minorities’ (Raento and Husso, 2002) and compare them with majority populations. Furthermore, contemporary research has often focused on underprivileged ethnic entrepreneurial groups, ignoring financially more prosperous communities.

Hence, there is a clear knowledge gap that requires further research, and this is where this study aims to contribute. The societal relevance of our research is obvious in that the current socio-political climate in Europe is increasingly unfavourable to minority groups, yet at the same time,

² By an established minority, we mean a minority whose members – although their position in society may be precarious or exposed in many ways – cannot be described as “recent immigrants”. Established minorities have deep roots in their “host” context and a lengthy record of involvement in different aspects of that context, e.g. politics, business and civic society.

demographic changes (e.g., Lingreen and Hingley, 2010) and economic challenges are motivating many Western societies to take actions intended to promote and motivate entrepreneurship. In this context of rising tensions with regard to the entrepreneurial actions of minorities and diaspora networks – especially successful ones – it is important to understand the entrepreneurial activities of ethnic and other minority groups and networks as well as possible. We need to know how these activities contribute to developing the markets and business communities of the economies and societies in which they are embedded, and how entrepreneurial activities of minorities and diasporic groups can be explained, supported and promoted. This is in addition to the general calls to go beyond the extensively researched individual characteristics of ethnic entrepreneurs, and combine various theoretical perspectives to explore the multiple contexts of ethnic minority entrepreneurship (Ibrahim and Galt 2011; Kraybill 2010).

Within the scope of our general research question, this chapter has the following specific aims. First, we aim to review and assess the existing theories and knowledge base with respect to ethnic entrepreneurship and its connection with entrepreneurial activity and economic development in a cross-cultural context, and provide a critical review of the existing ethnic entrepreneurship literature. Second, we aim to develop a framework and propositions that seek to capture the link between social capital and different entrepreneurial contexts (Welter 2011) within which ethnic entrepreneurship and economic development could be analysed. Third, we strive to create a foundation for future empirical analysis by discussing and indicatively answering the main methodological challenges that our research question bring to the fore.

As stated above, we use entrepreneurship in the Swedish-speaking population of Finland, or Finland-Swedes, as an example to illustrate our arguments. This minority³, which currently comprises 5.3% of the total population (Statistics Finland, 2017), is held to be entrepreneurially more active and also better endowed with social and economic capital than the main population. Although not an ethnic minority or diaspora in the strictest sense, it provides an interesting example of an established minority that differs from the main population on several dimensions pertinent to our research endeavour. Furthermore, this minority is embedded in an institutional context that allows us to exclude a number of potentially confounding factors. Finland is an institutionally stable, transparent Nordic welfare society characterized by strong rule of law, low corruption, a small grey economy (Virtanen, 2016), and an education system that is free of cost for EU/EEA nationals up to the university level (Ministry of Education and Culture, 2017). Economic freedom and individual rights are constitutionally guaranteed (FinLex, 2017). This institutional environment mitigates factors that might otherwise discourage minority entrepreneurs, and decreases the likelihood that minority individuals will turn to entrepreneurship by necessity. Finally, reliable income data and statistics on entrepreneurship and language⁴ are available from public sources.

The rest of the paper unfolds as follows. First, we will review the extant literature on ethnic entrepreneurship and different approaches to studying the phenomenon. Then we will offer a brief historical overview of Finland-Swedes and their characteristics in terms of entrepreneurial action, followed by the development of a conceptual framework on entrepreneurship among established minorities. We subsequently discuss methodological aspects of analysing entrepreneurial activity

³ We use this term only in a statistical sense, not a legal sense. From a legal perspective, Finland is a bilingual country and Swedish is one of the two national languages, not a minority language.

⁴ Public statistics on language suffer from some definition challenges that we will return to later on in the paper.

amongst minorities and diaspora networks. The paper closes with conclusions and suggestions for future research.

Literature review

Entrepreneurship and social capital across contexts and levels of analysis

We start our literature review with a discussion of the theoretical base of previous research. In terms of research units and levels of analysis, many studies of ethnic entrepreneurship have focused on individual-level economic behaviour of minorities in contexts where push factors (unemployment, racial discrimination etc.) can be seen as the major drivers of self-employment and entrepreneurship. This observation provides a key impetus for the present study and we will return to it in greater detail below.

Many previous studies of ethnic minority businesses are exploratory in nature and their analysis is not based on a consistent theoretical framework. However, many such studies do take an explicit starting point in network theory. The interest in this particular framework is understandable given that one of Granovetter's (1973) seminal ideas is the conceptualization of strong ties as characterised by a combination of time, emotional intensity, intimacy, and reciprocity. These are typical characteristics of the relations with family and friends. The parallel concept of weak ties, on the other hand, has highlighted the role of informal networks and embeddedness (Granovetter, 1985) outside the immediate social circle of close family and friends. In the words of Granovetter (1985: 490), *'The embeddedness argument stresses... the role of concrete personal relations and structures (or "networks") of such relations in generating trust and discouraging malfeasance.'*

An important aspect of Granovetter's (1973) perspective on networks is that weak ties may be as important as strong ties in leveraging the resources that can be accessed through the network. Co-ethnic networks have been found to provide access to five important resources: co-ethnic customers, employees and suppliers; finance and information; and emotional support (Dini, 2009). They have also been shown to inform locational decisions for migrant businesses and act as marketers of diasporan businesses (Minto-Coy, 2016).

Trust is another factor that is emphasised in many studies of (ethnic and diaspora) entrepreneurship, also based on the seminal work of Granovetter (1973, 1985). Trust is argued to be a critical part of successful relationships (e.g., Deakins et al., 2007; Katila and Wahlbeck, 2012; Welter, 2010; Welter, 2012), and is held to be fundamental to both strong and weak ties.

In combination, an interest in these factors has gradually guided research in the field toward a focus on social capital in an increasingly broad sense. This has generated a growing number of studies referring to social networks, embeddedness, and social capital in the context of ethnic entrepreneurship (e.g., Deakins et al., 2007; Jones and Ram, 2010; Katila and Wahlbeck, 2012; Kloosterman, 2010; Kloosterman et al., 1999). We concur with this development, and accordingly draw upon social capital as the theoretical framework that will guide our subsequent discussion.

Social capital can be defined according to Nahapiet and Ghoshal (1998) as the sum of actual and potential resources embedded within, available through and derived from one's network of relationships. One of the advantages that social capital confers upon actors is that it enables them to acquire resources and knowledge (Nahapiet & Ghoshal 1998, Tsai & Ghoshal 1998). As such, and again following Nahapiet and Ghoshal (1998), we argue that social capital conceptually enfold

or incorporates the notion of social networks, including both strong and weak ties, trust, and embeddedness.

According to Nahapiet and Ghoshal (1998), social capital is a multidimensional concept that consists of three overlapping but analytically distinct dimensions: structural, relational and cognitive. The *structural* dimension includes the fundamental proposition of social capital, which states that network ties provide access to resources and information (Liao & Welsch 2005). In addition to network ties, the structural dimension includes network configuration and appropriable organization (Nahapiet & Ghoshal 1998). The *relational* dimension of social capital refers to assets based in the concept of relationships, such as trust, trustfulness, norms, obligations, and identification (Nahapiet & Ghoshal 1998). The *cognitive* dimension pertains to the shared representations, interpretations and systems of meaning among parties. In other words, this dimension refers to shared norms, including codes and languages, as well as shared narratives that assist a common understanding of mutually accepted goals and rules of acting in a social system (Nahapiet & Ghoshal 1998).

Despite the many positive aspects of social capital, it has been recognized since the concept was first introduced that it also has potentially significant drawbacks or downsides. Bourdieu (1977), the founder of the ‘European school’ on social capital, focused his research on the exclusionary effects of social capital – that is, its negative effects on those who do not have access to it. Meanwhile, Powell and Smith-Doerr (1994: 393) neatly summarized the potential risks of social capital for those who *do* possess it in the famous quote, ‘The ties that bind may also turn into ties that blind’. In other words, although high levels of social capital are beneficial in a number of ways, they may also have significant drawbacks in the form of narrow-mindedness, parochialism, and inertia (Adler & Kwon, 2002). This needs to be kept in mind throughout the discussion below.

Empirical studies on ethnic entrepreneurship

The nature of social capital as a dual-edged sword has been recognised also in literature engaging with minority, ethnic and/or immigrant entrepreneurship, and entrepreneurship in diaspora networks. Portes and Sensenbrenner (1993) were early in discussing the negative effects of social capital in the context of immigration. Subsequent research has shown that in host country contexts, high levels of social capital within ethnic communities may act as a barrier to innovation and renewal (Waldinger, 1995), and may hamper entrepreneurial activities in tight-knit communities (Portes, 1998).

Deakins and colleagues (2007) studied the role of social capital of ethnic minority businesses in Scotland and concluded that, even if in many cases this role was important and had a positive impact, it also emerged as a very complex phenomenon. They found social capital to be a limiting factor for example for young, well-educated second- and third-generation owners who have different kinds of networks and are more integrated in their host society than first-generation immigrants. Deakins and colleagues (2007) concluded that the nature of successful networks depends on the level of trust, which will depend itself on the nature of the business environment (*e.g.*, rural vs. urban), on culture and on regulations. Welter (2011) refers also to the dark side of socio-spatial context when she notes that spatial proximity may contribute also to over-embeddedness.

Katila and Wahlbeck (2012) studied the role of social capital in the case of Chinese and Turkish restaurants in Finland, drawing upon bonding and bridging social capital as key concepts in their analysis. Drawing upon ‘bonding’ social capital means using resources received from the social networks within certain social groups. ‘Bridging’ social capital refers to networks between

different social groups and use of resources received from diverse social connections. There is a close parallel to Granovetter's (1973) concept of strong and weak ties, as well as similarities to the work of Brinkerhoff (2009) on accessing entrepreneurial resources through digital networks. The conclusion of Katila and Wahlbeck (2012) is that ethnic entrepreneurs must use any available social capital in order to survive. Referring to the above discussion of dark side of social capital (Deakins et al., 2007; Portes and Sensenbrenner, 1993; Welter, 2011) the conflict is obvious, since drawing on some of that social capital may be harmful for the business. Still, Katila and Wahlbeck (2012) conclude that successful ethnic entrepreneurs rely on an ability to combine resources from their co-ethnic ties as well as from other local and transnational ties. Similarly, Minto-Coy (forthcoming) emphasizes that it is important for ethnic entrepreneurs to know when and how to draw upon strong and weak ties, respectively, as opposed to being fixed on an either or approach. Jones and Ram (2010) analysed UK labour market dynamics and concluded that ethnic ties help to develop employer-worker relations; these do not operate independently of universal resources, as informal networks and relationships should also be considered.

Katila and Wahlbeck (2012) point out that ethnic businesses do not operate in the vacuum of independence but are connected to their universal context. Thus they suggest that the benefits of social capital for self-employment and entrepreneurship are largely dependent on the mixed embeddedness perspective, which also accounts for the involved actors' embeddedness in broader contexts including social, economic and political circumstances. In the same vein, Jones and Ram (2010) conclude that ethnic minority businesses are dependent on their own community networks but also on external structural contexts. These findings indicate that mixed embeddedness could be a relevant approach to understand key dynamics of ethnic entrepreneurship.

Earlier, Kloosterman and colleagues (1999), in their study of immigrant entrepreneurs and their prospects of upward social mobility in the Netherlands, also concluded in favour of the relevance of mixed embeddedness. They argue that in ethnic studies, the notion of embeddedness is mainly used to refer to the social characteristics of groups consisting of co-ethnics. However, this approach neglects immigrants' embeddedness in wider social, economic, institutional and spatio-temporal contexts. Businesses are also embedded in context-specific sets of norms, rules and regulations, associations, neighbourhoods and business traditions. In addition, macro-level embeddedness should also be taken into account. At this level, the opportunity structure for businesses in general is largely determined by institutional context (Kloosterman *et al.*, 1999). In other words, to capture all relevant dimensions of embeddedness of immigrant entrepreneurial activities, there is a need for concepts such as mixed embeddedness.

In order to illustrate mixed embeddedness, Kloosterman (2010) develops a typology of the opportunity structure where a market is split according to accessibility and growth potential. This model may fit well in the context where entrepreneurs come from disadvantaged groups, but the approach is static and does not take into account the possibility that a market may be internally diverse, stratified or otherwise heterogeneous. It also to some extent overlooks the potential of immigrant or diaspora entrepreneurial ventures to transcend the boundaries of their local enclaves and develop into full-fledged international entrepreneurship ventures (see e.g. Mainela, Puhakka and Servais, 2014).

As a complement to approaching ethnic minority business from the perspective of the nature of the relationship, we could also concentrate of the unit of analysis. For example, Dana (1997) differentiates in his literature review four different foci for analysing ethnic minority entrepreneurship: (1) focus on self, (2) focus on the ethno-cultural milieu, (3) focus on the host society, and (4) focus on interaction of the ethno cultural milieu and the host society.

The focus on self emphasises entrepreneurs' personal characteristics and behaviour. Even if personal traits and characteristics are no longer at the core of entrepreneurship research, these variables are included in many studies as variables explaining ethnic entrepreneurship. For example, in the mixed embeddedness approach (Kloosterman, 2010) the micro-level of the individual entrepreneur will be analysed. Other such characteristics that are needed to "breakout" (Smallbone *et. al.*, 2010) probably include variables such as age, education, generation etc. which are included in personal traits.

The second focus, on the ethno-cultural milieu, depends on the values and beliefs of the specific ethnic group. As Dana (1997) points out through examples, there seems to be differences in how different ethnic groups see entrepreneurship (as positive and desirable or not). He also considers whether some ethnic groups have a stronger internal locus of control than others. On the other hand, locus of control belongs to the personal characteristics of an entrepreneur, so it could be asked how this focus differs from the focus on self. However, and interestingly from the perspective of our empirical example, recent research within economics provides some evidence of language-based variation in group-level behaviours, including behaviours commonly associated with locus of control. Chen (2013) found that the likelihood of individuals displaying future-oriented behaviour increased with the extent to which their native language made a grammatical association between the present and the future. In combination with other research on the links between culture, values and economic action (e.g., Hofstede, 2001), this provides support for group-level variation separately from individual-level characteristics.

The third item, where the focus is on the host society, depends on the structure and development stage of the host society. As Dana (1997) summarizes, this approach limits entrepreneurial behaviour to a consequence of the (often marginal) position of an ethnic group in the host society. When the focus is on the interaction of the ethno-cultural milieu and the host society, ethnic enclave and middleman minority position theories could be applied. In conclusion, Dana (1997) emphasizes that the heterogeneity of ethnic groups should be taken into account, as individuals from different ethnic communities become self-employed for different reasons. This is highly relevant from the viewpoint of our study, as entrepreneurship dynamics may look very different in well-established minorities compared to more precariously positioned groups.

Also important from the perspective of the current paper, the work of Dana and Light (2011) has highlighted the importance of capturing the contextual variety of minority entrepreneurship by exploring the different characteristics of self-employment amongst Sámi people in Finland. For instance, Dana and Light (2011) show that Sámi herding is mainly driven by the maintenance of a cultural tradition and not necessarily limited to the maximization of financial profits, emphasising the role of informal contexts for entrepreneurship. Further underlining this point, two categories of self-employed reindeer herders could be differentiated: Sámi and (non-Sámi) ethnic Finns (Dana and Light, 2011).

Smallbone *et. al.* (2010) suggest several ways in which ethnic diversity can be linked to the competitiveness of cities, and provide partial empirical evidence for three such aspects – ethnic diversity as a source for creativity and innovation; the role of diaspora-based networks; and linguistic diversity. Smallbone *et. al.* (2010) point out that even if diversity would be a source of potential competitiveness, resources are needed to exploit it, and in some ethnic minority communities this demands a strong supplementary role of public policy.

In sum, there is strong evidence that the effects of the different dimensions of social capital on ethnic entrepreneurship vary depending on the spatio-temporal and social context where entrepreneurship takes place, its entrepreneurial culture and the secondary effects thereof, which will differ across countries. This notion provides a crucial starting point for our study as we proceed

to combine a range of entrepreneurship opportunities and their development with different dimensions of social capital, focusing on the special case of well-established minorities. Before that, however, we provide a brief description of the specific subgroup we use to illustrate our discussion.

Example of an established minority: Swedish-speaking Finns

Finland formed part of the kingdom of Sweden for several centuries before becoming an autonomous Russian grand duchy in 1809 and then a sovereign country in 1917. Even during the period of Russian rule, Swedish remained the administrative language of Finland until the late 19th century, after which it continued to be the ‘principal’ language of the ‘upper class’ for several decades (Hyyppä and Mäki, 2001). After Finland’s declaration of independence in 1917, the proportion of Swedish-speakers has gradually declined from circa 14% at the beginning of the 20th century to 5.2% today. However, the rights of Swedish-speakers have been constitutionally enshrined in that Finland is a bilingual country, with Finnish and Swedish as official languages of formally equal status. Apart from that, the vitality and significance of the Swedish-speaking minority in Finnish society has largely rested on its own political, cultural and economic activity in combination with key publicly funded institutions such as a Swedish-language educational system stretching from kindergarten to university (Raento and Husso, 2002).

As pointed out in the introduction, Finland-Swedes are not an ethnic minority or diaspora in the strictest sense. They identify their nationality as Finnish and not Swedish, have for the most part been living in Finland for centuries, and conform to the majority population in terms of religion and physical appearance. Many are bilingual or at least fluent in Finnish. Marriages across the language boundary are common, both public and private life are characterized by extensive code-switching, and there is a long tradition of voluntary switching of languages (e.g. in the late 1800s and early 1900s when many Swedish-speaking families changed their name and language to Finnish ones to support Finnish national independence efforts). Swedish is a mandatory (although intensely debated) language in Finnish-language schools, and access to the Swedish-language educational system and other language-based institutions is based on language skills, not ethnicity or family roots.

With these caveats, it can be argued that Swedish-speaking population of Finland provides an interesting example of an established indigenous minority (in a statistical sense) that differs from the main population on several dimensions pertinent to our research endeavour, forming a distinct group with their own institutional norms and structures. It currently comprises some 289,500 individuals, approximately 5.2% of the total population (Statistics Finland, 2017). This makes it the largest language-based minority in Finland, since the total share of all the other language minorities was about 6% in 2017 and this includes about 150 different language groups.

Figure 1 shows the geographical distribution of the Swedish-speaking population. Most live in the coastal areas of Southern Finland and the West coast of Finland (Ostrobothnia), which are the most densely populated and economically dynamic regions of the country. Relatively, the largest group is found in Ostrobothnia where 49.6% of the population or some 89,900 individuals are Swedish-speaking (Statistics Finland, 2017). However, in absolute numbers the largest group is found in Uusimaa where Swedish-speakers number about 132,200, or 8.1% of the total population. About 8.8% of Finland-Swedes live in Åland, an autonomous group of islands located halfway

between Finland and Sweden, where the official language is Swedish. Due to this special status, we exclude Åland from the subsequent discussion and focus on the situation in mainland Finland.

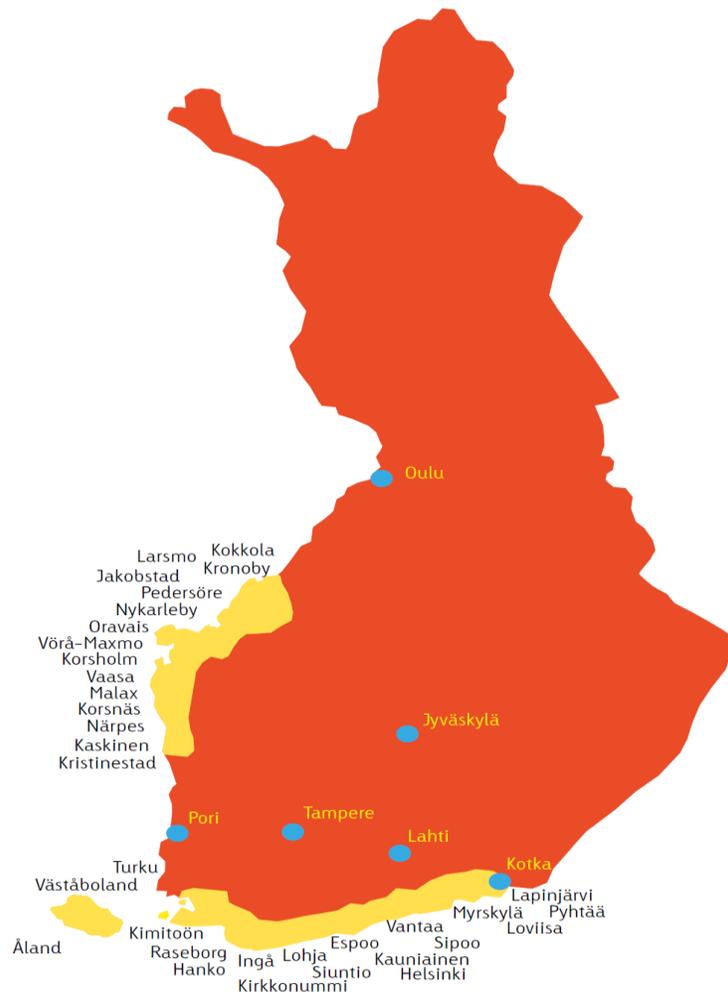


Figure 1: Main locations of Swedish-speaking population in Finland (yellow-coloured areas) (Folktinget 2010: 29)

Compared to the majority population, Finland-Swedes have been argued to enjoy higher levels of social capital, they are to some extent distinct in terms of culture and identity (Heikkilä and Rahkonen 2011; Surakka et al. 2009) although not visibly different from the Finnish-speaking population, and they are on average more entrepreneurially active (Statistics Finland, 2015). Official statistics indicate that at a general level, their entrepreneurial activity exceeds that of both Finnish-speakers and other language groups in Finland. According to the most recent figures available at the time of writing, 5.2% of Swedish-speakers were entrepreneurs. The corresponding figures for the Finnish-speaking population and speakers of other languages were 4.2% and 3.8% (Statistics Finland, 2017).

These are rough estimates where wealth, region and other possibly relevant factors have not been controlled for, and other approaches yield different figures. For example, excluding 240 member firms in Åland, the Federation of Finnish Enterprises has about 2,750 member firms that have indicated Swedish as their main language (www.yrittajat.fi, 2017). Extrapolating this number to the whole population of entrepreneurial businesses in Finland (283,000 according to Statistics Finland, 2015) suggests that Swedish is the main language in some 7,400 companies. Relative to the total Swedish-speaking population, this number would suggest that only about 2.6% are entrepreneurs. However, a key challenge in identifying ventures started by Finland-Swedes is differentiating them from those started by the Finnish-speaking population. Due to widespread bilingualism, Finland-Swedes may also establish businesses where the main language is Finnish. We will discuss such empirical problems in closer detail below.

Less recent secondary statistics (Ilmanen and Keloharju, 1999) also indicate certain differences compared to the main population. For instance, 14.0% of Finland-Swedes owned some shares in the early phase of their venture creation, compared to 9.1% of the Finnish main population. The average value of equity investments of Finland-Swedish was 30,900 FIM⁵ per capita and of the Finnish-speaking majority about 6,400 FIM (ibid.). Another report (Fredriksson, 2002) illustrates that the proportion of taxable property of assets declared by Swedish-speakers was 8.8%, equivalent to property of 186,700 FIM per person, while the corresponding figure was 115,700 FIM for the Finnish-speaking majority. Thus, at the level of individual characteristics, Finland-Swedes may indeed have better prerequisites for entrepreneurship than the majority population of Finland. Their average education and wealth is higher, and they are more active as investors. Thus they deviate considerably from the ethnic minorities described in most previous studies, which mainly focus on disadvantaged people.

Heikkilä (2008), referring to various welfare studies indicating that Swedish-speakers tend to be healthier, have less difficulty at school, divorce less than the mainstream population, etc., notes that Swedish-speakers in Finland are often thought to enjoy greater cultural and social capital (Bourdieu, 1979). However, she goes on to point out that this view has little credence among the minority itself and notes that Finland-Swedes as a collective are heterogeneous. For instance, there seems to be a certain friction between Swedish-speakers in Uusimaa and those in Ostrobothnia. The former is the capital region, the seat of government institutions, and the HQ of most large enterprises, whereas the latter is known for its many SMEs and entrepreneurial spirit. Heikkilä (2008) concludes that the identity of Finland-Swedes is a culturally determined, highly complex and multi-layered phenomenon.

⁵ FIM=Finnish markka, the national currency until December 31, 1998. €1 = 5.94573 FIM.

Finally, Swedish-speakers are more mobile than the majority population. For example, in 2013, 12% of all Finnish citizens who moved abroad were Swedish-speakers. Due to the close historical, cultural, and economic links between Finland and Sweden, Sweden is overall the biggest target country of migrants from Finland, but the share of Swedish-speakers who move to Sweden is especially high (YLE, 2015).

Conceptual framework for analysing entrepreneurial opportunities and social capital in the context of established minorities

Social capital is held to be an important source for business development and entrepreneurship (Burt 2000). Higher levels of social trust can reduce the perceived risk of opportunistic behaviour (Welter and Smallbone, 2006), while it may strengthen social and business networks as important resources. These tight social relations, in turn, may also perpetuate and strengthen shared social and informal institutional norms that may have a strong effect on the emergence of entrepreneurship amongst minority groups (Wennberg and Autio, 2010). Taken together, this may greatly affect the entrepreneurial activities of such groups.

Recent entrepreneurship research has increasingly emphasized the importance of finding ways to contextualize entrepreneurial behaviour and develop our understanding of when, how, and why entrepreneurship takes place (Welter 2011). In addition to embeddedness of individuals and organisations, institutional embeddedness of the opportunity structure also needs to be critically analysed (Kloosterman et al., 1999; Kloosterman 2010). Thus we advance an integrative framework addressing three different contexts of entrepreneurial behaviour. Similarly as Kloosterman *et. al.* (1999) and Kloosterman (2010) in their mixed embeddedness approach, we integrate (1) the individual level with (2) resources and their mobilisation and local opportunity structure or development (Sarasvathy *et. al.*, 2003) and (3) macro-level institutional framework (cultural and political).

From these starting points, we will now conceptually explore how a minority's social capital and its embeddedness in a society and economy may affect the emergence and types of entrepreneurship that members of this minority may engage in, focusing on the case of established minorities. Like financial capital, social capital may be conceptualized as including both sources of capital and use of capital. In our model, use of social capital includes all actions related to identifying, seizing and developing opportunities. In what follows, we first identify the sources of social capital (Portes and Sensenbrenner, 1993; Hyypä, 2004), and then discuss how the social capital generated by these sources influences entrepreneurs' opportunity recognition, discovery and creation, illustrating our argument with examples from the specific context of the entrepreneurial activity of Finland-Swedes.

The sources of social capital may include a community's history, cultural tradition, institutions, education, work experience, values, and reciprocity (Portes and Sensenbrenner 1993, Hyypä 2004). Finland-Swedes have been argued to enjoy higher levels of social capital and wealth in comparison to the majority population (Hyypä and Mäki, 2001; Surakka et al., 2009). Community history, culture and established practices have been shown to be important factors in explaining this (Hyypä, 2004; Hyypä and Mäki, 2001; Heikkilä, 2008).

These sources act as triggering factors of strong (bonding) and weak ties (bridging) when taking advantage of the structural dimension of social capital. The structural dimension of Finland-Swedes' social capital includes network relationships, encompassing both strong and weak ties. Strong ties enable resource acquisition through social networks; this pertains to the bonding aspect of social capital. Weak ties, by contrast, induce indirect contacts that act as channels for information, ideas and influences also from socially distant locations. They are more likely to generate transfer between different circles and access to information different from what one usually receives (Granovetter 1973). Weak ties enable the use of resources received from diverse social connections, which is typical of the bridging aspect of social capital (Katila and Wahlbeck, 2012).

If we analyse the characteristics of Finland-Swedes' institutional embeddedness it could be argued that the strength of their social capital lies in their communality (e.g., Hyypä 2004). Previous research has highlighted that Finland-Swedish communities are often embedded in tight social networks, implying abundant strong ties and possibilities for generating bonding social capital. This could be used when seizing opportunities and in mobilizing resources. The communality of Finland-Swedes also creates favourable conditions for developing the relational dimension of social capital. Tight social relationships reflect a higher level of social trust within their communities, as compared to the majority population (Surakka et al., 2009). In a close-knit community, trust, trustfulness, norms and obligations are more evident than in a context where few or no communal relationships exist. Also, the reputational and social cost of breaking such bonds will be significantly higher, and the consequences longer-lasting.

On the other hand, in business terms, membership in a close-knit community may also create an overly strong focus on that community through several mechanisms. Firstly, it may be easier to do business with known and trusted partners. Secondly, trusting that clients will be loyal may decrease incentives to develop, thus hampering business competitiveness in the long run. Thirdly, strongly felt obligations to support and serve a particular community may lead an entrepreneur to disregard other opportunities which might over time have been more fruitful.

The arguably most important dimension of social capital from the perspective of ethnic minorities is the cognitive dimension – shared norms, codes, language and narratives – which assist in creating and maintaining a common understanding of mutually accepted goals and social rules (Nahapiet and Ghoshal, 1998). Through language and narratives, the cognitive dimension is also linked to culture. Evidence at both firm and individual level (Barner-Rasmussen, 2011; Barner-Rasmussen & Aarnio, 2011) indicates that Finnish individuals who know Swedish⁶ play a key role in the extensive business links between Sweden and Finland. This has significant secondary consequences at the national level, as countries that share a language trade significantly more (e.g., Sauter, 2012; Egger and Lassman, 2015). In this context it should be mentioned that to the extent that such an effect prevails in trade between Sweden and Finland – whose economies are among the mutually most integrated in the world, even if Finnish and Swedish are mutually unintelligible – it is not only due to Finnish citizens who speak Swedish. English is widely spoken in both countries, a significant number of Swedish citizens know Finnish. According to a poll by the Swedish National Radio (2005), some 5% of the Swedish population was able to speak or understand Finnish or Tornedalian Finnish, a variant spoken in Lapland. Also, many Finnish citizens reside and work in Sweden.

⁶ It should be noted that not all of these persons would identify themselves as belonging to the Finland-Swedish minority, as Swedish is taught as a mandatory subject in Finnish schools and is spoken by many members of the majority population. We return to this issue below.

There is also a connection between the cognitive dimension of social capital and opportunity identification. Buenstorf (2007) emphasises that the knowledge about focused business and cognitive preparedness of the entrepreneur are essential in identification of opportunities. The cognitive framework of the entrepreneur also has a crucial role in Baron's (2006) model of opportunity identification. In our example case, a slightly different cognitive disposition compared to the majority population may enable Finland-Swedish entrepreneurs to differentiate in important ways. Existing diaspora research (e.g., Riddle et al. 2010, Riddle & Brinkerhoff, 2011) suggests that this differentiated cognitive disposition may be due to a broader cultural-regional scope and tighter cultural links to Sweden and the other Nordic countries – a kind of diasporic state of mind, although we believe such terms should be used with caution when dealing with established minorities. This disposition may endow Swedish-speaking entrepreneurs with multiple lenses and access to a broader selection of ideas and other resources, thus improving their opportunity recognition and increasing their opportunities for differentiation, with ultimately positive consequences for their competitiveness.

A would-be entrepreneur's motivation to start a business is affected by emotional, instrumental, development and other motives, for example traditions and family pressures. Instrumental and development motives are largely dependent on the "supply" of opportunities. From the network perspective, Stevenson's (1983) classic definition of entrepreneurship as "*pursuit of opportunity beyond the resources your currently control*" is important. Kloosterman's (2008) approach to the opportunity recognition process includes opportunity *identification* in terms of matching existing, or known, market demand and supply (Sarasvathy et. al., 2003). In addition to opportunity recognition in terms of entering existing markets where demand is already known, Sarasvathy and colleagues (2003) differentiate two other ways – opportunity *discovery* and opportunity *creation*. In opportunity discovery, the search for information about market characteristics, especially potential customers and competitors, is essential. If both demand and supply are unknown but the entrepreneur is convinced about the responsiveness of the market, opportunities could also be created (Sarasvathy et. al., 2003).

In addition to the opportunity spectrum, also the context should be taken into account. Opportunities exist in social, spatial and institutional contexts (Welter, 2011). Thus, the context of Finland-Swedes and especially their social capital could explain why they identify opportunities. As noted above, research on diaspora entrepreneurship suggests that the ability to identify and develop opportunities may benefit from a broader cultural-regional scope (e.g., Riddle et al. 2010, Riddle & Brinkerhoff, 2011, Elo 2017). Mullins (2006) classifies opportunity domains to include market, industry and team domains. We propose to substitute the team domain with the 'entrepreneur domain', which is equal to Kloosterman's (2010) micro-level where connectedness up and down across value chain links the opportunity with structural dimension of social capital. This individual level also includes resources and resource mobilization (Kloosterman 2010). Kloosterman's (2010) model further includes a meso level (local opportunity structure) which is linked loosely to a macro level (institutional embeddedness of opportunity structures). We focus on the three dimensions of social capital at individual level. Thus, in the debate on whether social capital is a public or a private good (or both; see e.g. Kostova and Roth, 2003), we concentrate on its nature as a social resource possessed by individuals, with positive or negative confluence of

their socialisation, education and network relations (Bourdieu 1979, 1986). In this regard we follow Bourdieu's argument that groups or communities do not possess social capital, but are constructed to maintain and safeguard the social capital of their members.

As noted earlier, mixed embeddedness (Koosterman et al. 1999, Kloosterman 2010, Jones and Ram 2010, Katila and Wahlbeck 2012) denotes that ethnic minority businesses are dependent on their own community networks but also on external structural contexts, highlighting the importance of minority entrepreneurs' embeddedness in wider social, economic and institutional contexts. Kloosterman (2010) discusses mixed embeddedness in terms of an opportunity structure where markets have two key characteristics: accessibility and growth potential. We have noted before that the possibility that markets may be internally heterogeneous constitutes a challenge to this model. Another challenge is that it assumes that opportunities for high-skilled migrants reside mainly in expanding markets, whereas in fact, so called high-impact firms may be found also in declining branches of industry and every part of the country (Acs et al., 2008).

Strong ties are essential in building trust in business relationships, but sharing a historical and cultural background facilitates the development of trustworthy relationships also with weak ties. Thus, within a minority, the shared context helps raise relational social capital levels, which will be essential especially in opportunity recognition. On the other hand, in the creation and discovery of opportunities, the cognitive dimension – for example language, narratives, and habits – will be crucial. Needless to say, the potential positive implications of these dimensions of social capital extend beyond identification of opportunities to endow business development efforts by community members with a certain degree of stability and sustainability over time. Linking these arguments to Finland-Swedes' entrepreneurial activity highlights how key resources of entrepreneurs from established minorities are accumulated and used over time, and how social capital supports successful resource mobilization and business development.

Finland-Swedish entrepreneurs seem to be embedded in both local, regional (Nordic) and international communities, as well as multiple, overlapping historical and institutional contexts. For example, Finland-Swede entrepreneurs in regions with strong entrepreneurship traditions, such as Ostrobothnia, may be able to benefit from both regional and international opportunities, as their cognitive social capital makes it easier for them to do business with partners in Sweden proper. Likewise, Finland-Swede entrepreneurs from one part of Finland will have an advantage in building relationships and benefiting from opportunities with Swedish-speaking business partners elsewhere in the country. However, a minority may still be internally differentiated or stratified in this regard: in the case of Finland-Swedes, possible benefits from being embedded in the entrepreneurial tradition in Ostrobothnia are limited to that part of the country. And it is important to acknowledge that easy bonding with Swedish-speaking partners may lead to more important opportunities with other partners being overlooked, thus falling victim to 'the ties that blind' (Powell and Smith-Doerr, 1994).

These links between sources of social capital, its different dimensions, and the entrepreneurial opportunity spectrum are summarized in Figure 2 below.

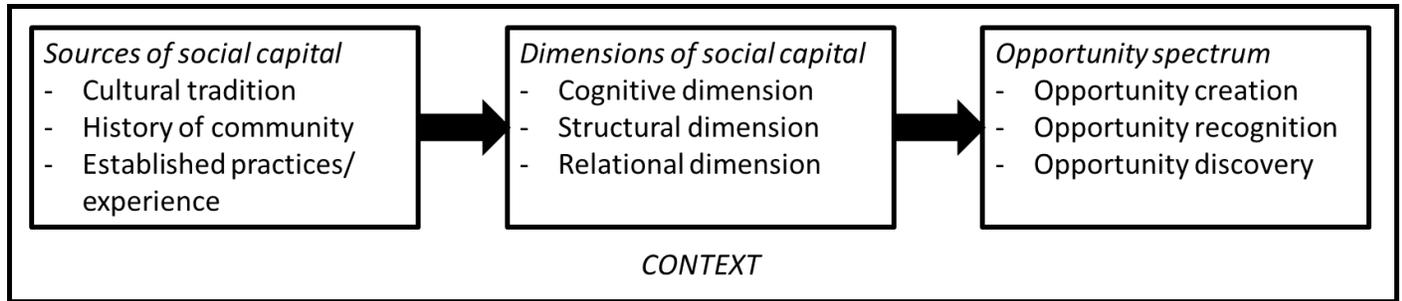


Figure 2: Social capital and opportunity spectrum

Methodological challenges for future research

Our example illustrates a major methodological challenge for empirical research efforts in the area of entrepreneurship among established minorities and diaspora networks. Namely, such minorities and groups have often learned to ‘blend in’, drawing on the social capital conferred by minority membership only in certain situations, whereas at other times they are difficult or impossible to distinguish from the majority population. In the case of Finland-Swedes, this ability to blend in is further heightened by the lack of physical distinction from the main population.⁷

In the case of Finland-Swedes, the methodological difficulties associated with reliable identification criteria for minority members manifest themselves at both the individual and the firm level of analysis. At the individual level, the only practical ways to identify persons belonging to this minority is either to go by formal first language – which will miss a large group of bilinguals – or to focus on how individuals themselves understand their identity in terms of language (and possibly ethnicity). These approaches will lead to very different results in terms of who the studied individuals are, how their networks are constructed, and how they understand the entrepreneurial opportunity structure and context in which they operate.

At the company level, things are more complicated still. As we have mentioned, a register of firms that have identified themselves as Swedish-speaking does exist, but these firms are so few as to suggest that the measure is extremely conservative. This raises tricky questions such as how to classify a firm owned by a person with Swedish as his/her formal first language, but where daily work is carried out in two or even more languages, and some employees may not speak Swedish? Simply put, few firms will state unanimously that they are ‘Swedish-speaking’, because that may cause alienation among Finnish-speaking clients and prospective employees (Barner-Rasmussen, 2011), and official sources offer no other way of identifying firms where the language might well be spoken fluently on a daily basis. Firms can also be internally differentiated in this regard, with Swedish being spoken more frequently in some departments or functions (for example, export or marketing departments) than in others. Finally, due to widespread bilingualism, individuals who are formally registered as Finland-Swedes may also establish businesses where the main language is Finnish, yet these ventures may still benefit significantly from the social capital that can be derived from the entrepreneur’s access to the Swedish-speaking community. In short, then, identifying ventures started by minority members and differentiating them from those started by

⁷ We acknowledge that even among established minorities as defined in this chapter, visible factors such as race or ethnicity may cause significant differentiation in the ability to ‘blend in’ with the rest of the population.

the majority population is very difficult. Careful definitions and thorough, transparent data collection is called for. The latter, we feel, will be significantly facilitated by research teams composed in so as to represent ‘insider’ as well as ‘outsider’ perspectives, supporting the ability to pick up on minute contextual cues without impairing objectivity.

Secondly, to the extent that future empirical work aims to be comparative – comparing minority or diaspora entrepreneurship with entrepreneurial actions undertaken by majority representatives – careful matching of samples is necessary to avoid situations where findings are actually caused by underlying differences in wealth, education or other characteristics that are not directly related to minority/diaspora status *per se*. Of course, a minority may be wealthier and better educated than the average population, but in order to exclude the effects of these variables on entrepreneurship, the latter should be studied based on comparable samples.

Thirdly, as pointed out above, minorities and diasporas are not necessarily internally homogenous. On the contrary, they may be differentiated based on region or some other sociodemographic characteristic, making findings difficult to generalize. On the other hand, exploring such potential differences can yield interesting research ideas. For example, future research could identify differences between Swedish-speaking entrepreneurs in Southern Finland and the Ostrobothnia region.

Fourthly, minorities or diasporas are not necessarily identical in behaviour to those with whom they share their ethnicity or language. This observation is self-evident with regard to entrepreneurship because so many aspects of entrepreneurial context differ across countries, but identity issues and idiosyncrasies of national culture are also relevant dimensions of difference, maybe especially so in the case of established minorities with deep roots in their “host” country. In the case of Finland-Swedes, their national identity is emphatically Finnish, not Swedish; for example, their overwhelming majority will root for the Finnish national ice hockey team and not the Swedish one. Systematic exploration of similarities and differences can nevertheless yield ideas for interesting comparative research. For example, future research could compare the internationalization processes of Finland-Swedish entrepreneurs’ businesses with those of their Swedish colleagues. It is well known that Sweden has a lot more multinational businesses in the consumer goods industry than Finland. Are there any systemic similarities in the internationalization of Swedish businesses and businesses of Finland-Swedish, or are the latter more similar to Finnish businesses?

Finally, as Welter (2011) states, the context changes over time and this means that longitudinal comparisons need to be made carefully. For example, the position of Finland-Swedes in society is changing, and there are indications of increasing differences between generations in that older generations are preserving their heritage but youngsters prefer to adjust to new multicultural models (e.g., Folktinget, 2005). Opportunity structures are also dynamic, meaning that in addition to opportunity recognition where market demand and supply are matched, attention should also be paid to opportunity discovery and creation (Sarasvathy *et. al.* 2003).

Conclusions

In this chapter, we have developed a conceptual framework for analysing entrepreneurial activity amongst established minorities, taking the Finland-Swedish minority as an example. We have drawn upon a background including theories of entrepreneurship and opportunities, social capital, and mixed embeddedness. In our framework the starting point is identification of opportunity (Sarasvathy *et. al.*, 2003) where we differentiate opportunity recognition (demand and

supply known), opportunity discovery (demand and supply exist but are not known) and opportunity creation (no demand or supply). Individual characteristics and social capital affect identification of opportunities and decisions to seize them. Sources of social capital include history of community, cultural tradition and established practices. Social capital dimensions (Nahapiet and Ghoshal, 1998) in the model are structural (networks and network ties), relational (trust and norms), and cognitive dimension (language, narratives).

Our analysis suggests that social capital impacts the entrepreneurial activity of well-established minorities in ways that can actually provide them with better starting points than those available to majority population members. Despite potential pitfalls such as the risk of overembeddedness, well-established minorities can potentially leverage the combination of tighter networks and wider opportunity horizons to identify opportunities better and more efficiently, and exploit those opportunities more profitably and sustainably. This view stands in sharp contrast to the negatively colored view of minority entrepreneurship as a forced last resort for the disenfranchised. Our perspective illustrates the risk of overlooking important aspects of social reality if minority entrepreneurship is by default framed in terms of disadvantage or vulnerability. Our discussion and examples illustrate that under certain circumstances, the opposite is possible and even plausible. This novel perspective amounts to a significant “shaking of the box” in terms of usual approaches to minorities as entrepreneurs.

We argue that the structural, relational and cognitive social capital possessed by a minority or diaspora can combine with its embeddedness in regional contexts on one hand, and international contexts on the other, to create preconditions for entrepreneurship that are at least equal to those enjoyed by the majority population. This potential is especially good when minority members can take on positions as boundary spanners between contexts (Riddle and Brinkerhoff, 2011), leveraging their understanding of the respective contexts to improve the quality of business linkages across different kinds of boundaries (e.g. cultural, national, and/or linguistic; see Barner-Rasmussen, Ehrnrooth, Koveshnikov and Mäkelä, 2014).

However, to realize this potential, successful boundary spanners should be acceptable as ‘insiders’ on both sides of the boundary they span. Controversial or badly integrated minorities will find it more difficult to take on boundary spanning roles. This is a strong argument in favour of efforts to integrate immigrant and ethnic communities and diasporas in a positive, respectful and mutually beneficial way. It is also an argument for educational efforts aiming to deepen the understanding that majority population members have of the minorities that share their social space, thus pre-empting or assuaging potential tensions between groups. It is important to emphasize that this is not only an economic issue, but has a human and ethical value as well. Educational efforts can also backfire if perceived as irrelevant or enforced, as demonstrated by the partly negative reactions against Swedish as a mandatory language in Finnish-language schools. Still, we believe that sensible educational efforts that increase ethnic groups’ understanding of each other and thus contribute to productive coexistence are likely to be beneficial from a business viewpoint. The host context and the extent to which it is experienced as hostile or welcoming has a strong influence on incoming entrepreneurship (Nkongolo-Bakenda and Chrysostome, 2013), making it in the interest of all involved to facilitate and support the efforts of immigrant and ethnic entrepreneurs.

In terms of managerial implications, an obvious point for minority entrepreneurs who wish to expand their business is that they should be careful to avoid overembeddedness in their own ethnic community, as this may mean that they never realize the transnational potential offered by their social capital. Especially for entrepreneurs from relatively prosperous and numerous minorities, whose local or regional community may constitute an easy, ‘captive’ market, this is likely to require a conscious effort. Such efforts could be supported by education, information and astute public

investments into business development and internationalization support aimed specifically to help minority entrepreneurs leverage their potential strengths in terms of market access.

Overall, our argument also implies that well-integrated, prosperous minorities are an economic asset of regions and nations in terms of the international business linkages they can enable. The value added by Chinese and Indian migrants to many economies in Africa (see e.g., *The Economist*, 2011) serves well to exemplify this point. This potential ‘profit of hosting’ could be highlighted in public discussions on immigration alongside other arguments on immigration, cultural diversity, integration, and public investments into business development. In a public debate that is sometimes one-sided in portraying minorities and integration from a cost perspective only, the potential economic benefits of integrated minorities and a vibrant, multidimensional social fabric deserve to be highlighted as a counterpoint. We suspect that to make this point stick, researchers with an interest in migration and diaspora research should collaborate with economists and accountants to develop appropriate metrics for estimating the potential economic value thus generated.

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