

In refugees we trust: Exploring social capital formation from scratch

Central thesis synopsis

We are currently witnessing the highest levels of displaced people in history, with close to 66 million in a state of forced migration (UNHCR, 2017). Such numbers have placed a lot of stress on hosting countries to find solutions for both the social and economic integration of these populations, and in particular, refugees (Bloch, 2014; Lyon, Sepulveda & Syrett, 2007; Phillimore & Goodson, 2006). As Ram, Theodorakopoulos and Jones (2008) have suggested, small businesses and entrepreneurs by migrants illustrates their super-diversity, while highlighting an important labour option through which integration and independence may be achieved. Both opportunity-driven and necessity-driven, refugee entrepreneurs opt for self-employment in their new countries of residence. In a notable contribution to our knowledge on the phenomenon, Sternberg, von Bloh and Brixy (2016) have evidenced that refugees may even be more likely to start businesses than natives. In accordance, they must often build entirely new social capital (SC) prior to business start-up, also as a strategy for overcoming other types of capital disadvantage. Recent studies that consider SC in relation to refugee entrepreneurship (Basok, 1993; van Kooy, 2016; Bizri, 2017; Sandberg, Immonen & Kok, in press) have emphasised the need to build critical contacts in new countries of residence, given the high value and instrumentality weak ties can bring.

There is still a dearth of knowledge regarding refugee entrepreneurship in general, and their processes of SC formation for business start-up in particular. To address this lack of insight, we are undertaking a study that examines the processes of nascent entrepreneurs¹ in a central European capital city. The study explores how SC is created in situations where nascent entrepreneurs are forced to ‘start from scratch’. That is, refugees engaging in entrepreneurial

¹ We draw upon Davidsson and Honig’s (2003) conceptualisation of nascent entrepreneurship, which they built upon Carter, Gartner and Reynolds’ (1996) framework: entrepreneurs who are “trying to start a new independent firm”, whereby individuals are considered as nascent entrepreneurs when they have initiated “at least one gestation activity for a current, independent start-up by the time of the interview. Gestation activities were determined as any of 20 different behaviours that were considered demonstrative of actively beginning the business creation process [and a] business was regarded as already started if 6 or more months before the study (a) money was invested, (b) income exceeded expenses and (c) the firm was already a legal entity” (pp. 312-313).

activity, who are dependent on relationships when starting their business, but have little or nothing to draw from. Leading from this, the research question undertaken in this study is a processual one: how do refugee entrepreneurs build the SC they require to start their businesses?

In this paper, we adopt the threefold perspective of SC, as defined by Nahapiet and Ghoshal (1998): structural, cognitive and relational. Interrelated, the first deals with the discernable features – network ties – that link actors. The cognitive dimension manifests through shared language, narratives and codes, while the latter deals especially with bonds that emerge between actors, associated with trust, trustworthiness, obligations and expectations, as well as identity and identification. Over time, and through repeated and reciprocal interactions, SC ties may strengthen, while “relational embeddedness” extends. The source of SC, the initial formation of SC, examined through values is what we endeavour to examine.

Methodology

This paper builds upon an ongoing study that makes use of an abductive approach to qualitative research. It further draws upon case study methods (Yin, 2003) and examines the experiences of refugees – what may be regarded as a vulnerable population (Sieber & Stanley, 1988). The participant population has been chosen for two main reasons that also correspond to the paper’s intended contributions: 1) refugee entrepreneurs must create new sources of capital for their business start-ups, providing us with an opportunity to examine and further theorise upon the origins of SC formation; 2) examining SC in this light strengthens our insights into the multidimensional processes of integration of refugee populations – a social priority, given the current migration flows. The consequential challenges of gaining access to the participants called for the researchers to build their own SC and trustworthiness by immersing themselves within the context: meeting with various institutional actors in order to map out the asylum-seeker and refugee local and national

system, attending community events such as support-group meetups, becoming a customer of refugee business products and services, sharing meals or chatting at a café and seizing opportunities to catch-up through chance encounters. This ethnographic approach was one that emerged as a consequence of the relationships that needed to be formed with participants. The closeness formed allowed for greater opportunities to observe and hold informal discussions, gain access to written and pictorial documentation, that would also serve to triangulate data obtained through interviews.

Semi-structured interviews were conducted with six entrepreneurs regarding their processes of business creation in their new country of residence, as well as life history interviews (Mandelbaum, 1982), focusing on their pre-flight biographies, including education and professional employment experiences. The interview schedule planned for extensive and in-depth questions on specific themes guided by the research question, while allowing for other themes to emerge. Interviews were recorded and transcribed, and field notes were created. Employing a grounded theory approach, these were analysed in MAXQDA. A thematic analysis characterised the analytical method (Merriam, 2009). Individual mini-cases are being constructed, centring on individual participants. A cross-case analysis will inform one larger “extreme case” of refugee entrepreneurship and SC formation. These offer us the opportunity to research a “signature situation in rich depth” (Eisenhardt, Graebner & Sonenshein, 2006, p. 1118). Consent to participate in the study has been obtained by all participants, on the commitment to anonymity. This paper draws upon a larger study and therefore expends preliminary results on six refugee entrepreneurs’ journeys.

Preliminary Results

Our preliminary results suggest that refugee entrepreneurs, who are building SC ‘from scratch’ to be leveraged in their business start-ups, perceive “advocates” (Wong & Boh, 2010) as important agents of change and catalysers of SC formation:

“The first network [connection] came from the Red Cross. [The Red Cross employee] introduced me to [a singer, a native]. She told me to go see him [...] saying he’s a guy who can help you” (AK, Singer).

These advocates, in turn, are perceived as actors of “uncalculating cooperation” (Jordan et al., 2016), with little or no expected direct return for their assistance. This type of altruism can be traced to “homophily”, which is the tendency individuals have to associate when they share similarities, either through “status homophily” or “value homophily” (Lazarsfeld & Meron, 1954 in McPherson, Smith-Lovin & Cook, 2001). In the former, socio-demographic cues especially contribute to building relations such as ethnicity, gender, age, religion, education, and professional affiliation among others. Value homophily is linked to more hidden psychosocial characteristics, which may transcend status homophily, such as beliefs, attitudes, preferences and ethos. The first relationships being built between the nascent entrepreneurs and their advocates appear to be unequal in terms of reciprocity, thus, our initial insight is that they are being formed on the basis of shared values.

In initiating SC formation for business start-up, the entrepreneurs of our study identified their need to build new networks and relationships, yet, none had any strong ties (e.g. close friends or family) to depend on. They only had fragile weak ties to draw from – predominantly with institutional personnel, who were aware of their social and economic status. None of the entrepreneurs had associated in a meaningful way within their cultural groups, socially, and all had engaged in cross-cultural integration activities, such as language courses provided by the state.

In light of this, the entrepreneurs built their SC from similar starting points, drawing from similar relationships and actors, in order to build their own trustworthiness and credibility, prior to business start-up. They reported having benefited from the referral of a weak tie relationship, who drew from a larger native network of SC, enabling the entrepreneur to form key business and social relations:

“You know already that I’m not [native, referring to his appearance]... It’s a new place. I don’t know anybody. Like, frankly, I never knew anybody before I came here” (NO, App Developer).

Discussion

Discussing this, in their seminal paper on the advantages of SC, Nahapiet and Ghoshal (1998) have expounded on the premise that relationships, and who one knows, directly impacts the flow and quality of capital. They have also highlighted that one’s identification (e.g. membership) with a group facilitates and enhances exchanges, as does the stability and durability of relationships – developed with time. Trust, as a part of the relational dimension of their SC conceptualisation, enhances three conditions to exchanges and the creation of SC: 1) access to people who will exchange information; 2) the anticipation of value in exchanges; and, 3) individual motivations within exchanges. In a refugee entrepreneurship context, however, these three aspects are less traceable and more uncertain, given the lack of history, reputation and trustworthiness of refugees. Noted in Chollet, Géraudel and Mothe (2014), who examined the formation of referrals for SMEs, the assertion that new entrepreneurs leverage personal relationships from past professional and educational experiences to compensate for shortcomings in performance history and credentials, for instance, does not easily apply to refugee entrepreneurs. However, leveraging on the ties of others does.

In an important examination of building reputation through third-parties, Wong and Boh (2010) have highlighted the pivotal role of third party “advocates” in influencing ascribed values of trustworthiness to individuals, and in turn, build their reputation. They further argued that an advocate’s influence to enhance others’ influence depends on their personal networks and they make the crucial distinction between strength of tie and advocacy: one does not necessarily require a long time in knowing someone or have a history of many interactions with them to become their advocate. Moreover, an advocate’s social influence directly influences the ability to diffuse knowledge about a newcomer. In their model, they

demonstrated that social-contextual factors as well as third-party relationships influence the development of trust. Yet, uncertain returns or unknown reciprocal benefits in relationships with refugee entrepreneurs are marked. However, advocates “communicate positive information about an actor to their contacts and, consequently, enhance the actor’s reputation” (ibid., p. 129). The most effective advocates seem to be those who have high network heterogeneity so that they can diffuse a refugee entrepreneur’s trustworthiness across various networks. Yet, Wong and Boh (2010) postulate, according to social exchange theory, that a history of positive experiences and exchanges between an advocate and the actor they actively enhance the reputation of, increases the advocate’s knowledge about the actor, the trustworthiness they personally feel towards the individual and thus, their “willingness to communicate positive information about him or her” (p. 131). Therefore, the strength of the tie does not appear to bear more than the positive experiences between an advocate and the refugee entrepreneur:

“My social worker [helped me...]. it was not even in her duty... I’m still in touch with her. I call her, I send her messages, she sends me messages, I have small questions, I ask her different things... ” (HU, Car Dealership Owner).

Thus, our study’s preliminary insights lead us to consider the following in building SC where even weak ties may not exist: 1) “value homophily” (McPherson, Smith-Lovin & Cook, 2001; Curry & Dunbar, 2013) strengthens weak ties quickly and contributes to interpersonal trust that can become diffused; and 2) “uncalculating cooperation” (Jordan et al., 2016) by an “advocate” (Wong & Boh, 2010) can occur outside conscious and calculated decision making, to the benefit of someone who has little or no SC, such as a refugee entrepreneur. This fits well with the perceived characterisation of advocates, patterns of altruistic behaviour in social networks (Curry & Dunbar, 2013) and the experiences of our study’s entrepreneurs, and may be a key process through which nascent entrepreneurs build SC from ‘scratch’.

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