SYNERGY BETWEEN GOVERNMENT AND SMALL BUSINESS

by

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Abstract

Small businesses provide a means for individuals with limited resources to earn a living and they contribute toward the versatility of urban economies, but these businesses typically have a short life cycle and the majority do not last more than 5 years. Therefore, to compete and survive, business owners rely on numerous sources of support such as their personal networks while governments also offer support through policies and programs.

This dissertation examines the interaction between the government and very small businesses. One school of thought claims that support from the government displaces the support provided by private networks, while another theory claims that the role of the government actually stimulates private support, i.e. the relationship is synergistic. This study acknowledges that both dynamics are possible, and focuses on exploring the channels through which the government connects with small businesses.

This study looks closely at Singapore where the government has arguably played an active role in the nation's rapid economic development. Primary data was collected through qualitative interviews with business owners, community leaders, and government officials, and participant observation at business sites including hawker centers and startup incubators. Transcripts from parliamentary debates and policy reports provide a historical and contemporary perspective for the analysis.

Three major theoretical streams inform this dissertation: social network analysis, new institutionalism, and the synergy thesis. Together, these theories illuminate the context in which small businesses operate, but they also expose the need for further research on how *synergistic* relations might operate between private networks and the government. The

innovation in this research is to examine the role of *bridging institutions* in society where support from the government links with existent private networks to optimize the success of small businesses.

This study illuminates the discourse on government intervention by drawing attention to the role and emergence of institutions in the "meso-sphere" and particular ways in which they interact and blend with both the State (macro) and society (micro) that allow different types of synergy to operate, such as coordinating synergy, delegating synergy, and steering synergy and by analyzing where the locus of agency is situated in the institutional system.

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Chapter 1. Introduction

Starting a very small business (operating within ten employees and US$1 million annual revenue) offers an avenue of social mobility for individuals from low-income households, but it also offers an entrepreneurial springboard for anyone who has identified a promising market opportunity, regardless of their socioeconomic background. Collectively, these millions of small businesses contribute to the economic versatility of cities and nations. They represent more than 90% of registered enterprises in most countries and employ at least half the working population. Together, they shape the urban cityscape through its neighborhoods and streets.

In the United States, about 58% of establishments belong to firms with less than 10 employees (Shane 2012). This percentage shoots up to 99% in Brazil and, in Singapore, the classification is by size of operating receipts for which there is around 80% earning less than SGD 1 million a year (Singapore Dep't of Statistics). Though most of these very small businesses are not household names, they define the local character of streets, neighborhoods, and cities, and influence the economic versatility of their nations.

However, very small businesses are economically unstable and the majority of them are unlikely to survive more than five years. Unlike large companies, they are particularly vulnerable to external shocks. Their premature death leads to lost savings while impeding sustainable growth and hurting the livelihoods of the owners and their families. Therefore, to compete and succeed in the aggressive marketplace, business owners actively reach out to their personal networks such as family, friends, and coethnics for information, resources, and assistance. Government agencies also provide multiple lines of support such as loans and consulting programs.

There are two competing schools of thought with regard to this dynamic: crowding-out versus synergy. The crowding-out hypothesis claims that support from the government displaces support from personal networks. It is a zero-sum relationship where there are "a certain number of tasks to be done and the only question is who will do them" (Finsveen & Van Oorschot 2007). The synergy thesis proposes, on the contrary, that the government's role stimulates private support (Evans 1996). This research project accepts as a starting premise that both crowding-out and synergy are possible under different contingencies and, therefore, explores the conditions under which we might expect each outcome.

The literature suggests that institutional synergy can be achieved through intermediate grassroots groups that mediate the relationship between the government and citizens (Evans 1996). In this light, Neil Smelser (1997) writes: "We know that the mesostructures — the heart and soul of our civil society — affect the character and effectiveness of the social integration of the larger society." This meso-structure in society includes women's groups, ethnic associations, and chambers of commerce that bridge business owners to the government.

This study will explore how support from the government influences the networks of private support to very small businesses in Singapore in view of synergy and crowding-out, with an eye on the role of 'bridging' groups. The specific aims of this study are:

1. To document (a) governmental regulations and support for very small businesses (b) personal networks of business owners and (c) perceived sources of direct and indirect support as observed by business owners and government officials.

2. To map out the interaction between public and private players based on three analytic levels: macro, meso, and micro.

3. To identify the old and new forms of 'bridging institutions' which facilitate synergistic relations between the government and very small businesses, and to develop and theorize the causal mechanism under which new forms of bridging institutions emerge during economic globalization.

4. To explain the growth and decline of businesses with patterns of institutional support

Background and Significance

Self-employed business owners belong to a unique social category. They have the privilege of generating their own income and owning the means of production rather than selling their labor for a wage. However, their social status is more closely aligned to the proletariat than to large capitalists as they may not be generating the surplus value and profits to align them with the upper class. Karl Marx called them the 'petite bourgeoisie' as they are technically property owners like the 'haute bourgeoisie' but lack the net wealth to participate in a lavish and secure quality of life. This has interesting policy implications in regard to tax regimes and welfare benefits. Academically, the welfare of this social group is oft-times overlooked in favor of the factory 'proletariat' even though their job security might be similarly precarious. Moreover, their impact on society is no small drop in the ocean: small business owners are typically responsible for employing more than half the labor force, a percentage that climbs in developing countries.

Therefore, numerous studies in sociology have looked at the supporting role of personal networks in the growth and persistence of small businesses (Zimmer & Adrich, 1987; Jones 1990, Bozovic 2008; Barbieri 2003). These networks consist of "strong ties" and "weak ties" (Granovetter 1973). Strong ties include closed networks such as family and friends, and apply to dense venues such as *bazaars* where traders will informally exchange information and enforce contracts in order to reduce transaction costs from using formal institutions such as the court (Keshavarzian 2007). On the other hand, weak ties are more diffused and heterogeneous, so they generate access to new types of resources, such as tapping on the collective experience of alumni groups and ethnic associations (Bozovic 2008; Portes 1998; Waldinger 2003).

Scholars have paid attention to the particular role of ethnic networks among immigrant and minority groups as they represent a 'bounded' community of social capital (Portes 1998; Waldinger 2003). Coethnic networks can be leveraged upon to establish dominance in specific industries – such as Korean and Vietnamese nail salons (Hum 2000), but they have a greater impact on small and medium businesses than on large firms (Kim 2009). Scholars note that ethnic connections can provide a competitive advantage at the onset of the business, but class resources determine success at advanced stages (Yoon 1991; Marger 1989; Zimmer and Aldrich 1987). During my preliminary study in Sao Paulo, a Chinese business owner talked to me extensively about the role of bounded trust in sustaining her credit-rotating groups. Her network was based on immigrants hailing from similar villages sharing interconnected ties in their homeland. Today, these credit-rotating associations no longer exist based on the younger wave of immigrants arriving from diverse regions in China— from diverse communities with independent and disconnected networks of loyalty— and group members running away with their pool of money.

Nonetheless, studies have highlighted the value of formal community groups because "memberships in multiple, dissimilar organizations enable owners to meet occupationally diverse others and those not part of the same circle of friends and acquaintances" (Davis *et al* 2006). Robles (2007) recommends that the government should assist the mobility of Latino entrepreneurs in the USA by offering microfinance and educational programs through their cultural groups. However, these studies do not discuss how support from the government influences their existing capacity for providing support.

Phillipson *et al* (2006) explicitly tackle "the extent to which external (state) agencies can support the formation of local business networks." They discovered that the government's effort to increase connectivities with small businesses ended up destabilizing private networks because their policy aims of economic development did not align with the business owners' community needs. Their intervention also channeled decision-making away from the ground. As a result, the government's 'supportive' measures crowded-out private support to small businesses. Phillipson *et al* concluded that community networks offer a useful analytical space to explore how business owners respond to external intervention.

Scholars have been asking the right questions: how does social capital affect life outcomes, how do civic groups unlock access to social capital, and what is the role of the government in supporting the well-being of its population given the existing structures of support out there? While we could dwell on the ideal role of the government in the economy, this study asks a direct question: what is the effect of the government on existing social networks? If we accept that the government is not a neutral actor, then in what way does the government weaken private networks (crowding-out) and, conversely, how does it strengthen the role of these networks (synergy)? Advancing empirical studies on public-private relations have both theoretical and practical policy implications. If we can identify these channels of synergy, the government might be able to design policies that are synergistic with private support.

The current body of literature is separate on two levels of analysis: the role of personal networks versus the role of the government. What is lacking is joining the two levels of analysis and focusing on the bridging institutions, in particular, its changing forms and roles in generating crowding-out or synergy.

Of course, we will need to clarify what we mean by 'government support' in order to determine its effect. We shall use standpoint epistemology to take the cue from business owners and government officials: what do they perceive as government support?

For the sake of clarity, we categorize the role of the government into two components: regulatory (such as streamlining registration and taxes) and proactive (such as providing consultancy services). The regulatory role belongs to the exclusive purview of the government – it is not a competing task with the private sector, but these regulations can nonetheless complement or constrain business owners. For example, the complex and burdensome taxes in many countries discourage business registration, but it also leads to the emergence of business-to-business firms that help small firms handle their taxes to comply with the government and, in another scenario, it can simply lead to tax evasion.

On the other hand, proactive support from the government could potentially be offered by private networks, such as consulting services, so this could explicitly lead to crowding-out. Specific conditions, however, may lead to synergy. The Singapore government has an agency that consults and endorses companies seeking business abroad so that the quality of the 'Singapore brand' encourages foreign contacts to enter into a working relationship with the local firm. They claim that it facilitates market penetration since foreign firms "receive a level of security knowing that the Singaporean company comes recommended by its government body" (IE Singapore). There is a distinct division of labor here as the government contributes an input that is not readily available or possible in the private sector: government endorsement. This is not a regulatory role, it is a proactive measure, yet in this instance it appears to facilitate synergistic relations with the private sector. This study will enable a firmer exploration of government support as it is experienced on the ground by the actors – both business owners and government officials – and enable us to elucidate how this perception of support influences the ecology of personal networking.

This research will have an impact on several fronts. In sociology, the analysis will strengthen our frameworks for understanding public-private linkages in society by connecting the role of the government with the personal networks of individuals. It will also engage the view in economics that the government displaces private support, and contribute toward the notion of state-society synergy discussed in political science and political sociology.

On a practical front, we realize that governments create policies that, for better or worse, influence the opportunity structure for very small businesses. This research aims to provide an empirical analysis of these policies. Specifically, we hope to identify structural channels where government support is synergistic with existing sources of support, rather than crowding them out, in order to provide an informed direction on the development of these policies.

Finally, we are interested in advancing knowledge on the optimal conditions for very small businesses to flourish so that the ambitions and resources of business owners may provide a sustainable outlet for national development rather than flounder as survivalist enterprises.

Chapter 2. Methods

Research Design

This research employed qualitative methods. Quantitative research provides valuable information about conditions at Point A and Point B and the mechanisms from Point A to Point B. For example, one might study the profit margin for a business in 2010 and once again in 2015, usually in relation to a notable intervention such as economic policies, consumer demographics, and internal company restructuring. These indicators are quantified, and statistical models will indicate their impact on metrics we care about, such as profit. In contrast, qualitative research is focused on the rich social processes that undergird a social phenomenon, seeking rich information on the interactive mechanisms in pursuit of getting from intervention to profit margin. It is less focused on "What happened?" and more curious to find out: "How is it happening? Why?"

This research project strives to uncover the mechanisms and motivations through which small business owners access resources to build their business. We specifically locate this discussion in view of government influence over business development in Singapore. We look at why business owners use specific resources, how they mobilize it, and why it works for them. We also look at the loci of power distributed between the government, civic groups, and business owners themselves, and how these loci of power interact. Qualitative research is about understanding how people perceive and construct their social world and take action, and I aim to offer a thorough investigation into the mechanisms by which this behavior occurs: in this case, public-private partnerships, using the analytical lens discussed in the Theory chapter.

Why Singapore

Singapore leads the world in business-friendly environments (WEF 2012). Ironically, even though it is renowned for its liberal economy, it is simultaneously known for a proactive government that manages the lives of its citizens from housing to education to business development. Notably, the drumbeat in neo-liberal circles is that a business-friendly environment is the result of minimal intervention from the government, and the mantra is that this is what makes Singapore, among the other Asian tigers, some of the best places to do business. Yet, I would like to point out that the Global Competitiveness Report includes social variables such as education and access to quality health services—which the government in Singapore intimately oversees—muddying the water that the absence of active State intervention is the elixir to economic development. Even in business services, the Singapore government is active and connected on the ground with the local social networks. Even the acceleration of startups in the past decade has seen the active and visible hand of the government in their resource acquisition such as investments. This case of paradoxical outlooks – neoliberal classification versus proactive intervention – therefore makes Singapore a good case study for the research question on government support for small businesses.

This study asks: does proactive government support displace the use of personal networks among small business owners? The crowding-out theory predicts this outcome in Singapore. We wrestle with this framework by investigating government intervention with a view to the role of meso-institutions in the analysis, such as chambers of commerce or informal networks at open-air markets, to identify a richer range of interaction between the government and small businesses; it is in this intermediate space that we have predicted the possibility of synergistic relations, providing a context for an 'enmeshment' of public and private networks rather than a displacement effect.

Each chapter in this thesis provides finer detail on government intervention in Singapore (support and interference) along three axes of production – land, labor, and capital where policies and activities are most prominently involve and business owners condense the majority of their resource struggles. For a more nuanced discussion, I have broken down the "small business" population into three tiers: no/low growth, growth-oriented, and high-growth businesses (their characteristics are discussed in greater detail in the section below on research design), therefore enabling me to unpack the role of the government more specifically in each tier, and the overview of state-society relations for each population of small business where we observe and analyze the dynamics of synergy according to our orienting framework.

Qualitative methods employed in this study

I gathered data using in-depth semi-structured interviews, participant observation at business seminars and conferences, and significant time at the open-air markets and startup clusters for ongoing observation, interactions, and conversations. I also went through archival transcripts of parliamentary discussions in the government to get into the thought process driving policy evolution over the years, and to assess responsiveness to public concerns, and poured over archives of news in the major local newspaper, The Straits Times, to look into how these policies were presented to the public, grasp outstanding concerns, and how the narrative was framed.

My qualitative analytical software of choice is ATLAS.ti. I started with an initial set of codes to label the quotes such as 'business collaboration' and 'government support' for an initial categorization of the material, as well as free-coded systematically line by line to identify new topics (adding codes to the quotes while reading the transcript). Eventually, when particular codes ballooned to include over fifty quotes (often more), I parsed them out into more specific sub-codes. For example, my code for "business collaboration" (which identified every instance where a business owner collaborated with another business to make a transaction happen with an external customer) produced a more nuanced set of interfirm collaborations that the literature had not addressed, addressing not just the size of the firm (which is commonly noted) but raising the distinction between collaborating based on the 'core value' or 'peripheral value' of the business operation. Understanding these micro-processes undergirding network formation created a springboard to analyze the interactions with other institutions and government agencies.

Defining the study population—who are they

My study population includes players in the small business economy: small business owners, leaders of business groups, and government agency officials. I have classified small businesses in this research as any business that does not make more than $1 million revenue each year, and hires no more than ten people. In my project, I chose to focus on businesses that had been operating for at least three years so that they could draw on a base of existing experience with starting and getting their business off the ground, unless they were high-growth potential start-ups, where the expected rapidity of their growth warranted interviews even when they were within a year of operation.

"Small businesses" is a very broad category. For the research design, I decided to classify them into three categories to analyze their resource mobilization more clearly. These are the three categories, broadly, based on the aspiration and trajectory of the business:

- No/Low-growth businesses
- Growth-oriented businesses
- High-growth businesses

No/low-growth businesses are what we usually imagine as microenterprises. These people might be selling vegetables in the market, running a barber shop, or providing technical services. They are very small and do not actively aspire to scale their business. In some narratives, they are viewed as "survivalist" or "subsistence" businesses— they deal with small amounts of capital and revenue. They might also be called a "business of necessity" (rather than a "business of opportunity"). Or in other narratives, when the revenue is more lucrative, not just survivalist, and they have a skilled status, they are considered "lifestyle" businesses.

Growth-oriented businesses are what the policymakers tend to call SMEs (small and medium enterprises). These include retail shops, architecture firms, or dental clinics. They seek consistent capital infusions (externally through loans or internally through profit) to grow: such as expanding their market share or improving their value proposition; their goal is to keep expanding their profit margins as capitalists are wont to do. This gradual leap in scape leads to growing complexity of logistics and operations that might lead to a demand for workers, space, and more capital.

High-growth businesses in this research are the disruptive startups, typically in the technology sector. The entrepreneurs might seek investments to build their product rapidly and grow their market as rapidly as possible. They seek high capital infusion and high revenue turnover in a short time, typically with a strategy to "exit" which includes cashing out with an acquisition or selling stock.

This classification of small businesses helps uncover the nuances of the small business owners' needs and mobilization strategies. It also helps view how various government policies touch each class of small business differently.

In addition to business owners, I also met with grassroots leaders of trade and business groups. They were representatives from the local chambers of commerce, Singapore Business Federation (equivalent to the role of the U.S. Chamber of Commerce), and trade associations, among other civic non-governmental groups that orient toward providing business support. Finally, I talked to government officers, specifically from the Ministry of Trade and Industry and its subsidiary agencies that are responsible for promoting business development in Singapore.

FIELDWORK IMPLEMENTATION

Sampling method

Data was collected through interviews with business owners, government officials, and trade association leaders, as well as personal observations at seminars held at the Chambers of Commerce and conferences organized by major business groups in 2013, 2014 and 2015. Business directories provided a list of companies to select a sample to email, while browsing the markets provided access to small shopkeepers. Networking sessions also led to meetings. References helped me snowball my interviews outward.

In qualitative research, the goal is not to achieve a random, representative sample of the population to summarize the population-level experience. Rather, the goal is to acquire in-depth insights from useful categories of people who can cast light on an issue from their particular vantage position. Hence, the purposive and non-probability sampling strategy suited this research project as the purpose is not to represent the population but to provide insights into the mechanism.

Process of getting interviews- a personal reflection

In 2013, I emailed 520 companies (individually) from multiple online directories. Either the directories had a list of all registered companies (automatically populated), or they specifically presented small and medium enterprises in the city (purposively uploaded by the company). These websites include Singapore Companies list (http://singaporecompanieslist.blogspot.sg/) and SME Singapore Toolkit (http://singapore.smetoolkit.org/) as well as a third directory that is no longer listed on the Internet. I chose these websites to gain inroad into an initial pool of interviews since the emails and phone numbers were easily accessible, and I readily acknowledge that this initial population of small businesses have a digital presence and can easily be found online.

I systematically creamed through the lists that were alphabetically organized and I selected every other listing to maximize the heterogeneity of my sample. I incorporated purposive sampling with an outlook toward including a variety of trades, so if one of the categories was particularly large (eg. bookshops), I would select every other business up to a limited number (say, 10 businesses) and move on to another category (e.g., pet shops) so that there was a mix of every business category in my total of 520. The total population of listings across these sites is not known to me— but this is not vital information in this qualitative design. For the purpose of this research, our reference is all small businesses in the city.

From the 520 emails, 78 bounced back, 32 replied, and 14 concluded in an interview. Six more interviews came from referrals, resulting in 20 interviews in 2013. Not surprisingly, this group was highly educated and tech-savvy and clustered in professional services.

In 2014, I decided not to send emails because the 32/520 responses are not encouraging, and the study required a more diverse pool such as brick-and-mortar shopkeepers. I had to emerge from the bubble of carefully crafted emails to business owners, and initiate meetings in person.

How do you get people to talk to you? It was a big question, and wrought with experimentation. To start, I spent a lot of time in the scorching heat of the city going to markets and clusters of small shops, and approaching business owners without prior introduction.

First, I had to get over the hesitation and timidity. I usually have no trouble talking to strangers, but when I need to ask them for something, I feel hesitant and guilty. “Hi, can I consume one or two hours of your time to hear about your experiences, and offer you nothing in return, except for the possibility of impact on policies— that may (or may not) affect you in the unknown future?”

While I did not exactly phrase it in that way, that was the impression they may have gotten based on their mellow responses. Rejection is not an easy emotion to handle, and I had to learn to digest this emotion quickly and move on, and not let the disappointment taint my approach at the next shop.

But, my sense of guilt was not coming from nowhere. When doing fieldwork, we need to pay attention to our emotions to design better research strategies. My guilt sprang from a discomfort that there was no reciprocity in my approach. It is not comfortable asking for a favor without returning the favor. Chances are, people are also not comfortable giving up sparse resources (such as time), especially to a stranger. My hesitation also came from my spiel: it was boring: "Can we do a research interview?"

So, I decided to discard the formalities and throw out the word 'interview' altogether. Instead, I would engage in casual conversations, and see where it would go.

This is one approach: enter a small shop and ask for the owner. If the owner is there, explain that you are doing a PhD on small businesses, and would like to interview them. Chances are, you will quickly see how busy they are: customers will stroll in requiring immediate attention, inventory will need to be shelved, the cash register will have a queue, and the phone will ring off the hook. Your conversation ends; and work goes on.

Here is another approach: walk into a shop with a camera and offer to take a photograph of the business owner for an online project. Now you have something concrete to offer – visibility to the larger world. I found that this was a better approach, and it came from a genuine interest to provide exposure to small shopkeepers. So I started a business blog with photos and stories of shopkeepers in Singapore (it remains a running passion that led to a popular book publication). Even if the photograph did not lead to an interview, it was always a pleasure to chat and make that first connection. This provided a wonderfully soft and personal way of connecting to people.

After all, it felt difficult to explain that I was doing research on small businesses on my very first contact with a business owner– it seemed one-way, irrelevant, and even confusing to explain the idea of public-private synergy in a way that resonated with the immediate needs of a business. But it is much easier to come from a place of sincerity and say that you want to understand the challenges the business owner is facing and how they cope.

There are two parts to interviews: GETTING the interview, and DOING the interview. I would argue that *getting* the interview is just as hard, if not more important, than actually *doing* it. The first part – *getting* the interview – is when a stranger says: yes, I trust you (enough), yes, I like you (enough), and yes, I will open up to you candidly in this conversation and interview.

If I ever felt intimidated about approaching a shopkeeper or emailing someone in the top ranks, I would remind myself this: If you do not try, you will definitely get nothing. If you take the first step and ask, at least there is a chance of getting something. If you are rejected, it is okay: figure out what went wrong, and try again. This pep talk might sound basic and clichéd, but it is vital to power the qualitative research outside the bounds of personal comfort, rather than staying within personal comfort zones which can influence the sample quality. This is why it is worth mentioning.

Going door-to-door at markets and shops, I developed a process that went along these lines:

Level 1: Ask whether you can take a photo

Response 1: Yes, and then goes back to work; no conversation

Response 2: Yes, and friendly conversation is sparked

Response 3: No photo—but willing to chat

Response 4: No.

If we have Response 2 and Response 3 (willingness to chat):

Level 2: Conversation is 'small talk' about general things such as how many years they have run the business, and how they got into that trade

Outcome 1: Conversation ends quickly (gets interrupted with work or customers, or they are not interested).

Outcome 2: Conversation flows forward.

If we have Outcome 2 (conversation is flowing):

Level 3: Mention that you are doing a study, ask if they are willing to answer more questions, and pose a few research questions.

Outcome 1: Conversation expands and then closes. Doesn't continue.

Outcome 2: Conversation is great, constitutes an interview on-the-spot!

Outcome 3: No interview on-the-spot, but identify potential to follow-up

For any of these outcomes (rapport is evolving, there is interest in interview):

Level 4: Follow-up with another visit

With this new approach, I managed to have conversations and in-depth interviews with much more ease and predictability, and gained wonderful rapport that allowed the fieldwork to flourish. I learned to adapt my interview style depending on the context. In situations where we could sit down in a quiet place, I would record our interview and deploy the in-depth semi-structured techniques. Other times, at markets, this rigid formality had to be dropped, and the interviews happened more informally through a series of conversations, often standing at their stall and market and chatting while business went on as usual. Over time and with each additional conversation, this conversations built up into a collection of stories and viewpoints that illuminated the research question: resource and network mobilization and state-society interaction.

In total, I had individual meetings with over a hundred people, and may more informal interactions at the seminars and conferences. The breakdown is as follows for the tiers:

No/low-growth enterprises: 27

Growth-oriented enterprises: 33

High-growth enterprises: 31

Civic group participants: 16

Government officers: 3

Seminars and conferences: 15

The point at which I stopped reaching out for more interviews is when I hit a saturation point where no further interview was adding or conflicting with the pool of information in the interviews that I had done. In any qualitative project, this point can be achieved after ten or twenty or fifty interviews; it is not a fixed number. However, I continued to have informal conversations and interviews to check my emerging analysis and perspective against entrepreneurs in the field and to stay attuned to their issues.

Participant Observation & Ethnography

I attended numerous seminars and conferences that targeted each business tier: microenterprises, SMEs, and startups. This gave me an opportunity to get closer to the dialogue between government officers and business owners.

For example, at one event called ACRA@The Heartlands targeting microenterprises (held at a function room beneath a public housing estate), officials from several government departments turned up to discuss changes in the policies, and answer questions on-the-spot. These representatives were from the Accounting and Corporate Regulatory Authority (business registration and taxes), Housing & Development Board (laws pertaining to home offices), Central Provident Fund (employers' responsibility to contribute toward savings funds), and SPRING Singapore (an agency handling the majority of schemes for businesses).

During the Q&A, the audience asked frank and animated questions (using the microphone) about the nuts-and-bolts of these policies in relation to their own business, bringing the conversation away from the abstract and lofty and right down to the ground which is more messy and complex, in a realm that doesn't necessarily fit with the clean policies. The government officers responded thoughtfully, and offered to meet in person to understand the issues in more detail.

This seminar, like many others that I attended, gave me a valuable way to observe the interpersonal interaction of the government employees representing "the State" with individual business owners representing "the Society" and to understand the mechanisms and bridges through which these interactions happened.

Beyond attending events, I also spent substantial time at the markets and startup environment observing the course of action throughout the day. (Often, I had my laptop, working and watching, and having conversations when convenient). This immersion gave me a heightened sensitivity to the rhythm and routines of the business owners in their natural environment.

SOURCES OF INVALIDITY, OBSTACLES, AND SUCCESSES

I considered distributing a general survey to assess the public/private resources common to the entrepreneurs. It might have been handy to match business outcomes against these activities. However, there is understandable wariness among business groups with flooding their members with surveys—they administer a sufficient number officially on their own, and I did not trust the potential validity of the sample from business owners through these major business groups which, as I found out, tends to attract entrepreneurs from a particular caliber of small and medium-sized businesses, so it would not have been representative. Moreover, I would have needed distinct surveys that allowed consistent sampling across my three core categories of small businesses.

Even if I had persisted with a survey, it would not have added substantially to the focus of this research question. Such a survey can be appended in a future expansion of this study based on the frameworks that I have developed on macro-meso-micro interactions.

The fieldwork process, however, has been rich and in-depth, allowing for a 360 degree view into the small business economy and allowing for a refined view into the operation of state-society synergy. One important avenue for further exploration is to study the demise of businesses, not just their rise. This population can open up insightful angles on limitations of state-society synergy. While this sample of failed businesses is much harder to find—they fall under the 'invisible' population, (since shuttered businesses are not visible and operating)—one possible source might be bankruptcy records, and of course snowballing through contacts. These angles are worth considering in an expansion of this study. One potential strategy is to follow-up on the sample of the current study to trace their path of growth or demise.

Chapter 3. Theoretical Orientation & Literature Review

As astronomers might ponder at the night sky and search for order in the endless scattering of galactic stars, sociologists muse about the activity of human lives and search for patterns in the seeming chaos of the social world. They ask macroscopic questions: what contributes to the rise in social protests? And they ask microscopic questions: how do extracurricular programs in schools influence educational outcomes?

Sociologists point their lens in many directions, puzzle over the workings of society, and create theoretical frameworks to make sense of it all. My sociological inquiry focuses on people who run very small businesses. We see them hustling in almost every corner of the world, whether they're cooking spicy noodles with shrimp at an open-air stall, peddling vintage jewelry in a shop, driving their van to our apartments to exterminate bugs, or consulting other businesses online. Merchants weave into our human lives and find ways to serve our everyday needs.

This project uses three theoretical frameworks to understand the conditions that enable small businesses to thrive: social capital, new institutionalism, and state-society synergy. The lens of 'social capital' lets us poke our nose into the interpersonal relations between business owners and find out how they acquire resources (defined broadly including information) through their connections. 'New institutionalism' takes a few steps back to observe how our individual behavior is influenced by the culture of institutions around us, specifically, their rules and connections. The lens of 'state-society synergy' zooms out to reveal the larger galaxy, in this case, the role of the government and how its policies influence the social networks and institutional connectivity where small businesses operate.

I will explain each theoretical framework in more detail before discussing how they come together into a multi-lens view for this project. The final theoretical orientation strives to connect the gears of society into a unified lens: to see how the government, civic organizations, and individuals find ways to achieve their respective needs, and how the system as a whole interacts and adapts.

Social Capital

What is social capital?

Like a constellation of stars, we each exist in relation to other people in society. Glenn Loury is an economist at Brown University who explained that "each individual is socially situated, and one's location within the network … substantially affects one's access to various resources" (1998). Loury refers to these affiliations as "social capital" to illuminate the advantages conferred by our social matrix. He says: "This idea builds upon the observation that family and community backgrounds play an important role, alongside factors like individual ability and human capital investment, in determining individual achievement" (2005). He uses this framework to study racial inequality in the United States in the context of social ties that surround individuals.

Likewise, when we study the ability of small businesses to survive and prosper, we consider their *system of relations* to one another, and to other people in society, and account for the *social positions* of their contacts. We call this structure social 'capital' instead of simply a social 'network' because the interaction ultimately translates into a financial advantage. For example, your neighbor might introduce you to a radio journalist who features you on their show, hence exposing your business to a wider audience. Your neighbor, in this case, is a source of social capital. In this thesis, I illustrate various ways that business owners harness the power of social capital to compensate for limitations in space, labor, and money.

Types of social capital: strong ties and weak ties

Not all social ties are the same, and it could be useful to tease out how each type serves a distinct purpose. For example, we have strong ties (friends and family with whom we share a close emotional bond) and weak ties (acquaintances, and friends of friends). While we might instinctively nourish our strong ties for support and information, new job opportunities are typically discovered through our weak ties (Granovetter 1973). Why? Because weak ties tend to circulate outside the usual locus of activity that we share with family and friends, hence exposing us to more diverse information. Weak ties hence present new paths for economic mobility.

Social capital can be negative

It might seem like a positive thing to build up our social capital, but sociologists point out that these networks can be negative, too. Here are a few reasons. First, the effort you put into nurturing these relationships might not be worth the value you receive (Adler & Kwon 2002). Second, forging a strong sense of group solidarity might create a resistance to change— "the ties that bind may also turn into ties that blind" (Powell & Smith-Doerr 1994:333). Finally, you might be pressured from the people in your network to share your resources, so any gains you make are quickly diffused, creating "a gigantic free-riding problem" (Portes 1998). For example, if your business enjoys a cheerful spike in sales, people in your networks might start asking you for a little loan here and there, slowing down your upward mobility.

Combining strong ties and weak ties

This is not to say that we should become misanthropic and avoid people, but there are many shades of social capital, and they work in different ways. Small business owners might get their first level of support from strong ties before reaching for their weak ties (they say your first round of investment comes from “friends, family, and fools”). A classic example is observed among immigrants who may depend on close friends in their ethnic community to learn about work opportunities. This is why you might see “entrepreneurial isomorphism” such as Vietnamese nail salons or Korean corner shops (Aldrich & Waldinger 1990). This strategy can help the initial stage of business. Prospects for the business to *grow*, however, may depend on “diverse, dispersed resources” in the larger economy, that is weak ties, and this is gained from tapping on diffused and heterogeneous connections (Birley 1996; Baines & Wheelock 1998; Morris 2001; Hite & Hesterly 2001 cited in Sequeira & Rasheed 2006).

An example from an ethnic enclave

One of the participants in my research stressed to me: “It’s not *what* you know, it’s *who* you know.” The social position of the individuals that one knows – “who” – can serve as a continuous source of scarce information rather than accessing only one piece of information (“what”).

Networking is important, but it’s easier said than done. Where do these connections come from? How exactly do entrepreneurs create, manage, and make use of these connections?

Let's look again at the study of immigrants. Upon entering a country, they might thicken their social network by first working for a small business (say, helping at a restaurant owned by a co-ethnic contact) before branching out to start their own enterprise (Iyer & Shapiro 1999). Their stint as an employee gives them a chance to develop close ties with the business owner who may mentor the immigrant in a spirit of co-ethnic reciprocity, passing valuable "information about permits, laws, management practices, reliable suppliers, and promising business lines" (cited in Sequeira & Rasheed 2006). This episode of work sets the context for immigrants to acquire knowledge and social capital that is necessary to launch their own business in a new environment.

Social closure: why we help and trust one another

That's one possible strategy for developing strong social bonds, and bears logic in a bounded ethnic community where bilateral exchanges promote reciprocal support. James Coleman (1988) introduced the concept of social "closure" which, broadly, refers to a situation where individuals in a group are interconnected to each other. Such structures effectively reinforce norms, so if you mess with one person, information about your behavior spreads quickly (like gossip) and tarnishes your reputation, and you might find the entire group turning on you (through moral judgment, self-protection, etc.). In a positive scenario, a business person who honors his word gains credibility in the community when this information is passed around, and attracts more business transactions.

An illustration of social closure

Social closure allows the "proliferation of obligations and expectations" and enables "a set of effective sanctions that can monitor and guide behavior." Coleman describes the high levels of trust between Jewish merchants in the wholesale diamond market in New York City, illustrating that this trust is made possible by the interconnectedness among them. "If any member of this community defected through substituting other stones or through stealing stones in his temporary possession, he would lose family, religious, and community ties." Multiple eyes are trained on you within this social enclosure, perhaps similar to having "eyes on the street" that make urban spaces feel safer for everyone (Jacobs 1961). Coleman points out that this expression of interdependency and trust allows traders to interact smoothly without the financial burden of formal insurance devices. Needless to say, social closure could also solidify as an exclusionary force against people situated outside the community.

Four potential ways to create social closure

In the absence of an ethnic enclosure, small business owners may need to rely on other devices to facilitate trusting collaborations, especially if these partnerships are ever-changing and weak. I'll lay out a few potential ways in which the concept of social closure is manifested among business owners to ease their interactions and, moreover, the ways in which a government might facilitate the creation of social closure. After all, if we agree that business owners might want to nourish their social ties to last longer and grow bigger, we would also want to know how these risks and opportunities of entering into interpersonal collaborations can be managed through formal and informal means.

First, geographical propinquity enables social closure. Sharing a space with other business owners — whether it is in a crowded outdoor hawker center or slick entrepreneurial hub — results in crossing paths with the same people time and time again, providing a context for interconnectivity. Erving Goffman (1959) put forward a dramaturgical theory of society in his article *The Presentation of Self in Everyday Life* explaining that we are constantly 'performing' to manage people's impressions of us. He uses the metaphor of the front stage and backstage of theater. Shared work spaces serve as the visible front stage. When collaborations turn ugly in these defined spaces, the 'audience' — everyone on and off that stage — is privy to the incident. In business, there is pressure to maintain a positive reputation. With knowledge that other business owners share a similar value for lasting survival, they may engage in useful collaborations with one another without the full burden of distrust. Even if the government provided an efficient Small Business Court to mediate breaches in contracts, the weight of informal social norms might encourage people to enter into everyday collaborations rather than dread the threat of a costly formal procedure from a relationship gone sour. After all, not every issue is worthy of a court's attention. We will take a look at how this system of closure works in greater detail in the chapter called "Space."

Second, social closure might be gained from bringing the collaboration to the front stage, i.e. exposing the relationship to customers as well as to other businesses, rather than collaborating only in the backend. How is this collaboration made forefront? Businesses can create a common brand or alliance; in other words, share a public identity. This increases the stakes for each business to uphold their end of the deal because sabotaging the project could impact their own reputation and own prospects for future success, rather than just their partner's. Here is a heuristic example. Let's say two businesses decide to draw upon each other's capabilities for a project, but only one business transacts with the customer. There is no social closure in this situation. In the figure below, let's imagine that a bakery (Business A) sends its cakes over to a coffee shop (Business B), and the coffee shop sells to the customer (Customer C). Only the brand and reputation of the coffee shop is visibly at stake in the market.

Some businesses change the dynamics by bringing their collaboration to the front stage. This can be achieved through using a common brand, website, advertising together, and, in other words, joining forces in the public sphere. The customers might also be pleased to know that their food is coming from a bakery they know and trust. The customer sees them as a joint force. When the brand gets tarnished, it doesn't just hurt one business, it hurts both, which puts pressure on the bakery (Business A) to perform their end of the deal. Likewise, when the brand is viewed positively, they both benefit, and it could produce additional channels of sales for the bakery (Business A) which increases its incentive to uphold its quality. We can argue that identity-sharing between businesses provides social closure with the customers. The risk, however, is that their intertwined reputations might make them more susceptible to negative exposure if one of them slips-up, even while the incentive to avoid damage in this enclosure exists.

Third, social closure might be gained from increasing the stakes of the relationship through shared pooled resources, as the risk of losing access to these resources imposes an informal sanction on deviant behavior. We postulate that sharing infrastructure increases the commitment of the business owner to the partnership and mitigates the risks. It forges a pattern of social closure. Rather than collaborating exclusively for combined projects, their backstage infrastructure is shared to enable each business to grow independently as well.

In the figure above, let's imagine that a clothes designer (Business A) and jewelry designer (Business B) are working on a project together to serve a customer. They are operating in parallel to each other, using their own business infrastructure (such as their own office and equipment) even though they present a shared identity to the customer. However, in the figure below, the two businesses not only present a shared identity to the customer, they also share their backend resources to scale and grow. This interdependency creates a structural closure. They have reasons to be more committed to the partnership. Of course, problems may emerge when either Business A or Business B grows faster, in which case the power is imbalanced and their commitment might weaken. This risk may, however, be moderated by the continuation of a shared identity.

Forth, but not finally (this is not meant to be an exhaustive list, but merely to illustrate possible social closures in small businesses), we nod at the role of the Internet in facilitating social closure. Businesses face increasing pressure with online reviews that disseminate information and create a broader scope of accountability to the public. Dissatisfaction no longer gets passed like a baton from one person to the next through personal connections; it can radiate to a large and impersonal audience using social media platforms such as Yelp and Facebook. The ongoing conversations are open for public participation, compelling businesses to engage actively with their customers. The arena for collaborative partnerships might feel more secure when other businesses are similarly involved in the modern-day tradition of nurturing an online presence, because they might have more 'face' to lose from their deviance.

The environment in Singapore facilitates online closure. In Singapore, 87% of households had Internet usage at home (IDA 2014), 82% of small businesses (less than 10 employees) make use of the Internet, and at least half the business owners use the Internet on their mobile devices (IDA 2014), enabling immediate access to online activity. It doesn't stop at the Internet: social media is prevalent, with about 60% of people in Singapore owning a

Facebook account (Mazumdar 2013). As you can see, Singapore is extensively wired (or should we say, wireless) on an island of just 276.5 square miles, so the system of trust, reputation, and reciprocity with strangers outside your social circle has a visible presence online and offline. Deviant acts among business owners may be harder to escape without scraping some bruises on your reputation and prospects for future growth in the enclosures of the city. Likewise, honorable behavior gains positive attention within the network.

From Social Closure to Implicit Social Contract

The four potential ways for business owners to create social closures when their networks are forming: creating a shared space, shared identity, shared infrastructure, and online connectivity. Perhaps no single strategy is sufficient on its own; social networks grow from the interweaving of these elements.

The idea of social closure is consistent with the concept of implicit social contract that inhibits people from deviant behavior or reinforces positive behaviors. The implicit social contract has four dimensions in a business contest corresponding to the four ways of closure: 'attachment' (to customers), 'beliefs' (in the law and business ethics), 'commitment' (to future growth), and 'involvement' (in the online sphere).

Making sense of implicit social contract among businesses

Travis Hirschi (1969) developed criminology theory when he reversed the question that asked why some people commit crimes, and, instead, asked why most of us do *not* commit crimes. He stressed the role of self-control and its affiliation to four social bonds: attachment, beliefs, commitment, and involvement. Those with stronger bonds have more to lose from deviance. We can apply his framework to further our development of the social closure in small businesses to understand the informal structures that facilitate trusting collaborations among business owners

Specifically, Hirschi uses ‘attachment’ to refer to people we care about and want to keep in our lives (such as family and close friends). We shun deviance because we risk losing this bond. If we switch this frame to the standpoint of a business, the attachment would refer to customers (because a business owner presumably does not want to lose their customers). For example, when separate businesses hold their hands in public (through a front-stage identity that enables social closure), it creates a common interface with the customers, and gives them more to lose from damaging the relationship.

‘Beliefs’ is about subscribing to conventional values and norms (Krohn and Massey 1980). We want to know whether the business is geared toward sustained, long-term survival and growth, or whether it leans toward a fly-by-night model (shuts down and restarts in a new location), or any other business model that does not cohere with our belief system. Sharing the same belief helps to boost trust in a system of social closure, because if a business does not care about their reputation, then they don’t have much to lose from their deviance. You may want to share the ‘front stage’ with someone who subscribes to similar values.

‘Commitment’ refers to goals and future prospects. Teenagers who are more committed to the ideal of doing well in school or work might not want to risk losing the investment they have made into these future gains. This concept is especially relevant to businesses. When they share resources and infrastructure (social closure can be achieved through this “backstage” collaboration), they might be deepening their ‘commitment’ to future gains.

Finally, ‘involvement’ in traditional activities is considered a social bond because it leaves little time for mischiefs. In the business context, it could mean involvement/investment in marketing campaigns and sales to keep the business active, engaged, and pressing forward.

Adding value to existing scholarship

An ocean of studies has been conducted on collaborations between firms, and no wonder—these linkages cohere into a social matrix that influences the bottom line of the business, the lining of people’s pockets, and the direction of the economy. Past projects have examined the range of motivations, benefits, risks, and structures that define these collaborations.

This project builds on the existing social capital literature in three ways. We strive for further clarity on the types of collaborations that are possible between businesses, rather than discuss these alliances in a single brushstroke such as ‘outsourcing’. Moreover, none of the studies use a unified theoretical angle of social closure and implicit social contract to analyze how collaborations are encouraged to take place outside the containment of immigrant enclaves. Finally, we explore how business collaborations can be sustained by the interaction of formal and informal forces. We will take a quick look at 3 studies that provide valuable insight on this topic, and ways in which this thesis builds on their work.

Past research on constellations of linked businesses

Benjamin Gomes-Casseres (1997) authored *Alliance Strategies of Small Firms* using survey data in the computer industry. He described the “constellation” of alliances that help businesses overcome their individual limitations, and cases where the alliance might *not* be necessary. His key proposition is that a firm will probably enter an alliance when it is smaller relative to its competitors, and the firm will gain more when it has more bargaining power relative to other members in the alliance.

He describes how alliances change the battleground between businesses: “This strategy implied a transformation of the unit of competition. Legally, Mips remained a small corporation. But, economically, it was part of a much larger whole; and it was this larger whole that competed against other firms and groups. Increasingly, the talk in the industry became one of how the Mips "camp" was faring versus the camps centered around other firms” (Gomes-Casseres 1997). This study casts light on the advantages of group-based competition for small businesses rather than going solo. However, he does not delineate the different types of alliances, and while he mentions a couple of risks from joining an alliance (such as losing control over decisions), he does not fully explore how these risks might be managed. It is worth knowing how to manage the risks of joining forces with other businesses, as it might influence whether you will feel inclined to join an alliance. Above all, there is no mention of the political, social, and cultural environment in which these alliances are made possible, and possibly inhibited.

Big questions asked in the literature

Christopher Street and Anne-Frances Cameron (2007) analyzed 140 journal articles in their meta-study entitled *External Relationships and the Small Business: A Review of Small Business Alliance and Network Research.* They identify 3 big questions tying these studies together: “How do small businesses derive value from an external relationship; what are the risks involved in engaging in external relationships; and how do these relationships develop over time?” They draw upon three main theories: resource-based view, resource-dependency theory, and punctuated equilibrium theory.

Let's quickly summarize these theories. In their study, the 'resource-based view' claims that you have competitive advantage when your resources can be protected from others. The 'resource-dependency theory' highlights the relations of power between businesses. Whoever has more leverage can influence the behavior of the other business and shape the relationship to prioritize their needs. 'Punctuated equilibrium theory' says that significant changes in a business happen at intervals, otherwise, the business tends to stay the same.

The resource-dependency theory highlights an important dimension in relationships: bargaining power. Gomes-Casseres raised a similar point. When you are collaborating, you may not want to relax in the idea that you will gain 'social capital' but to also consider the extent to which you will be *depending* on this alliance, and how much control you have over the exchange. Even though collaborating can give you benefits such as economies of scale and complementary resources, the risks of sabotage and your ability to get the most out of it will depend in part on your leverage and bargaining power.

The authors acknowledge that the current framework could benefit from further research that determines "the conditions under which sharing is facilitated and inhibited." This project will use 'bargaining power' as one of three dimensions in classifying different types of business alliances, and illustrate the specific conditions that give rise to these alliances, hence empowering us with the knowledge to encourage the types of alliances we find useful.

Leadership and bullying are blurred in the literature

Luis Suarez-Villa (1998) notes the broader context where interfirm relationships develop in his article entitled: *The Structures of Cooperation: Downscaling, Outsourcing and the*

Networked Alliance. The motivation of a firm to stay 'small and nimble' creates a situation where they outsource various things that historically used to be done within the firm, especially as it specializes more and more narrowly on what it does best. The label that he uses for these external relationships is "cooperative outsourcing", and he explains how the structure of the network influences trust and reciprocity.

The three main structures that he identifies are: circuit non-nodal (firms interact without a clear leader), circuit nodal (one firm acts as the coordinating force), and branch (where a larger firm is the glue that brings together many small firms). In his analysis, the 'circuit nodal' structure will experience less trust and commitment because of the 'disparities in decision-making powers' and access to resources. Similarly, in the 'branch network', mutual cooperation is achieved almost exclusively through the power of the larger organizing firm. When smaller firms feel like their business interests have been subordinated, they may be inclined to leave, unless their firm has already reshaped to fit the specific mold of needs within this network which could make it harder to join another network.

These network structures are useful for identifying the bargaining power you can expect in different networks, and how cooperation works in these instances. I would take the analysis further in the following ways. First, include the role of non-firm entities in the governance of these structures. After all, business relationships do not take place in a vacuum. What about trade associations, government agencies, and other organizations that affiliate with these business networks? This might influence the nature of cooperation and trust. (We discuss this phenomenon further in view of the theory of New Institutionalism in the next section.)

Second, we could benefit from knowing more about these member firms rather than to view them as a single ‘cooperative’ network. While it is useful to know about their unequal bargaining power, we might include other dimensions that typify the network, such as whether the firms do the same type of work (“bonding capital”), or do different types of work (“bridging capital”), whether they share the ‘front stage’ or ‘backstage’, and what holds their interaction together in these cases. This project strives to add clarity to the classification.

Third, the theory of ‘embeddedness’ has been introduced but not elaborated in this paper. The author, Suarez-Villa, explains that the “level of trust involved in such cooperation may also depend on the degree of commitment that any of the engaged firms have to the alliance, and their embeddedness in it.” He says there is greater trust when there is more commitment, without actually unpacking what ‘commitment’ means. My thesis strives to complete this analysis by integrating the idea of trust and commitment within the framework of social closure and deviance.

Summary

All in all, this project cares about small business survival and growth. Individuals can use their business to make a living, support their families, provide value to society, hire and train workers, enliven urban spaces, and contribute to economic growth. Their collective economic value might vary from country to country, but we cannot deny their place in the ecology of the market.

So, we ask, what are the conditions that nourish small businesses so that they can last and grow? There is a lot to consider, and this project specifically focuses on support systems that cross the public-private domain. Your social network might include not only family and friends, but industry leaders, and government officials, which brings into question the role of the government in this ecology. Love it or hate it, they are a part of the picture—which part? Using qualitative fieldwork in Singapore, we discuss the *formation* of self-sustaining networks in formal and informal contexts, *types* of collaborations, the *mechanisms* of how they work, and how they are *sustained* (rather than displaced). For example, we want to clarify how social capital can be sustained through informal means such as the interconnectivity of 'social closure', as well as formal means such as trade groups, government programs and policies. To accomplish this analysis, we now turn our telescopic lens onto the theory of new institutionalism.

New Institutionalism

What is new institutionalism?

Some of us look at the sky, and see a scattering of scintillating stars. Some of us look at the sky, and see constellations of stars, groups of stars. And every star is part of a larger system of stars that exist in relation to one another. So it is with people. Each and every one of us belongs to a constellation, whether this is your family, school, workplace, neighborhood, temple, city, or nation. The theory of new institutionalism focuses on the constellations, not just the stars, and the ways in which our decisions and movements are influenced by these interacting spheres.

In human society, we call these spheres 'institutions' which sociologists define as "a web of interrelated norms – formal and informal – governing social relationships" (Brinton and Nee 1998:19). When we think of an institution, we typically imagine a building, but a *social* institution is an invisible structure that surrounds us with a set of cultural expectations (this is a softer version of 'rules'). For example, marriage is a social institution that produces distinguishable patterns of behavior and expectations that vary from simply living together. Social institutions can be simultaneously supportive and constraining (1998:12).

New institutionalism gained traction to challenge the neoclassical assumption in economics that we are rational agents making independent free choices with perfect information. Institutions emerge to impose more certainty in our lives; this could include the institution of marriage, or a firm, or an ethnic enclave. The theory of new institutionalism casts light on how our economic and political behavior is conditioned by these social relations and institutions, rather than left to the free-wheeling forces of the 'free market'. For example, let's say you run a shop that sells antiques. A perfectly rational person might continuously hire and fire employees based on price signals in the market to maintain the lowest costs, while someone operating with *bounded rationality* might hire a close family friend on a long-term contract to reduce the time (and money) spent searching and training new people, and to draw on the comfort of pre-established trust inherent in their community.

What makes it new?

Going further, new institutionalism is 'new' because it accounts for multiple institutions at the same time and, more importantly, the relationship among them, which creates an institutional context. Another core idea is endogeneity, i.e. the feedback loops from individuals' decisions and actions. This context includes three domains: macro (e.g., the government), meso (e.g., civic groups) and micro (e.g., family and close friends) that interact to influence the structure of opportunities. A beautiful example is given by Arang

Keshavarzian (2009) in his book *Bazaar and State in Iran* where he describes how contrasting government policies under the Shah and Ayatollah (macro) influenced how merchants (micro) related to one another in the Tehran Bazaar (meso), leading to vastly different capacities for political mobilization.

Areas that need more development

Victor Nee (1998) explains that new institutionalism is "part of an emerging paradigm in the social sciences" that "seeks to explain institutions rather than simply assume their existence." Over time, we might observe institutions sprout and change the norms of our society. How exactly do they emerge: is there a master design? If not, how do they take shape and spread organically? Scholars have repeated that "the challenge for institutionalists is to create a richer theory of the origin and change of institutions" and that there isn't enough empirical work about this (Ingram & Clay 2000:39).

Moreover, scholars need to investigate "how actors overcome the second-order collective action problem inherent in the creation of institutions" (2000:39). The collective action problem refers to free-riding: when everyone benefits from the group, but not everyone contributes (like Wikipedia). The second-order problem occurs when there is a cost to punishing deviants, but only you (or a few people) bear this cost while everyone else benefits (like a neighbor who does not clean up after their dog in the park; rationally, no single neighbor might want to expend their own effort while everyone benefits, so they might not take action). How do institutions promote cooperation among members and protect everyone's interests from deviant or opportunistic behavior?

These two questions — the emergence of institutions and the first and second-order collective action problem — are relevant to my study of small businesses in Singapore. Their strategies for survival and growth reveal a variety of collaborative efforts based on informal networks and participation in formal groups. Paul Ingram, a business professor, and Karen Clay, a public policy professor, noted that research projects have mostly looked at public institutions, while "more studies are badly needed" about the emergence of private institutions (2000:540). Both government agencies and private organizations play a role in creating, maintaining, and growing small business networks. I will explore the role and risks of 'social closure' in enabling trusting relationships in the formation of private business alliances, and then hope to add value to the research field by exploring the interdependency between micro, meso and macro institutions.

Thickening the theory from a study of capitalism in China

The cycle of interaction between three institutional levels — state, organizations, and individuals — is illustrated in a study of entrepreneurial growth in China. Two sociologists, Victor Nee and Sonja Opper (2012), studied how entrepreneurs in the Yangzi delta region lacked proper policy support from the state, especially in the legal sphere such as property rights, registration, and liabilities, in order to run their business efficiently. The entrepreneurs had to figure out a way to minimize the risks of business.

So, what did they do? Instead of waiting for the political system to catch-up with their needs, they created "informal economic arrangements" within "networks of like-minded economic actors that provided the necessary funding and reliable business norms" (2012: 9). The authors proceeded to show how "bottom-up institutional innovations" by the entrepreneurs eventually permeated and altered the institutional landscape for business in the region. The analytic model examines how "institutional dynamics operate in both directions, from institutional mechanisms embedded in macro-structures to micro-level behavior, and from micro-motives and behavior to macro-level institutional change" (2012:10).

This is reminiscent of cases elsewhere in the world where the absence of government rule sparks the rise of alternative institutions, such as the mafia in Sicily that offered its own system of security and protection for residents (for better or worse), or gangs in Chicago that substituted for the scarce police presence in inner-city neighborhoods (Venkatesh 2008). This study in China is noteworthy because the authors not only show how government policies affect networking strategies on the ground, and how these informal norms and networks develop into recognizable institutions, but they show how these arrangements in turn filter upward into government policies that impact an even greater scale, sparking a feedback loop. In the case of China, it spurred the formalization of capitalist policies. As compelling qualitative projects tend to do, the authors give rich detail on "the mechanisms intrinsic to social relationships that develop and maintain cooperative behavior, enabling actors to engage in collective action to achieve group ends" (Nee & Opper 2012:21).

Does feedback through the business networks always flow back-and-forth through the micro-macro channels to create institutional change? It might be worthwhile to understand how exactly this feedback flows, and when it might be obstructed or ignored.

Summary

Sociology is fundamentally about patterns of social behavior, and this theory puts a focus on the 'institutions' we create that entrench these patterns in our everyday lives. It explores how institutions influence our behavior, and the way institutions are created and interact with one another. But, do these institutions also compete with one another for influence and resources? How do they interact across the hierarchy? Victor Nee writes that the "micro-macro linkage is a central issue in the developing new institutionalist paradigm" and, specifically, bridging "the microworld of individual actors and networks, and the larger institutional framework" (1998:3).

There is a distinct theoretical tradition that deals with the macro-micro linkage. It marches under the banner of 'state-society synergy' led by the sociologist Peter Evans from the University of California (Berkeley). We will examine this framework in some detail before bringing together the gears of social capital, new institutionalism, and state-society synergy into a single lens for this project.

State-Society Synergy

Background

The debate about economic development continues to rage furiously. What was the secret behind the phenomenal rise of Asian tigers in the 1970s: Taiwan, Singapore, South Korea, and Hong Kong. Did they make the spectacular leap into modernity because of proactive government intervention, or *despite* it with the prevalence of neoliberal policies? This contemporary debate reflects two competing schools of thought: crowding-out versus synergy.

Definition of crowding-out

Crowding-out conjures an uncomfortable sensation of being displaced from a place where you think you belong. The crowding-out hypothesis claims that there is a "zero-sum" relationship between the government and personal networks, with "a certain number of tasks to be done and the only question is who will do them" (Finsveen & Van Oorschot 2007). Economics explains that government expenditure 'crowds-out' private investments[1]. Sociologists such as James Coleman (a strongman in social capital theory) have suggested that government action can weaken informal networks (Evans 1997:3). By extension, some might argue that giving welfare to unemployed people will reduce their motivation to seek help from their own family and friends, or to earn their own income. Nationally, the "comparatively poor performance of contemporary African economies is attributed to excessive or inappropriate state regulation that has impeded the development of networks" (Gregoire & Labazee 1993). The running thread of logic is that governments should step out of the way of social life and economic systems.

Definition of synergy

Synergy conjures the image of different forces sparking together to create a stronger source of energy. In everyday language, it is defined as "the interaction or cooperation of two or more organizations[2] to produce a combined effect greater than the sum of their separate effects" (Oxford English Dictionary). The synergy thesis challenges the 'crowding-out' perspective and proposes that the government can actually be a catalyst for social capital. Peter Evans acknowledges that governments can sometimes have a destructive effect, but

[1] Under conditions of full employment and rising interest rates

[2] "Organizations are defined broadly as groups of all types, whether they are social groups, coalitions, or corporations, structured to pursue some collective purpose." (Ingram & Clay 2000:527)

this does not exclude the possibility that “norms of cooperation and networks of civic engagement among ordinary citizens can be promoted by public agencies and used for developmental ends” (1997:178). It behooves us to explore how synergy is produced so we can replicate it more consciously.

The framework for ‘state-society synergy’ breaks the organizational landscape into two sectors: public (government) and private (social networks). Scholars, including Robert Putnam (another giant in social capital theory), counter the crowding-out perspective and give evidence of a symbiotic relationship where “effective state institutions create an environment in which civic engagement is more likely to thrive” (Evans 1997:3). This symbiosis is not merely a complementary jigsaw where the government does one part of a project (such as create a public park), and the private sector does another part (such as organize social events at the park). In this instance, social capital is potentially nourished through the project, but the public and private effort is fairly distinct.

Synergy goes further. Peter Evans describes it as an “enmeshment” that “connect(s) citizens and public officials across the private-public divide” — when we see government officials interacting on the ground with people in the community — because “the permeability of public-private boundaries must be acknowledged as an inescapable part of many developmentally successful programs” (1997:180). Studies show that the “East Asian Miracle” may have benefited from synergistic relationships between government agencies and local communities (1997:186).

Cases of synergy: Taiwan, Brazil, and the USA

Let's see what synergy looks like in practice. Taiwan's irrigation system is a "coproduction" between government officials and local farmers. They share the aspiration of a thriving agricultural system: for personal livelihoods, on the micro level, and national development, on the macro level. The author Wai Fung Lam (1997:15) shows the interdependency between the public and private sector in running the irrigation system via intermingling networks on the ground. The farmers depend on government officials for the coordinated provision of water and formulation of water policies, while public officials rely on the farmers' localized knowledge and experience to implement the systems. Individuals in the two sectors interact constantly through irrigation associations that are owned by farmers and report to government officials who are stationed in the area. This is described as a synergistic relationship.

In northeast Brazil, the government released a series of campaigns on television promoting the value of preventative healthcare. Judith Tendler, a development economist based at the Massachusetts Institute of Technology, explains that these advertisements legitimized the work of public health professionals who were otherwise treated with indifference in the local communities, hindering the progress of their message ("Mothers would not answer their knocks on the door..." (Evans 1997:206). Moreover, the health professionals integrated their work with other forms of volunteering (e.g. at daycares) to forge a culture of goodwill that was necessary for enacting public health changes. This is used as an example of government action that "span the public-private boundary and bind state and civil society together" (Evans 1997:84).

We can consider the recent crisis at Ferguson (Missouri, USA) where Michael Brown, a young African-American man, was shot dead by a white policeman, presumably in selfdefense against a provocation. Protests sprang up in fury across the country. This was not the first time that a black man was targeted in a police shooting, and unfairly. To protect members of the police as well as members of the public, policymakers have increased support for putting cameras on police to record their interactions. Using the state-society paradigm, one can see how this approach may only accentuate the divide and tension between ordinary people and the police (who represent the government). It cements the distrust between the State and Society. A proponent of synergy might instead recommend integrating the police into the social fabric of the city, perhaps through redefining their role to be more integrated into the neighborhoods and community to produce a collective sentiment— we're all in this together. This way, social networks are intertwined vertically and horizontally across the public-private boundary, and the goal of public peace and social cohesion is aligned beyond the external threat of coercive policing.

Research applying the state-society synergy thesis

The point is that the state is not a separate and isolated institution in society. It is (and can be) very much woven into the social fabric. Research projects that examine the role of the government could take greater stock of this situation using the "state-*in*-society" approach (Migdal, Kohli, and Shue 1994 cited in Keshavarzian 2009). Arang Keshavarzian writes in his book *Bazaar and State in Iran*: "Scholars have increasingly cautioned against exaggerating the state's autonomy from society and its capacity to restructure society. Instead they have advocated greater attention to the dialogical process in which state and social forces shape one another. In turn, state effectiveness is based on particular state–society relations, with more effective states tapping into social resources and institutions" (2009:11).

There are many gaps in the synergy framework that existing studies do not fully address. While we are eager to celebrate the prospect of governments working closely with civic groups on the ground, it isn't clear whether specific government involvement is integral or whether a private organization could have played the same role in development projects, for instance, in Taiwan's irrigation system or Brazil's health campaigns. What would happen with less government involvement? It's also fair to ask: does the government privilege one group of people (and their aspirations) over another group of people through its choice of synergy? (Does synergy have a darker underbelly?) Along the same line of thought, who exactly constitutes "civil society" in a "state-society" relationship, and who gets left out? "Civil society" is defined as a public sphere "where a melange of associations, clubs, guilds, syndicates, federations, unions, parties and groups come together to provide a buffer between state and citizen" (Norton cited in Sullivan & Abed-Kotob 1999:2). This concept is broad and could benefit from nuance. How do people fare outside the network of synergy, and do these alternatives exist?

Summary

The state-society synergy paradigm challenges the idea that 'the state' is a monolithic entity governing the microactivity of our lives from above, and that solutions to economic development are premised on either intensifying or reducing the bulk of the state apparatus. On the contrary, this paradigm exposes the interconnectivity of people in the government and society; we need, and reinforce, the strength of each other to achieve our collective goals. The focus is not on 'more' or 'less' government. The focus is on 'how'— how does the government interact with civil society?

By and large, scholars who use this theoretical lens are interested in macroscopic questions, such as the path of economic development in a country or how to democratize a political system. For example, there was much curiosity about the newly formed civic institutions in Russia after 1991, including trade unions, environmental groups, and women associations, that could potentially mobilize collective interests and represent them to the government (Sundstrom 2006).

Peter Evans summarizes the crux of this theoretical agenda: "While it is always fun and often useful to expose the perfidies of public sector actors, this kind of news is already in oversupply. What is needed is more research on positive cases. There are many innovative efforts that cross "the great public-private divide," but they are scattered. Innovators in one area are likely to be unaware of similar efforts elsewhere. Systematic investigation and comparison of cases across diverse sectors and contexts would be a boon … . Research has an important role to play in diffusing the idea that synergy is a real possibility for Third World countries trying to enhance the welfare of their citizens" (Evans 1997:206).

My Theoretical Orientation

Overview of the three perspectives

The three perspectives weave into a single orientation for this project. A quick summary of the frameworks: social capital focuses on interpersonal relations, and how we access resources from these networks. *Social capital* depends on trust and cooperation, but it is also encouraged by a structure that puts pressure on us to conform to a particular culture of norms and reciprocity (or risk exclusion). This structure includes 'social closure' (an interconnectedness that binds us within a group) and, when it is sustained, we have a social institution. *New institutionalism* draws attention to how our seemingly personal choices are actually produced through institutional pressure, and the way institutions themselves (such as business associations) are shaped by other institutions (such as government agencies). *State-society synergy* splits the institutional landscape into two big chunks, the private sector (state) and public sector (society), focusing on the role of the government. The synergy theory strives to challenge the idea that we stop helping each other when the government steps in and that, instead, it is possible for both sectors to be mutually reinforcing for the collective good.

A United framework

I will examine society across three tiers — micro, meso, and macro — to sketch the conditions enabling the survival and growth of small businesses in Singapore. These three tiers are: interpersonal relationships between the business owners (micro-micro), participation of business owners in formalized groups (micro-meso), and interaction with the government (micro-macro, or meso-macro). A business owner could be using one or more channels as a resource, or none at all.

More importantly, I will sketch out the mechanisms that connect these three tiers together. For instance, business owners could be relaying their concerns to a trade organization that consolidates these interests in a report to the government, urging a shift in policy. This will show an upward pressure from micro to macro.

My framework is inspired by Victor Nee and Sonja Oppers's (2012) discussion of institutional change, and I will use this framework as a beginning point to identify synergy, where the orange arrows pointing downwards refer to government policies and the yellow arrows pointing upward refer to collective pressure that change the policies.

The linkages might vary in different contexts. For example, the meso-space might be totally absent in some contexts and, instead, there is a direct link between business owners and the government. Or, as a result of a macro-policy, we might observe the rise of meso-groups. We'll make this diagram more sophisticated while analyzing the empirical case studies.

Ultimately, this research aims to unearth the institutional relations that exist between the government and very small businesses. Governments have the power to set policies that affect the context of small businesses and, at the same time, business owners can also affect opportunities using their social networks. The question, however, is whether and how support and constraint from the government creates less incentive for business owners to use their personal networks or, conversely, how they intertwine to promote business growth through synergy. This project seeks to identify the specific conditions under which we might see either crowding-out or synergy.

The theoretical framework integrates three conceptual strands discussed in detail above: social network analysis (social closure and the implicit social contract), new institutionalism (institutional context and feedback), and the state-society synergy thesis. The synergy thesis considers two analytic parts of society: government structures and civic/social institutions, relating in ways that are competitive or synergistic. However, this synergy lens neglects micro-interactions at the people-level where decisions and actions are taken.

Social network analysis enriches this synergy thesis with a focus on how business owners mobilize resources inhered within person-to-person ties. Interpersonal collaborations have both risks and opportunities to the business owners, and we explore how this is managed informally using the pressure of social closure and the implicit social contract to enforce behaviors and norms. Adding to this framework, we look at ways in which the government enables these informal networks, producing what we consider to be state-society synergy. Or, conversely, we might discover how social control emerges informally among business owners specifically because there is a lack of formal support.

Likewise, the social analysis framework benefits immensely from the synergy thesis which highlights networks that specifically cross the public-private domain. We embed these actors in the micro-meso-macro tiers of society— the "meso" layer is introduced by the lens of new institutionalism which points out the meso-space that lies between the government (macro) and very small business owners (micro). Your social network might include not only family and friends, but industry leaders, and government officials, which brings into question the role of the government in this ecology. For example, we want to clarify how social capital can be sustained not only through informal means (such as the interconnectivity of 'social closure'), but also through formal means such as trade groups, government programs and policies.

Together, the three strands build a framework which directs us to advance our knowledge further on the role of bridging institutions as a driver of synergy between the government and small businesses. This thesis explores the action in three primary domains of business: land, labor, and capital, and we determine the micro-meso-macro linkages (and circulation of power through this system) in the way these small business owners access these resources to survive and grow.

Chapter 4. Land/Space

The government has power over 'space' in many ways. It can make venues more attractive such as carving out special economic zones that are tax-free for certain businesses. Governments can negotiate trade agreements to make it easier for their local businesses to sell products in other countries, hence extending their spatial outreach. Governments can also build specialized facilities to encourage the growth of promising business sectors, such as research firms or innovation start-ups. The ground beneath our feet can literally be modified by the government to shift the boundaries of ownership and activity.

While some of us might harbor an objection to the government meddling in the market economy, the reality is that land is a scarce and regulated resource, especially in dense cities, and there are laws to manage the impact of urban development. The question is not *whether* the government ought to be intervening, but *how* the government interacts in ways that might promote public-private synergy. Leaving land entirely to the control of the government or private sector in any urban city does not exist. When we make it annoying and cumbersome for people to do business honestly within the law, they might spill into the informal economy, or we might see a needlessly high mortality of businesses struggling to survive amidst risky land speculation by private players.

From a strictly monetary perspective, rent is a worthy concern. Studies indicate that rent is about 30% of the costs for small and medium retailers in Singapore (Economic Survey of Singapore 2013). Yet, putting aside monetary concerns, even if an entrepreneur works at home, there is something to be said about the social interaction among entrepreneurs for generating new ideas, collaborations, and benefits beyond mere financial returns of the land-grab. It is not only important to notice where they work, but how their workplaces are spatially connected. In this chapter, we will refer to the social dynamics of space – the element that extends beyond physical capital – as “spatial capital.”

This chapter draws a distinction between “physical capital” and “spatial capital” and focuses on spatial capital. To sharpen this concept, I make a purely semantic distinction between land and space. Land is a tangible object that generates “physical capital” from its exchange value as a commodity in the market. Land has a market value, and we can buy it based on its external valuation such as size and location.

Space is an intangible experience that generates spatial capital from its use value. The use value is gained from the way people *interact* with places in ways that make it more productive, and it is also gained from the way places are linked together into a spatial network. “Spatial capital” cannot simply be bought in the market in the same way as “physical capital.” It is not a tangible commodity. Rather, it is a form of interaction, perhaps akin to the way friendship is an intangible interaction between people that yields social capital.

Ideally, spatial capital can be observed anywhere, such as schools and neighborhoods, as long as we pay attention to the linkages between institutions (let's say a school, community garden, and library, and the ease of access to people working in each place). Not all neighborhoods have equal amounts of spatial capital, and it might be worth including this lens in our policy development. Notably, spatial capital isn’t about the *proximity* of places, but the *linkages* that facilitate the flow of people, capital, and knowledge. These spatial linkages might even cut across the hierarchy of society between government institutions, civic groups, and individuals. In that case we might consider horizontal and vertical spatial connectivity.

This chapter is about the battle for places and the organization of spaces— a relevant struggle in rapidly urbanizing cities. While places refer to plots of land, spaces refer to the use of land. We shall take a look at how business owners cope with this constraint, as well as how the Singapore government intervenes in an attempt to make the landscape more accommodating for the diverse motif of enterprises in the city.

Public Markets

In The Bazaars of Hyderabad

What do you sell, O ye merchants?

Richly your wares are displayed,

Turbans of crimson and silver,

Tunics of purple brocade,

Mirrors with panels of amber,

Daggers with handles of jade.

- Sarojini Naidu, 1912

Starting a microbusiness usually presents low barriers to entry for those who want to make a living – repairing computers, selling cooked food, tailoring, video editing, consulting, you name it. It gives people a chance to tap on their skills to earn an income and perhaps scale up in the future. When it is complicated to register a business, the business owners might skirt the law and stay outside the radar to continue earning, hence participating in the informal economy.

Singapore had a widespread informal economy not long back in the 1970s and 1980s but, by recognizing the value of spatial capital, the government systematically reallocated urban territory for microbusinesses which legitimized their work within the regulated economy.

4 'P's of Marketing: Product, Price, Promotion, Place

If you are a small shop owner, while it is important to strategize what you are selling (product), your livelihood depends on letting people know what you are selling (making it visible to the market), and making it easily accessible (place). Place is a part of the 4 P's of marketing - product, price, promotion, and place – and is essential for microbusinesses. You may have a great product at a good price point, but it is useless unless you can distribute it to buyers. This section focuses on the place, or more precisely, spaces available for microbusinesses in Singapore, and the role of the government in integrating their work into the urban ecosystem.

It was notable during my conversations and interviews at the markets that most shopkeepers did not invest in marketing strategies (promotion) such as flyers and social media because of limited time and financial capital, yet they were succeeding, for decades in some cases, so what was working in their favor? How do you survive selling flowers from a tiny zinc stall for forty years, especially when urban property is so expensive? Whenever I asked: how do customers know about your business? The response was "word of mouth," depending on passer-bys and regular customers who returned, again and again.

But, getting access to this retail space and getting attention from consumers was no accident. This space was officially carved into the urban landscape exclusively for microbusinesses. Upon talking to government officials and examining their policies, it became clear that these markets, managed directly by the government, was a way to ensure that vendors could retain their formal access to a livelihood instead of roaming the streets as a "public nuisance." In taking away 'the street' as a primary resource of livelihood and making it illegal, the Singapore government proceeded in the 1980s to replace the street with officially-designated market centers for microbusinesses. This policy protects the legal work of microbusiness traders in the midst of high-end urban development.

Elaborating Spatial Capital

We refer to the use of streets and market centers as "spatial capital." When you think of 'capital', you are probably imagining money or wealth, or financial capital. Financial capital can generate more financial opportunities. But, there is also *non-financial* capital which leads to more opportunities. For example, instead of paying a babysitter, you might have a friendly neighbor look after your children while you go for interviews. Your neighbor is a source of capital – *social* capital – since your social connection can translate into an economic gain.

In the same vein, we define *spatial* capital following Marcus (2007). Lars Marcus (2007) highlights a dimension of urbanity which is accessibility (the ease with which urban spaces can be accessed, like how easily you can get to a shop). He says: "Put in more concrete terms; we live in cities so that we can get close to many different things."

He then goes on to define the concept "spatial capital" based on two types of values: **"exchange-value"** (the direct conversion of land into financial capital, such as selling a house for money) and **"use-value"** (the value that the space represents through its multiple usage and users in everyday life).

Here we emphasize *accessibility* of urban space for microbusiness and the *use-value* of urban space. Marcus writes: "for those without economical, social, or cultural capital, the city has always offered spatial capital" (2007: 12). We extend this idea to add a policy spin: when the government sets aside urban space for microbusinesses that is integrated with the city, the generated spatial capital can be substantially increased.

Re-conceptualizing land, place, or location as spatial capital has a theoretical importance. Undoubtedly, what matters is "location, location, location" where the size and foot traffic yields a market price (the "exchange-value"), but what is also important is how that same location is used to reap even more opportunities through its "use-value". For example, you could form an association with shops around you to bargain for bulk delivery prices. This transforms the space you have into spatial capital.

The critical quality that defines capital is that is can produce more capital. Marx (1867) explains: "Capital is money: Capital is commodities. ... Because it is value, it has acquired the occult quality of being able to add value to itself. It brings forth living offspring, or, at the least, lays golden eggs." Space on its own may not be a source of capital, but the way it is *used* might lend it the character of capital. The market center where your shop is located is not 'spatial capital' unless it brings value to your business.

Hawkers All Over the Streets

After the Second World War, the streets of Singapore were bustling with hawkers selling coffee, hot meals, raw food, and household wares. Migrant workers poured into the city bringing demand for cheap food near their work sites. There is transience and mobility in the work: merchants roaming the streets or using temporary stalls on the sidewalk to hawk their goods. The streets give quick access to 2 P's of marketing – promotion and place. Urban space is competitive and might not be guaranteed from one day to the next. This creates insecure spatial capital. Unlicensed vendors can be shut down by the police anytime and this compromises the spatial capital they have built up since they lose linkages in the area (for example, with public amenities such as washrooms) and have to build a customer base from scratch somewhere else.

From the 1950s, however, officials grew concerned about pollution resulting from hawker activity and the outbreaks of typhoid and cholera. At roadside stalls, contaminated water got into food, cutlery was poorly washed in buckets, and pileups of garbage were attracting rats and pests. A Hawkers Inquiry Commission in 1950 reported that "there is undeniably a disposition among officials to regard the hawkers as primarily a public nuisance to be removed from the streets" (Ghani 2011). The Singapore River emanated a terrible smell as it was used as a rubbish dump by street hawkers "plying their wares and slaughtering chickens, you name it they do it, including those days even snakes, wild animals. Everything went down, from the blood, feathers and everything" (Ghani 2011).

The rapid pace of modernization depended on improving sanitation in public spaces while maintaining the provision of convenient goods to society. Initial attempts to remove unlicensed hawkers sparked tension, not just with the hawkers, but with the public. "Compounding the authorities' problems was the fact that public opinion was not on their side despite the obvious public health and other benefits which these clean-up operations were meant to effect. Sympathy was on the side of the hawkers, popularly seen to be poor men and women, committing no offence and trying to earn an honest living" (Ghani 2011).

Relocating Street Hawkers to Markets

The State recognized that these microbusinesses could not be annihilated: they served a public demand, and provided a livelihood for families. Lee Kuan Yew was the Prime Minister at the time and noted that "these were the faces behind the unemployment statistics. Thousands would sell cooked food on the pavements or streets in total disregard of traffic, health, or other considerations." It was politically and economically expedient to include them in plans for urban development. Therefore, between 1974 and 1979, the Singapore government constructed about 9 hawker centers every year to accommodate these businesses and, today, 107 market centers are peppered across the city.

But, moving the vendors from the streets into these markets did not happen without a struggle. Vendors were anxious about losing their regular customers and worried about rental costs. Their roadside stalls represented a source of spatial capital giving them easy access to customers. To allay this resistance, the government did two things. First, they made the rent the same cost as getting a license for hawking on the street. One coffee seller explained to me: "My father use to have a roadside cart selling coffee until the government resettled them to hawker centers [in 1975]. The rent was $50 a month, but in the contract they put that rent would go up as business went up in the area."

Second, in an attempt to replicate (or even improve) the spatial capital that the vendors enjoyed on the street, hawker centers were planned near factories and apartments which were being rapidly constructed during this period of modernization, so the locations ensured a steady stream of customers. As word spread about amenities at the markets – running water, electricity, waste disposal and, above all, a legal place to do business without constant fear of removal – there was greater acceptance of resettling. When asked whether they were happy about being moved off the streets, the coffee seller said: "Of course! Last time there were no clean plates, no tables, customers would squat on the road to eat and drink." The last street hawker was officially relocated to a market in 1986.

Rather than wipe away the spatial capital that vendors desired for a living, the government provided a substitute which, in effect, protected their spatial capital during intense urban development. The vendors were designated a legitimate place on the map of the city. The National Environment Agency (NEA) manages about 15,000 cooked food and market stalls. These shops sell cooked food, raw meat, produce, and a variety of products and services (such as brooms, Chinese medicine, and tailoring). These market has strings attached: only individuals are allowed to bid for these stalls (not companies) and the owner has to be present to run the stall personally (NEA 2016), so it excludes companies (such as McDonalds) from competing for the space.

In effect, these markets have been created exclusively for independent hawkers so they have a dignified space and visible face in the legal sphere. Of course, in order for their spatial capital to be protected, the vendors must abide by the governmental regulations, i.e., obtaining a license and managing their business at an approved address. Notably, vendors are exempt from registering as a business, hence paying income tax rather than the higher business tax. Spatial capital is a two-way street of cooperation between the government and microbusiness owners.

Importance of Spatial Capital

Financial capital is often available in just small quantities for microbusinesses, and this is why spatial capital is more meaningful. For hawkers, space is practically everything (more broadly in the Singapore economy, rent is about 32% of the costs for retailers). Typically, when microbusiness owners get displaced from the rental market, we might see them hawking on the streets, train stations and other interstices in the urban landscape. By building market centers throughout the city, the Singapore government has attempted to replace one kind of spatial capital – the mobility of a vendor who latches freely onto high human traffic, with another kind of spatial capital – the stability of a concrete base integrated with residential and industrial sites.

What is interesting about spatial capital is not just the presumed exchange-value of the space based on location, but its use-value. In particular, in such close proximity, vendors might collaborate. A fishmonger described fierce competition with another fishmonger who was always "calling out" to passerbys, even when they were already at his stall looking at his fish. To him, this broke the informal "rules" of doing business. However, he is friendly with another fishmonger in the market. Since they go to different sea ports to get their supply ("I wake up at 1.00am every day to buy fish from Jurong port, he goes to Senoko port in the north because it is closer to where he lives."), and each port offers different types of fish, they occasionally pick up fish for each other to add a range to their offerings. I asked how this alliance emerged since they compete in the same market venue. He said it took a few friendly exchanges over time before they started helping each other. They have created social capital for themselves, but they also increased their spatial capital by making use of location-based resources in a way that translates into economic gain.

One shopkeeper explained that he used to sell shoes from a cart that he would push around: "I used to bring my shoes to the markets, you can rent the pavement outside the shops, every day go to a different market, *pasar malams*. It was very hard work. I had to bring all the shoes there, and then bring it all back home again. Now it is easier: see, I can leave the shoes in the shop, and I can stock more shoes. The suppliers know where to find me, they come to me with the catalog." During the interview, his 4-year-old child sat in the shop playing on an iPad while his wife chatted with the tailor next door. The stability seemed to provide a comfortable spot for the family to stay together during the day.

From the perspective of the government, each shop can be clearly identified with a formal address, providing a system of organized control, and this transparent layout generates, perhaps unintended, positive consequences. The layout becomes a source of spatial capital for the vendors. First, the shop offers avenues for growth since the shopkeepers can order and display more products to sell as opposed to cramping small amounts of products on a mobile cart. Second, instead of hunting for moving targets on the streets, distributors from bigger companies are able to approach shopkeepers at centralized markets, hence easing the flow of goods down the value chain. The vendors are visible as a collective unit to their suppliers and customers. Third, the proximity of diverse complementary shops – shoes, clothes, hairstyling, clinics, and household products – integrates each shopkeeper into a web of affiliate marketing where customers can hit up their everyday needs in one spot.

On a macro (aerial) level, spatial capital can be viewed as plots of market space that are integrated into the bustling life of the cityscape, generating a revenue stream for the government. The hawkers who were resettled pay subsidized rates (Figure 1: Rental Policy) – they constitute 42% of all tenants – which provides them with a footing in the urban economy, while the remaining stalls are tendered through market forces: the available stalls are announced monthly for bidding that result in rents anywhere from $1 to several thousand dollars. Urban space is expensive, but since the tenant has to be present at the stall to run it personally, the state policy creates a competitive advantage for microbusinesses in the economy to hold their ground vis-à-vis bigger companies and their franchises. (See Figure 2. Map showing the location of 107 food and hawker centres in the city)

Type of Stall	Trade type	Subsidised Rent per month (inclusive GST)		
		Without upgrading	Standard Upgrading	Reconfiguration / Rebuilding
Cooked Food	Cooked Food	$160	$192	$320
Market	Piece & Sundry	$92	$110.40	$184
	Market Produce I	$80	$96	$160
	Market Produce II	$56	$67.20	$112

Figure 1 Subsidized rents for resettled hawker from the 1970s. Source: NEA 2016

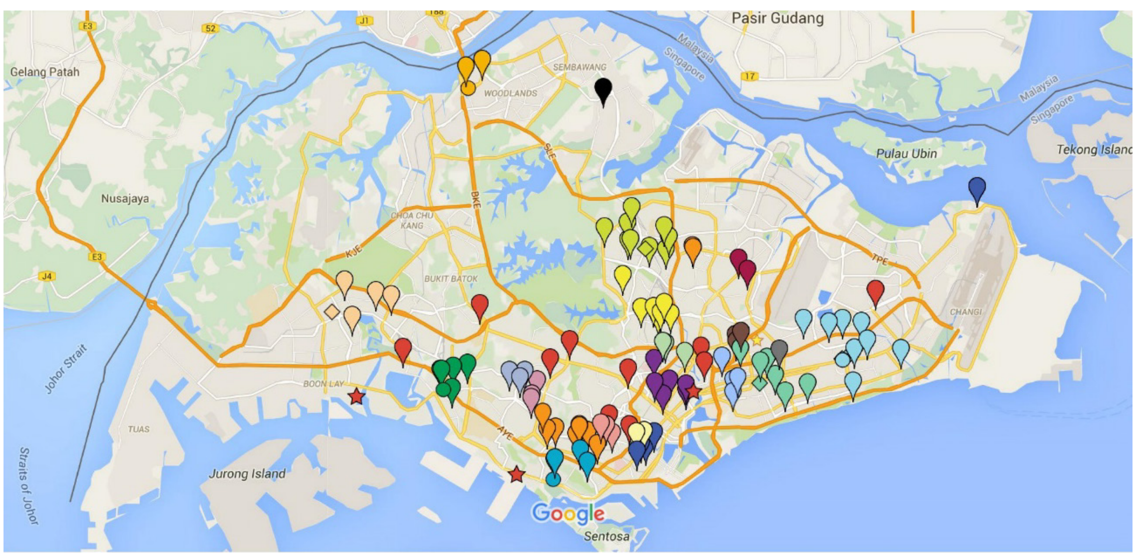


Figure 2: 107 market centres distributed around the city. Source of physical addresses: NEA 2016

Governmental Micromanagement of Microbusinesses

The flipside to the government's strategy of organizing microbusinesses is that the policymakers have the overruling authority to decide what kinds of trades are allowed and where they will plot the centralized markets. The dynamics of the market are not 'free' as the infrastructural layout of the market is centrally planned in terms of trade and spatial arrangement. When you are bidding for a stall, the information sheet tells you exactly what kind of trade you can do in that particular location (see Figure 3). For example, if you want to sell chocolate, but the stall in that location has been designated for vegetables, it doesn't matter how much money you put down for the location because you won't be allowed to sell chocolates (unless you can pass them off as vegetables). Let's say you start off selling vegetables, but your customers prefer to buy chocolates from you. You still cannot change your trade. You would have to give up your license at that stall, and apply for a new stall elsewhere which has been designated for chocolates ("piece & sundry goods or preserved & dried goods" instead of "vegetables or beancakes & noodles or flowers").

Rent for shops that are located beneath residential apartments are funneled to the Housing Development Board (HDB), whereas rent for another 107 market centers is managed by the National Environment Agency (NEA). Both agencies have strict restrictions on the trades permitted in their commercial properties. The HDB website states: "For trades that involve a change in the use class, HDB's prior consent has to be obtained before applying to the other relevant authorities e.g. URA for approval." (HDB 2016)

This has led to frustrations on the ground. In one interview, a man explained to me that the owner of a shop had agreed to rent his property to him. His business proposal was to sell Indian products that are harder to find outside of the Little India neighborhood. His request was rejected by the government, and he was furious about the decision because the shop owner had already agreed to rent it to him without any objections to the trade, and he had already spent $3,000 buying things for the shop. I do not have information from the government agency about the exact criteria that was used to reject his trade. This is how he explained it to me:

"I wanted this shop near my house so my wife can work. We wanted to open a shop but HDB said they don't want an Indian shop. They said the Indian shop will be untidy – they say I cannot sell Indian garland, drinks, but it's an Indian shop! … The HDB letter said: "The proposed trade is not suitable because it could affect the attractiveness of the shopping center." They said there's already a supermarket there— but the supermarket doesn't sell all the Indian things! And then they opened a dog shop around there, which is smelly and untidy! The smell even goes to the coffee shop! We lost $3,000 for the shop. We thought we were going to open a shop, we had all the racks, banners, registration, everything."

Perhaps this man should have approached the government agency for approval first before investing so much money into his proposed business. From his perspective, however, the deal was sealed and concluded through the economic forces of the private market. He and his wife belong to a demographic of low-income families in Singapore (earning a gross household income of less than SGD $1,700) and perhaps from their busy schedules or lack of experience, they may have overlooked the details about needing to seek permission from the government. Big mistake. In Singapore, it is highly likely that the government will be involved in any private exchange, at least through regulations, especially if you are operating on their land, and you may need to get official endorsement for who you hire (based on the quota of foreigners) and what goes on your shelves, constraining the free-flow adaptation of business activity to immediate realities.

Spatial capital in that sense has as ominous shadow. Almost every public market in Singapore has a familiar layout and distribution of goods: fresh fruits, hot & cold drinks, and meals from stalls that conform to the diets of every major ethnic and religious group – Chinese, Malay (halal), Indian (no beef), vegetarian. This distribution is not left to the vagaries of the free market to determine lest it topples outside the vision of the meticulous urban planners. Products and services run the gamut from Chinese medicine, haircuts, tailors, clothes, furniture, electronics, spas, and household products— each plotted manually into the territory by a team of technocrats.

While it may not have been the original vision set out by the government's strategic planning, the deliberate centralized space for microbusinesses turns out to enrich the spatial capital of microbusinesses, ensure complementary trades, and limits competition within the same area. The government's purview clearly goes beyond the initial desire to ensure public sanitation. Their agenda includes promoting the accessibility and diversity of microbusinesses: the two prongs of spatial capital. Yet, this micromanagement suppresses some of the natural expression of the market from shifting fluidly to meet consumer demands.

In sum, on the bright side, shopkeepers are given formal governmental protection to run their microbusiness in designated markets free from competition from bigger companies (if you sell coffee, you can be assured you won't be pushed out by Starbucks even if they can afford to rent your spot at a higher cost— the land belongs to the government which has considerations beyond revenue in this particular instance). Moreover, this central planning is partially an effort to ensure that goods are available and affordable in residential towns even while the city blazes upwards into world-class modernity.

On the darker side of protection, the microbusinesses are subject to tight government control that deprives the shopkeepers of localized decisions (such as what they sell), limiting their activities to the confines of government dictate, and since the government is the supreme landlord, the shopkeeper cannot transfer their business to another party through the private market unless the government stamps its approval on the new trade, adding a thicker layer of bureaucratic intervention into the process that may not be entirely transparent or negotiable, as observed in the case above with the Indian shop (that never came to be).

Location of Hawker Centre	Stall Number			Approx. Stall Area (m^2)	Current Service & Conservancy Fee (w/GST)	Current Table-Cleaning Fee (w/GST)	Approved Electrical Design Load
TRADE: COOKED FOOD or HALAL COOKED FOOD or INDIAN CUISINE or DRINKS or CUT-FRUITS **							
	Previously Released with no bids	1st Release	2nd & Subsequent Release				
Blk 117 Aljunied Avenue 2	-	-	#01-48	6.00	$156.00	See note 1	10 Amps
Berseh Food Centre (166 Jalan Besar)	-	**#01-10^**	**#01-19+^**	7.29	$140.00	$533.93	14 Amps
Blk 120 Bukit Merah Lane 1	-	**#01-65+^** #01-69	-	8.19	$173.00	See note 1	14.78 Amps
Blk 79 Circuit Road	-	-	**#01-13+^**	7.10	$156.00	See note 1	14.78 Amps
Commonwealth Crescent Market* (31 Commonwealth Crescent)	-	#02-92	-	8.50	$140.00	$533.93	15 Amps
Blk 159 Mei Chin Road	-	#02-31	-	8.99	$173.00	See note 1	24.78 Amps
Newton Food Centre* (500 Clemencues Avenue)	-	-	#01-51	6.75	$140.00	$808.82	20 Amps
Blk 51 Old Airport Road	-	#01-096	-	5.52	$156.00	See note 1	10 Amps
Serangoon Garden Market (49A Serangoon Garden Way)	-	-	**#01-32+^**	9.68	$140.00	$390.55	16 Amps
Blk 335 Smith Street	-	#02-080 **#02-207^**	-	8.55 to 8.66	$209.00	See note 1	10 Amps
Taman Jurong Market & Food Centre (3 Yung Sheng Road)	-	#02-65	**#03-167^**	8.62	$140.00	$402.32	17 Amps
Blk 36 Telok Blangah Rise	-	-	**#01-45^**	8.46	$173.00	See note 1	14.78 Amps
Blk 531A Upper Cross Street	-	**#01-55^**	**#02-01^**	6.90	$199.00	See note 1	24.78 Amps
Blk 503 West Coast Drive	-	#01-33	-	6.00	$171.20	See note 1	20 Amps

** ***Please choose only ONE type of trade of sale.***

\+ ***For Halal cooked food only*** (Non-Muslim must obtain Certification from MUIS) for the sale of halal food. Muslim is excluded under this condition.
Stall designated for sale of 'Halal Cooked Food' may not be a 'Halal stall' in its previous tenancy. If ritual cleansing is required, the expenses will be borne by the tenderers.

* ***The sale of 'Zhi Char', 'Drinks' and 'BBQ Seafood' are not allowed in Newton Food Centre.***
The sale of "Drinks" is not allowed in Commonwealth Crescent Market.

^ ***For Indian Cuisine only (Sale of cut-fruits or drinks are not allowed).***

+^ ***For Indian Cuisine or Halal Cooked Food only (Sale of cut-fruits or drinks are not allowed).***

Figure 3: Tender notice for stalls available for bidding at private markets in Singapore, listing the location and type of trade for cooked food. Source: National Environment Agency, February 2015

Formalizing Interconnection

The micromanagement over the markets is achieved through an institutional structure characterized by limited agents of control who represent the State and execute its vision on the ground. Almost every neighborhood precinct has a shopkeepers' association run by a small group of vendors. They go by different names in different markets. They might be called "Hawkers Association" or "Shopkeepers Association" or "Market Association" but perform the same role as the delegated voice of micro businessmen to liaise with higher authorities (including government officials and subcontractors) on behalf of the other shopkeepers.

These associations were not initiated voluntarily from the ground up. The government makes it mandatory for every market to have an association with a chairman who attends meetings with the Town Council. These civic groups are brought into existence to mediate between the State and Society (hence "formalizing"). Vendors whom I spoke to at numerous markets were not involved in the 'association', and consistently appeared apathetic toward it. ("Chairperson? Oh he's the person who distributes leaflets about repairs and rent" and "I don't like to get involved in these associations, too much time and politics.")

From what I was hearing, there was hardly any interaction with this "grassroots" group and the Chairman of the association was simply one of the shopkeepers that the government tapped upon to circulate information coming from the top using fliers or letters about rent and spring cleaning projects.

For example, the government sets the policies for public sanitation, requiring all markets to perform a professional and thorough cleaning at least 4 times a year (during which time the vendors have to stop business for the day since the floors and ceilings are scrubbed), and the Chairman of shopkeepers help to coordinate the negotiations between the contractor and the vendors with the consolidated funds.

Is it not compulsory for shopkeepers to be active members of the association, and many don't for lack of time and because they don't see the point ("I used to be a member but stopped, they basically just sent me a newsletter now and then") – but the committee is meant to represent the common interests of the vendors.

The 'association' appears to serve as a token tool of government management. The committee formally liaises with government agencies to manage the market and organize festive events to attract customers (such as concerts during Mother's Day). The association's activities are funded by the government and represent a formalized cooperation between the State and the vendors.

Town Councils

The Town Council is a parastatal institution because it is not an agency of the government body, but it is run by a member of parliament who was elected by residents in that district during the national elections (Gov. of S'pore 2015). As of 2015, there are 16 councils in the natio (See Figure 4 for allocation of districts under the Town Councils). The system was designed to decentralize power (and direct accountability) from the Housing Development Board of the government, and to let Members of Parliament (from any of the political parties) demonstrate their governing skills to residents in their district. They are required to do practical things like "control, manage, maintain and improve the common property of the residential and commercial property in the housing estates of the Housing and Development Board (HDB) within the Town and to keep them in a state of good and serviceable repair and in a proper and clean condition." In this case, "commercial property includes any market or food centre developed by the HDB" (Balakrishnan 2013).

Figure 4: Town Council districts in Singapore. Source: TownCouncil.sg

The Town Councils answer to the National Environment Agency (NEA) in the government regarding public health and safety. The bustle of people, cooked food, and raw food at the humid markets can provide breeding grounds for pests and diseases (such as dengue fever) that could easily spell a national crisis on a crowded island such as Singapore. After all, the vendors were relocated from the streets into centralized markets with the primary purpose of regulating public health in the city. Rather than attach the burden of responsibility for the market territory upon individual vendors (who are tasked with the cleanliness of their own stalls), and rather than place the full burden of responsibility upon the State, a system of checks and balances was designed between the government and vendors through these social institutions in the middle, creating a nexus of control in the Macro-Meso linkage.

Cross-level Connections

Using the case of vendors I have demonstrated how the government institutionalizes (and extends) its apparatus of control. The Minister for the Environment and Water Resources, Vivian Balakrishnan (2014) explained: “Even if NEA continues to do 5 million, or 10 million inspections in a year, we know that the mosquitoes only need one week to breed. It is not possible for my NEA officers to inspect every single premise in every single home and site every single week of the year. Therefore, it still means we as home owners, as premises managers, as Town Councils, have to do our part. We cannot leave it entirely to the NEA officers alone.”

This cooperation provides institutional coherence to the markets: a way for the government to monitor and enforce standards and, using the same channel, to provide support. A vendor explained: “They don’t help you with the retail side of things. These associations are good for doing general repair works and fixing problems like drainage, sometimes they also have events around here, but for your own business, whether you can make it or not, you’re on your own – good luck.”

The merchant committee (and corresponding Town Council) is the exclusive bridge of communication used to link the Macro and Micro in managing the markets. Funds and policy initiatives are funneled through this singular channel, rather than to other civic groups that might emerge in this space. For example, on the website of the Housing Development Board, they discuss their incentives for organizing events:

“MAs [merchant associations] have also been actively organising promotional events to attract crowds to their town and neighbourhood centres. To assist the MAs, HDB will co-fund up to 50% of the expenditure for such promotional events. The total funding will be based on the number of MA members, subject to an annual cap of $500 per sold shop and $1,000 per rental shop. MAs are required to plan at least two events per year in order to qualify for the funding. MAs are encouraged to organize more events and the funding can be used to pay for the publicity and logistical costs of the events" (HDB 2015).

This could explain why we don't see a flourishing of other civic groups participating in the meso-sphere— the government's incentives are aligned toward encouraging activities from just a single organization that it has authorized as a liaison. Let's say I wanted to organize an event at the market—it would have to go through the official merchant's association in order to qualify for these generous grants. (However, this doesn't exclude me from organizing an event and seeking funds elsewhere.) The Town Council and its network of Merchant Associations are used as the core and exclusive organizing force for the government to manage the markets and shopkeepers.

Correspondingly, the locus of support in this space is top-down rather than driven by the initiative of shopkeepers in the micro-sphere. For instance, two proposals have been discussed during the parliamentary debates: centralized dish-washing (rather than each vendor washing their own dishes in buckets of water near their stall or in small sinks) and a 'tray-return' culture to encourage diners to return their dishes (rather than leave a mess on the table for workers to clean). Instead of a situation where the hawkers collaborate to design a solution that might make their microbusinesses more efficient, the solutions are being handballed in the polished Singapore parliament by government technocrats.

Vivian Balakrishnan, Minister for Environment and Water Resources, explained their broad vision for the dirty plates and bowls in a parliament discussion (2012): "Besides increasing cleaning standards through accreditation, we also need to encourage patrons of hawker centres to reduce the reliance on cleaners by returning their used crockery and utensils in order to speed up the cleaning process."

The intimate government engagement in this seemingly mundane problem is clear: "Existing centres will need to be retrofitted with tray-return facilities and, certainly, new hawker centres will be designed with these facilities in mind. … The cleanliness of our hawker centres is important not just for public health but also for the viability of our stall-holders' businesses and for the dining and quality of the experience of the patrons. All of us who operate either a business or patronise hawker centres need to do our part."

The government has a broader stake in these issues besides wanting to help microbusinesses. Labor is tight in the city and economical compromises with employment cannot come at the cost of public sanitation. The government's desire to monitor the markets nonetheless flows through the appointed civic channels to implement solutions. However, these civic channels that serve as a source of support are simultaneously used to closely supervise the hawkers and keep them aligned with the laws. Sometimes, the government officials will bypass these channels altogether and get directly involved. One hawker explained to me that when quarrels happen between any of them at the market (usually in the form of heated arguments, she said), the bureaucrats might come down to investigate the 'troublemakers" and revoke their license. The microbusinesses are not entirely at the mercy of economic forces, but they are certainly at the mercy of government forces.

A Systemic View of The Vendors' World

Rather than destroy the economic lifeline for vendors who were setting up their street stalls around the city, the government joined forces with them so that the vibrancy of their trade could continue within the dictates of the law and align with urban development projects. Spatial capital was the unintended consequence of a policy that was aiming to curb the foul and unhygienic waste that was piling up on the city streets from the hawkers' busy trades and to avert the contagion of potentially disastrous diseases on the fast-growing island. Solution? The government constructed public markets in well-trafficked locations equipped with sanitation facilities, and then layered the physical structure with a system of social institutions to integrate the microbusinesses with the dictates of government agencies concerned with public health and town planning, creating an ecosystem with stakeholders from both the public and private sectors.

Spatial capital is more than just space, but also the interaction between people and places in space. In this instance, we observe an intimate connection between government institutions and microbusiness sites which interlocks the State and Society into a system of support and supervision. Public funds are pumped into the markets through grants and subsidies, but only insofar as the activities conform to the precise plan laid out by the government agencies, lending a distinct uniformity and predictability to the markets and towns in Singapore. While spatial capital is special as a concept because it opens our view to linkages between multiple spheres of production (spaces can be configured in many ways), the government is similarly an institution worthy of insertion into this conceptual map given its regulatory presence in the economy and physical presence through officials who interact with the spaces.

At a micro-level, the consolidation of vendors into designated markets makes them appear more organized in the value chain to suppliers and customers who know exactly where to reach them, hence saving costs with sourcing and marketing, and they gain a legitimate platform to collaborate. These collaborations, as we have seen, are highly orchestrated rather than ground-up with the State's intimate intervention to ensure their spatial proximity to washroom facilities, garbage disposals, and even central dish-washing, and the decision-making is concentrated at the top rather than generated from below. This intervention is not from the altruistic desire to help the vendors run their business and save money, but from a standpoint of national health and controlling the urban design so that the look and feel of every market conforms to expectations in the larger vision of economy development.

The governmental agenda is more or less synergistic with the aspirations of vendors striving to make a living from their small trades. Their survival would have been more vulnerable given the rigorous governmental laws and fierce market competition. Instead, their selected existence is connected with an institutional apparatus that hinges upon civic groups to coordinate their business activity from above. This is a 'selected' existence because not everyone is privileged to work in the market. The final approval has to come from authorities representing the State who assess the viability of the trade. Regular meetings take place between government officials, the Town Council, and merchant committee to determine affairs on the ground— as opposed to a system where the weight of everyday deliberation and decision-making buzzes independently in the private microcosm of the market. Figure 5 visualizes the institutional framework.

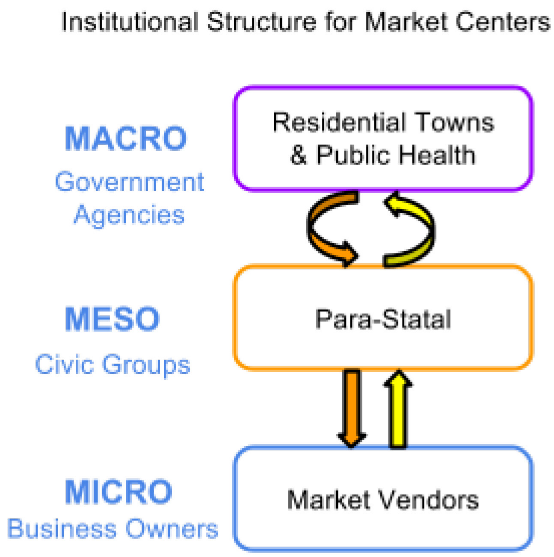


Figure 5 Institutional Structure for Hawker Centers

For this particular group of microbusinesses, the aim of government intervention is regulation and control. The intuitional ecosystem is defined by an exclusive para-statal bridge that government agencies use to implement their proposals at the markets, such as centralized cleaning. This particular configuration is noteworthy because other institutional systems (that we explore in this chapter) might have multiple organizations agitating between the business owners and the government. This system of 'exclusivity' is reinforced when government agencies only provide monetary incentives to the appointed shopkeepers' association (it is the only legitimate beneficiary of government support at the market), and this exclusive channel tightens the government's reins in the ecosystem. Most of the decision-making takes place at the nexus between the Macro and Meso.

Cooperative relationships among the vendors (for holding events or cleaning the market) are primarily outsourced to the merchant committee or Town Council. The interpersonal collaborations are institutionalized, and managed within the "meso-sphere" which relieves vendors of the full burden and freedom of informal negotiations with one another. The vendors pay their fees upwards into the “meso-sphere” to fund market-wide projects – in a sense transferring not just money but autonomy to a delegated authority— and the committee mixes it with government grants and coordinates projects downwards. The meso-sphere represents a synergy of interests from both directions, although it is embedded under the direction of the State.

The power is located higher in the system where social institutions in the middle primarily represent the State, but these institutions also advocate for their own business needs in order to flourish, allowing, at least in theory, a point of tension between the State and Society, as opposed to the State telling the vendors what to do in the absence of a meso-sphere.

So, next time you get a cup of ‘kopi’ from a hawker in Singapore, think about the larger structure that surrounds her stall beyond the beautiful chaos of the free market. Yes, the success and death of her business will ultimately depend on how much you love that hot ‘kopi’ and whether she can balance her books. However, the mere legitimacy of her working existence rests upon an intimate collaboration with the government. Her life would potentially be very frustrating if she was working in the shadows outside the bounds of the law and was constantly being chased down by the police for an untold number of arrears due to the lack of conveniences such as a garbage disposal system. At the same time, her business autonomy is boxed into the vision laid out by the State for public markets: what they can sell, who they can hire, how often they clean up, and their means of collaboration.

This chapter has fleshed out the role of space as the foundation of the microentrepreneurs’ work. Unskilled microentrepreneurs depend on throngs of human traffic. In the absence of financial capital for branding and marketing, spatial capital is their stronghold. To ensure that these spaces conform to the laws of the nation and that the vendors maintain exceptional standards of public hygiene in the city, they are integrated into a structure of public-private partnerships that honor the power of the free market at an individual level of competition, while embedding the trade within an authoritarian model of governance at the macro level, mediated through intermediate meso-channels established in this new institutionalist model.

Business Centres

From microenterprises hustling in markets, we now turn to skilled professionals in growth-oriented businesses where their concern is less about having space for retail exposure than having an office to build a team that will handle the business development and execution, and to meet clients. Spatial capital plays out in the relationship of the offices with the surrounding urban infrastructure, and a desire to integrate marginal segments of the population into the tight labour market.

Problem: Space is Limited

The principle of a business simmers down to minimizing costs and maximizing revenue; the difference is profit. Rent is part of the fixed costs (you pay it no matter what your sales is like) and it can be a headache for a small business. In Singapore, the rent for office space climbed by 22% between 2010 and 2013 (MTI 2014). Over just 15 months from 2012, around 75% of tenants had their rents increased, and 10% experienced a hike of at least 50% (Chia 2014).

During an interview, a business owner described a threefold rental hike overnight from $3,000 to $9,000. This fright was harder to gulp down since the owner had already invested in major interior renovations at the office. She decided to stay with the place and focus energy on aggressively growing her sales to keep up with the costs. Others might not have that luxury of traction, and close their doors. The local news in Singapore warned: "For SMEs, the reality of rental challenges ought to provoke discussion on creative space solutions, like intensified or shared use, as land scarcity is here to stay." (The Straits Times 2014).

For some types of businesses, working at home offers a safe retreat from the battleground of commercial property. However, a home office eventually hits its limits when you grow and need to hire people, compelling a more formal venue to hold meetings and centralize team activities. For personal reasons as well (such as noisy children), the home might not be an ideal place for business.

A Possible Solution: Flexible Spaces

Fortunately, a new kind of office is emerging in cities around the world: co-working. Instead of committing to a lease, you can rent a professional venue in flexible intervals as short as an hour. More than just a physical place to plop down and crank out work on your laptop, many co-working habitats deliberately cultivate an ambiance of interpersonal interaction through shared lounges and business networking events, giving members fresh access to social capital and, correspondingly, resources.

Governmental Role: Public Library Spaces

The Singapore government is eager to accelerate the benefits of flexible work spaces and, in 2014, it started rolling out "Smart Work Centres" at public libraries. The State is in a position to amplify this roll-out as it owns attractive real estate through its network of public libraries and community centers just a stone's throw away from major public transportation. These libraries are reasonably well-trafficked. With a population of just 5.5 million people in 2014, the public libraries handled almost 28 million visits (MCCY 2014).

Co-working business centers tend to concentrate in posh downtown areas (presumably to attract their core customer segments who desire a central location). On the other hand, these Smart Work Centres (SWC) led by the government are deepening the expansion into residential hubs to "encourage SWC operators to set up centres closer to where employees live" (IDA 2013), therefore placing strategic policy attention on expanding flexible work spaces and schedules to benefit a bigger cross-section of the population.

Why Does the Government Care?

The impetus of this government policy is not exclusively to support small business owners, but to provide relief to the economic struggle for workers and space. These Smart Work Centres are meant to bring work closer to those who might not otherwise join the labor market such as young mothers and older residents.

In June 2013, around 33% of people in the working-age population (15-64 years old) was not working. This is 1.07 million people. When we remove the youngest and the oldest segments, we are still left with 30% of those between 24 and 60 years without a job. A hefty 65% were females, with 45% of the women citing family responsibilities for not being able to work (MOM 2014). This adds to scarcity that affects labor costs and business costs.

The Minister for Manpower Tan Chuan-Jin explained their vision for change in work arrangements: “The provision of flexible work options also avails employers to a larger pool of potential workers who might otherwise find it difficult to join the workforce. This is an important point to emphasise. We do know that there are people, especially women after having the children, are looking to re-enter the workforce but are also looking for flexible work arrangements. Given the tight labour market, we do encourage employers to consider adjusting the work arrangements to make it flexible so that you can attract a portion of Singaporeans to come back into the labour market. This can be mutually beneficial for both employers and employees” (Tan 2012).

Minister for Finance Tharman Shanmaguratnam (2013) explained the government’s push for flexible work spaces: “To make this economic transition, we must also harness the value of older Singaporeans and design jobs suited for them, as well as for other potential employees who are unable to work regular, full-time schedules. Flexible work practices must become more common, enabling employees to structure their work so that they have time for their families or for personal development like part-time courses. We should also make it possible for more employees to have the option of telecommuting from home or working from “smart work centres” near their homes, like what they have in Amsterdam and Seoul. The Government will work closely with businesses in these efforts”.

These Smart Work Centres put the walk in the talk in shifting labor practices to accommodate a broader demographic spectrum, although it remains to be seen whether the types of corporate work that are outsourced to these centers can be matched with the target demographic, as 75% of the economically inactive females only have a secondary school education or below. In the event that these women and older demographic need additional work training, they will first need a flexible schedule and convenient place to upgrade their skills prior to availing themselves to the labor force.

Besides easing the tight labor market, the Smart Work Centres are also designed to alleviate the anxiety for affordable office space. The Infocomm Development Authority (IDA) is a statutory board of the government that is spearheading this move. Their press release explains: “Employers who offer flexible work arrangements would be able to tap on a more diverse recruitment pool such as homemakers, which may be especially beneficial in light of the tight labour market. Companies can also benefit from more flexibility in workspace planning and be more agile in matching real estate needs to dynamic economic conditions” (IDA 2014).

Public Space Management

The terrain of work spaces has been evolving rapidly to meet the realities of small businesses seeking breathing space in global cities. While the Singapore government could wait for this spatial transformation to run its course in the business landscape, it has chosen to facilitate the evolution through a public-private partnership. Rather than embark on a state-run model of Smart Work Centres competing in parallel with private venues, the government has invited private contractors to run these centres under their own business banner. The selected companies sign a lease to operate the business centers and are given funds to renovate the premise and get started, but the call for proposal explains that the “business must be sustainable beyond the grant by IDA” (IDA 2013). The lease is available for 2 years at a time, presumably to review the key performing indicators and provide opportunities for retendering.

Synergy

This scenario represents a synergy of interests: small business owners seeking a middle-ground between the options of working freely at home versus committing to a bulky commercial tenancy, and the government seeking a dynamic economy that taps strategically on the nation's limited resources.

However, this system does not create a channel of public-private enmeshment between the government and small business owners. It lacks a circulatory synergy of interaction between the business owners and the government. Instead, it is a one-way relationship: the government outsources the public space to a private contractor to operate independently, and the private contractor serves its clients directly through a profit-making model. The government is not involved in the operation of the Smart Work Centre beyond leasing it out to the private sector, and government officials are not actively present in the organization of the space.

Furthermore, the business owners do not gain a collective group identity by joining this business center—their membership is direct and singular with the business center. The private contractor is the sole institutional organization that stands between its clients and the government. (However, the clients are free to join social or advocacy organizations outside this space, of course, such as chambers of commerce).

This stands in contrast to the shopkeepers who are assigned (at least on paper) a collective association through their use of the market space, and thus given an outlet to engage in collaborative self-improving projects or advocacy through their Merchants' Committee. Meanwhile, start-up entrepreneurs not only rent a physical location, but gain a central organizing force through the in-house incubators that serve as a contact point for information and agitation. In these cases, a meso-force exists between the government and the business owners.

The Smart Work Centres illustrates a model which invests near-total agency or autonomy into the middle-man, the private contractor, rather than holding hands for shared accountability in the execution of the process.

In sum, spatial capital is achieved only insofar as the integration of residential and commercial areas enable small business professionals to work on their business activities more readily with the prospect of tapping onto latent and flexible labor in the neighborhoods. The "use-value" of libraries and void decks beneath public apartment buildings are enhanced as sites of professional use, facilitating business activity outside the crowded business district. This potential is untapped, however, since the social connectivity is weak. While the sites are integrated, people largely operate in silo within the Smart Work Centres without the cultivation of social linkages.

In this framework of synergy, autonomy is located primarily in the Meso-sphere – the private provider of the centres– with the government simply granting the land. Even though the Meso is located between the Macro and Micro, there is no direct channel for interaction between the government and users of the Smart Work Centres through the Meso-sphere: it does not function as an intermediary of feedback or policy information (perhaps not yet). Moreover, this private entity is voluntary involved and invested in the business owners as a customer base, with or without government intervention which has simply extended their scope through this endorsement. We can call this a delegating synergy, where the agenda of the government is delegated to the private sector to execute with minimal control.

Start-Up Jungle

We now turn to the issue of land with tech startups which are "fast-growth potential" businesses, and explore the way in which spatial capital is cultivated through government support. The geeks are finally glamorous. Our star-struck reverence for celebrities includes an inspiring line-up of mostly young entrepreneurs known as Gen X and Gen Y who rethink and reshape the way we live our lives. The rate of casualties on the battlefield of innovation is high, and their spirit is to get up, brush off the dirt, and start again. For those who 'make it', the rewards are generous. Money pours in; the fame is global. A rush of stakeholders, with corporations and governments in the throngs, are hungry to gamble on this economic momentum.

This section discusses how the Singapore government has helped to catalyze a start-up "scene" in a nation that is traditionally chastised for being strait-laced with risk-taking. A 'scene' usually needs a place to thrive, but fledgling entrepreneurs were scattered in invisible nooks around the city. This changed when the government designated an abandoned industrial building called "Block 71" for entrepreneurs to rent at below-market rates (they didn't even bother giving it a new name, so "Block 71" remains its formal name). As it turns out, the centralization of entrepreneurs under one roof has given the start-up sector a distinct brand and coherence on the national map which eventually attracted other stakeholders to make their way to the venue, hence expanding their internal networks of self-support.

This Block 71 case illustrates how government intervention can stimulate the performance of the private sector by enabling their internal capacity to mobilize collaborations, as opposed to cramping their style. The synergy gained through State intervention occurs indirectly through institutions in the "meso-sphere" which serve as a platform for entrepreneurs to form tighter networks and assert their collective needs and ambitions more strongly. We explore the mechanism of synergy in more detail in this section.

This section starts by noting the problems when entrepreneurs do not have an obvious location to gravitate towards in the city, and how this situation changed in Singapore through a public-private partnership. We examine how the university partner provides a magnet of social cohesion at the government-owned location, and explore the benefits arising from centralized spatial connectivity among the entrepreneurs: the flow of knowledge, funds, activities, and collaborations. The culture of interpersonal relationships is reinforced through the spatial boundaries of 'social closure' and we illustrate how the ecosystem eventually breeds a self-reproducing network independent of the government. We also differentiate between 'internal' spatial capital (intra-institutional) and 'external' social capital (inter-institutional) and, finally, point out distinct qualities of this State-Society relationship that generates spatial capital, resulting in a "growth" model of synergy.

The Garage Parable & Silicon Valley

When we think of start-ups, we traditionally think of a garage or Silicon Valley. How can we not? Founders from numerous innovative companies such as Amazon, Disney, and Google describe their humble beginnings in a garage and, today, many work in the electronic Valley. The image of this entrepreneurial trench is so rooted in popular imagination that the National University of Singapore used to offer an incubator for startups called “Garag3” (except that it was a room inside a campus building, not a garage) and universities worldwide such as Stanford create courses with names such as “Startup Garage” (Stanford 2016).

The takeaway from the garage parable is that successful ideas can emerge from simple means, while the Valley illuminates that there is a special energy in working alongside other ambitious entrepreneurs and ancillary resources. The garage and valley are emblematic of *possibility* and collaborative energy. We can all start small and then scale up. But, how honest is the parable of succeeding despite scarce resources, and… what if you don’t have a valley?

No Garage: **Working at home or in cafes**

In the crowded city-state of Singapore, most people live in apartments (> 90%) and most youth live with their parents till marriage. This is generally still the culture of family life in East Asia and in practicality, residential property is expensive. So, where do young entrepreneurs develop their ideas? You can tinker around in your bedroom or in the family living room, but “it’s depressing to be in your bedroom all day working alone” and distractions abound. You can hunker down in cafés such as Starbucks, but the environment might be unpredictably noisy and you may not have easy access to vital resources such as electrical outlets. There is also a lack of stability because “you can’t just leave your things on the table” when you go for a stroll or even to the washroom. The situation seems disruptive to productivity and, simply put, “you don’t have your own *space.*”

Bootstrapping

In start-up parlance, this is known as “bootstrapping” which Bloomberg describes as a stage when you “rely on savings, early cash flow, and penny-pinching” (Klein 2010). Entrepreneurs are scattered in invisible spaces across the city without a central pod connecting them into a cohesive system. The manager of a local incubator explained: “In the past, if you look at the start-up scene in Singapore, there wasn't one location where there was an ecosystem where start-ups could congregate. Most people were working off incubators, at home, Starbucks... So there wasn't one place, like in US we have Silicon Valley, in London you have Tech City, in Singapore we didn't have one.”

From A Garage to A Social Ecosystem of Start-ups

The situation of scattered start-ups changed in 2011 when the government allowed start-up founders to occupy an old industrial building originally about being demolished. This no-frills cement block is described on their website as “a vibrant industrial estate providing a conducive environment for young entrepreneurs to hatch and commercialise their ideas” (JTC 2015) with rent set at around $33 per square meter (JTC 2015).

“Block 71” is more than just a series of primitive offices stacked lifelessly across seven floors. If the government has simply opened up ‘affordable’ spaces for entrepreneurs to use, the trajectory might have panned out differently. Instead, these spaces have been socially integrated through a central incubator known as Plug-In@Blk71 that is run by the National University of Singapore (NUS), one of the non-governmental partners in the project.

The university was already running two incubators on campus through its program called NUS Enterprise, and was hunting for venues in the city to channel their maturing start-ups.

This quest brought them in touch with the Media Development Agency (an arm of the government) that was brainstorming ways to bring coherence to the start-up sector in the city. Their shared agenda paved a partnership, and Block 71 was reborn.

In this case, we see that the Singapore government (macro) reaches out to the entrepreneurs (micro) through the existing role of the academic institution (meso). Previously, the university only dedicated resources toward its own students and faculty on campus. When the university shifted some of its operations to Block 71, it extended its spatial presence and services to stakeholders beyond its walls. The institutional presence of NUS Enterprise was designed to serve as the social "nucleus" of the building.

"Our main role here is essentially to act as a magnet to draw the ecosystem together. Otherwise here... this building will just become another facility. So on its own, you don't have that community thriving in that sense. So our main role here is to bring the vibrancy." Block 71 is not just a spatial system, but a spatial-social system. More than 30 other incubators have subsequently set up their home in the building, providing multiple nodes in the ecosystem for drawing clusters of entrepreneurs closer together, and hence reproducing the initial nucleus into multiple nuclei.

True enough, there is a campus 'buzz' at Block 71 with folks talking in the hallways, mingling at happy hours, and attending talks. An air of social connectivity was tangible during my visits. While exploring the venue, entrepreneurs would gladly approach me to ask if I needed directions (qualifier: I might have looked lost and awe-struck), tell me about their projects, and answer my stream of questions, providing a warm sense of inclusion and visibility.

This is not what you might encounter from strolling around uninvited in an average office building. At best, you'll be ignored, at worst, you might receive stern attention from the security guards for loitering. Not here. Beyond the personal introductions in the hallways, some of the tenants even introduced me to other people they knew on the premise who could help me further, such as entrepreneurs, researchers, and the managers of incubators. Personally, as an awkward outsider, it felt easy enough to navigate and 'plug' into the open and interpersonal environment.

Internal Spatial Capital

By granting start-ups exclusive territory in a prime location in the city, the State in effect confers them with formal legitimacy and endorses the sector as a worthwhile piece of the business ecosystem. The formal management of this building between the government and university (macro-meso) does not replace the autonomy of entrepreneurs to self-organize and determine how they use the space (meso-micro). Independent institutions such as incubators and venture capitalist firms can enter the ecosystem and act as coordinating entities to propel the force for change alongside the university, rather than relying exclusively on support from government agencies and their authorized agents (as we might observe in other models).

The ecosystem provides a magnet for other organizations eager to collaborate with entrepreneurs, giving rise to an expanding network of private support at Block 71. This model of growth does not remove the government from the equation. First, the State's presence underpins the entire model through the provision and endorsement of space. Moreover, government officials regularly visit the location to give talks on issues such as taxes and intellectual property rights, hence maintaining a direct channel of dialog between people at the Macro and Micro levels of the system.

Meanwhile, spatial capital is gained internally through a concentration of linkages between multiple nodes of production (designers, programmers, investors, etc). An incubator manager explained: “the key value is the community, as in, you walk two steps, you find somebody who has been there, done that, who can share their experience with you. Or you meet a like-minded individual who can chat about your work, or even to a very basic extent, like when you're struggling with your current journey, you can actually look across your shoulder for somebody else for support... that helps, and the best part is within this whole block, everything is within arm’s reach. If you're looking for funding, as I mentioned, there's like 20 odd investors right here. In the past we had to run around to pitch, now it's all within one roof, and we typically adopt an open concept so you just need to knock and they are more than happy to listen to your pitch."

Social Closure Strengthens Spatial Capital

Pooling entrepreneurs into one location creates a fertile ground for social capital because it provides a structure of “social closure” (Coleman 1988) that is absent when people are hidden in coffee shops or solo offices across the city. Social closure is the result of “bounded networks” that sanction norms, obligations, and reciprocity. In a community of social closure, individuals feel pressured to maintain a pleasant reputation and maintain relations of trust to avoid being outcast and denied access to resources. Deviance such as sabotage is easier to spot and penalize. Working in proximity to other entrepreneurs provides each person a recognizable identity (rather than hardly seeing each other) and, hence, familiarity for the exchange of ideas.

Moreover, the urgent sense of progress and interdependency in the sector – needing excellent programmers, investors, contacts, and ‘comrades’ to troubleshoot endless ideas – infuses a culture of give-and-take since everyone you run into is somehow connected to the start-up industry and a potentially useful asset. One entrepreneur described herself as anti-social, yet enjoyed the relative ease of interaction at Block 71. She personally eschews ‘networking’ sessions that are hankered down with small talk, but nonetheless enjoys popping into events that fellow start-ups organize for each other in the building. “In theory, everyone is a start-up, and everyone is kinda in technology or an incubator, so there's a lot of knowledge-sharing.”

Concentration of Specific Knowledge Enhances Spatial Capital

Two critical resources for business development are within reach in Block 71: information and investors. Entrepreneurs will be quick to tell that money alone will not make their eyes sparkle, especially early on in the process. Money can be lost. “Finance is not the problem, the problem is that you don't know what you are doing.” Information, on the other hand, is critical in sustaining the business in the long-term. You gain so much more by teaming up with investors who provide insightful mentorship and connections. One of the founders explained that his investor was located in the same building, and “it helps that they are here, so you can meet up for advice also.”

Small business owners whom I talked to consistently stressed the value of getting micro-specific advice from people with similar experiences, rather than general perspectives from a consultant. An entrepreneur explained: “You need to know what to look out for, and the key to that is finding people with the most precise information about it. And those people would effectively be people who have done a successful company before.” The physical propinquity at Block 71 increases their "probability of running into people… in a casual setting" to "chat about ideas." In short, "there's just a lot of startup-specific knowledge in this building."

Connected Actors, Collaborative Activities

More than just affordable rental space, Block 71 is a spatial platform that gently tugs the entrepreneurs away from their virtual worlds to intersect with one another in the physical world. There are numerous events on the premise that are carefully geared toward their collective interests in tech and media. NUS Enterprise invites speakers from large multinational corporations such as banks seeking tie-ups with startups, tenants throw together developer meetings for programmers to troubleshoot their coding bugs, successful entrepreneurs are invited to give 'live' interviews about their nitty-gritty processes in front of an audience and, if all else fails, there are social events with beer and sushi. (Did anyone say free beer and sushi?!)

The manager explained: "So apart from aggregating the community – which is made up of startups, VCs, incubators, accelerators, government agencies and whatnot – we also aggregated the activities in that sense. So again, if you think about it, in the past what happens is we have events scattered all around the island. Startups have to run around to attend others. Now... most of the major entrepreneurship events, I would say, is now here. It's very easy for the startup, you don't have to run around... it's not all under one roof, and... it's a good spread of variety of events in that sense. You have workshops, you have networking events where you can meet like-minded people, you have pitch sessions where you can bring some ideas, you can have bootcamps, you can have almost everything."

Some of these events are organized by Plug-In, but they are increasingly passing the baton to other start-ups and incubators to organize their own events on the premise, hence strengthening the participation of the private sector in that space. The Entrepreneurship Review Committee in Singapore suggested to policymakers that stronger autonomy should be invested in the private sector to take the lead, and this give-and-take between central organization and self-organization is evolving on the premise (Lim 2014).

While I did not conduct a social network analysis of the tenants at Block 71 (or Singapore at large) to investigate the density of interpersonal connections (who knows who, influential nodes, frequency and type of interaction)—incidentally, another study has been launched by NUS Enterprise to document the network nodes, ties, and strengths— my in-depth interviews and observations reveal a deep comfort with the social embeddedness available at the space. These loose connections cohere the entrepreneurs into a collective unit in the nation, wrapping them in a recognizable brand identity and, correspondingly, generate a single contact point for the government and stakeholders through the platform of events where the public and private sectors have a chance to meet and express their interests face-to-face.

"Just hang in there…"

One unexpected outcome at Block 71 is the power of collective empathy. Almost everyone is going through the same nightmare. "The scariest thing is the outcome feels very binary—you either make it or you don't." There is talk of grit: "perseverance is the key to having a successful startup."

One entrepreneur explained: “This office is like a support group sometimes. It's like the AA, so you're just doing therapy for each other, like: "Don't worry, it's gonna happen, it's gonna be fine, you're gonna make it through." You hear the same kind of patterns like: "F*ck we are gonna die, we are not gonna have enough money, nobody likes our product, nobody wants to buy our sh*t." So you hear that and you're just like: "Don't worry man, just hang in there you'll figure it out." There's a lot of therapy going on!”

Not everyone will avail themselves of this internal ‘therapy’, and some may even step away from the hint of commiseration, but the consolidation of intense ambition in one place normalizes the rocky experience of obstacles and knowledge-sharing while they attempt to bring their business ideas to life.

Synergistic Government

Block 71 reflects the operation of synergy between the Singapore government and entrepreneurs. This tiny island-state does not have raw natural resources: oil, water, gems, coal— not even water which it recycles from sewage as a backup in case the imports slow down. The only natural resource in Singapore is people. The competitive cost of labor and limited land motivates an economic agenda that thrives on intellectual capital, with notable attention poured into the sciences such as biomedical research. Similarly, the financial and economic gains from tech innovation around the world are promising, and Singapore intends to hedge its bets on entrepreneurs in this sector to make a few of its own breakthroughs and can sync in with larger corporations as well as city-wide initiatives to convert the nation into a “Smart Nation”. The trajectory has seen shifts from capitalizing on the manufacturing sector to a knowledge-based economy to an economy today that strives to thrive on high-value innovation and patents.

Emergence of a Hub-and-Spoke Structure

Block 71 stamps a clearly visible place on the map where local and foreign entrepreneurs can congregate to access information and resources. It creates a hub-and-spoke model for this sector, whereas previously it was just a disorganized network of 'spokes' with stakeholders working independently in their own nooks and crannies such as the universities or private hacker spaces. The government's deliberate intervention is arguably akin to 'branding' the sector to attract 'customers' – in this case, investors, and the system enables a newfound ease of collaborations that provides a self-sustaining machinery of support. The founders of one start-up appreciated that "there is a system in place, exposure, and that there is a structure in place."

External Spatial Capital

We have explored the internal ecosystem that has been taking on a vibrant life of its own within Block 71. Simultaneously, Block 71 also belongs to an external ecosystem that has partially been plotted into the urban terrain by the government. The entrepreneurs are located a stone's throw away from INSEAD (a business university), Science Park (research and development labs), Singtel Innov8 (venture capitalist organization), SPRING (government agency for local enterprises) and, soon, MediaCorp (government agency for media) – spatially consolidating elements from the public, private, and academic sectors.

These institutional linkages are systematically plotted not only within the nation but also across the world with a branch of Block 71 located at San Francisco's Silicon Valley. As such, Block 71 is embedded in a world-wide network and, at the same time, the external network is embedded in the internal ecosystem, bringing the outer world into its inner territory and boosting its intra-institutional bonds. How?

The National University of Singapore has an office on the premise to help it co-run the incubator Plug-In together with a corporate investment division, Singtel Innov8, which also has an office in the building. More than 30 venture capitalist firms have set up their home in the block. Government officials from numerous agencies frequently drop by to give talks on grants and regulations (such as legal protection) and, in the process, make themselves accessible to questions.

This institutional connectivity gives birth to what is known as "linking" social capital which Szreter and Woolock describe as hierarchical "relationships between people who are interacting across explicit formal or institutionalized power or authority gradients in society" especially "as it pertains to accessing public and private services that can only be delivered through on-going face-to-face interaction." (2004: 655).

Government's Leading Role

Rome was not built in a day, and industrialization does not happen overnight. Robust economies that shine around the world today – including Taiwan, South Korean, and Hong Kong – rose spectacularly to prominence with the benefit of strategic government intervention, perhaps just enough to catalyze the force of "synergy" in public-private partnerships.

Contrary to the claim that these governments stepped aside in the face of freewheeling market forces, we observe, even in this simple case of start-ups in Singapore, that the State's intervention is deliberate and intimate—and it occurs through institutions suspended in the meso-sphere between the government (macro) and the business owners (micro) – universities, non-profit organizations, and other established networks – mediating and adapting the government's support to suit particularities on the ground.

Expansion of Meso-Sphere

The government's provision of space and injection of private sector institutions to fill the building has led to a further expansion of private activity, hence catalyzing the "meso-sphere." Placed together in the same territory along with more established start-ups, other entrepreneurs and venture capitalists took note and starting flocking to this pasture, and correspondingly, with this cluster of talent, bigger companies such as Samsung and Google have taken an interest in sending representatives to this block to give presentations and scope out potential ideas and collaborators.

The loose and informal networks at "Block 71" immerse the entrepreneurs in a coveted web of support ("this is a good place to be, there's just a good vibe"), while other stakeholders are able to intersect at a singular space in the city. The role of the government has not been to micro-manage the work of the start-ups – in fact, the entrepreneurs acknowledge that "the whole bunch of [government] schemes are actually tremendously helpful, but I mean they aren't gonna make you succeed, and you still have to pull it off yourself" – but their role has been to create a structure in which entrepreneurial relations can brew in a more fertile context.

The Accumulation of Spatial Capital

The transformation of the entrepreneurial sector seems to emerge from linkages and connectivity between institutions, resources and people in a way that generates additional capital. ‘Spatial capital’ is not simply a fancy reference to ‘space’ because ‘space’ as we know was certainly available to entrepreneurs all along in their homes, coffee shops, public libraries, and private offices. However, the connective tissue at Block 71 binding diverse people, ideas, and resources into a single circulatory system elevates the productive value of space into something that is more than just a banal location, lending it additional productive value to building a business. It is exactly from this value I abstract the concept of spatial capital.

Proximity of places is not a necessity for spatial capital, but *connectivity* of places is the central idea. Global production chains illustrate spatial capital at work when a cluster of resources in one country is connected to a cluster of resources in another country. In this case, Block 71 launched a second office for their start-ups, this time located in San Francisco’s Silicon Valley. This stretches the system of spaces geographically, but condenses the connection of resources and social relations. Spatial capital is a *system of spaces*, not just one space, which are linked in productive ways. We might also think of neighborhoods through the lens of spatial capital and institutional relations, for instance, the ease of access to institutions such as schools and banks, and access to resources and people in these institutions such as teachers and bankers. Block 71 closed the gap of proximity between the entrepreneurs and their stakeholders but, more than the proximity, it also strengthened their *connectivity*. On the Internet there is very little sense of ‘space’ – my bank is online, my professors are online, my library is online – but our lives continue to exist outside this virtual reality, so accounting for relationships with institutions in the geographical dimension of physical space continues to have tangible import.

Through this case, it is clearer that claiming an affordable location does not give a place the magic of "spatial capital" unless we account for the way we personally harness the social and institutional relations that layer the system of spaces. Otherwise, the place is just "physical capital" – making money off the value of the land or adding it to your fixed business costs. Entrepreneurs who work at Block 71 have unique access to spatial capital when they rent an office space in the building—but it entirely up to them to draw upon this latent spatial capital or ignore it.

Complaining about the government is a common affair given the power it wields in nations. Some want more government support, others want the government to back off. You can talk to the man on the street, scholars in high places, or politicians wrestling with policymaking, and you will find very little consensus on how the government should manage its role in society.

Here, we examined a specific type of interaction between the government and start-up entrepreneurs that resulted in a particular "synergy" of interests between the public and private sector. We call this a synergy of growth: where the government lays out the groundwork for stakeholders to interact and join forces, and then lets the private sector drive forward the remaining effort. The government does not exit the picture (in this case, it is still their land, and they still have a vested interest in the economic agenda) and it remains a participant in the ecosystem for designing policies and facilitating connections between its agencies and the entrepreneurs.

This synergistic interaction casts a textured light on the nature of government intervention. The issue is not more or less government intervention, but *what kind* of government intervention. Neither the government nor the private sector may have been able to consolidate and catalyze the start-up sector with such explosive speed on their own, especially when 'land' is a scarce and expensive resource (the speed of development is elaborated in the Capital chapter).

Synergy in this instance is defined through the following characteristics. The agency of control and support is primarily located in the interaction between the Meso and the Micro, with the Macro providing the groundwork for their connection. The Macro and Micro maintain a direct relationship through the bridge of the Meso (talks, events). The Meso is voluntarily involved and invested in Micro, independent of the Macro. The benefit of this system is that the Meso-sphere grows in this process, expanding sources of support for the Micro, but on the flip side, the private sector might rely on the government's legitimization of projects before it takes a stake in it, or they might exit when the government's supportive hand is removed.

Conclusions

It is not uncommon for very small businesses to find themselves bustling in the interstices of society. From street hawkers to skilled professionals, they swim amidst a sea of bigger, high-performing companies that are privileged with choicier locations through the urban property war.

The Singapore government has reserved designated space in the urban landscape specifically for very small business owners to use. Without this intervention, it is likely that they would be priced out of the market into the shadows of the economy or even oblivion. Reports in Hong Kong reveal the closures of traditional local businesses due to shorter leases and soaring rents ("They have been squeezed out by rents that are twice as high as New York and four times higher than London."), and Singapore is no exception to the pressures of the free market.

The spaces carved out by the government provide a segment of small businesses with a collective coherence in the city, lending them visibility, dignity, and legitimacy. However, it is not as simple as the government giving space to these little businesses and then stepping out of their way to do their thing. On the other extreme, neither are these businesses beholden to the system of a centralized commune, like the *kolkhoz* (collective farms) of Soviet Russia. There is a synergistic middle-ground that still honors the free market through public-private collaborations between the government, civic groups, and business owners.

This chapter analyzes venues in the city that were lifted out of the free market and, instead, strategically allocated to small business owners in what we might call a partial free market, since the leases largely remain competitive. This diagram in Figure 6 depicts the different partnerships:

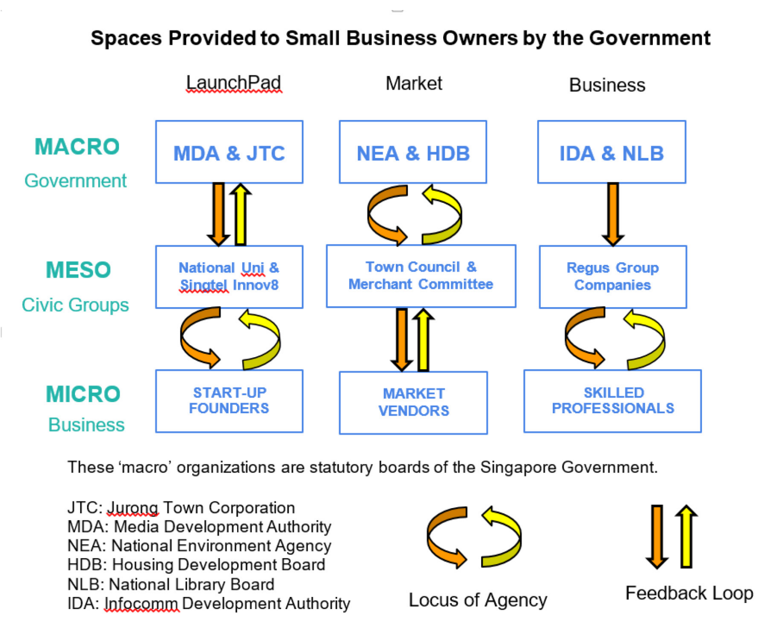


Figure 6 Spaces provided to small business owners by the government

Structure of Intervention. The three models illustrated in this chapter have some aspects in common. The most obvious is that the government interacts with small business owners through the bridge of civic organizations (macro-meso-micro), and government intervention is typically paired between at least two agencies: one manages the land (by leasing it out) and the other focuses on how the land is used. In this way, governmental involvement for land-use is split between managing the 'hard' infrastructure and 'soft' infrastructure of support.

Civic Groups. The three different categories of business owners that we explore in this chapter — start-up founders, market vendors, and skilled professionals — thrive in different spaces, and the government relates to each case in a unique way. It is not a cookie-cutter formula. For example, a variety of civic groups have been empowered to mediate between the State and Society that represent different non-governmental sectors: academic, private, semi-statal, and non-profit. The important thing is that each group maintains an independent stake in the success of the business owners, regardless of the government's intervention. Therefore, the government's agenda has been to identify the key stakeholders for each demographic of business owners (or nurture the stakeholders where none exist), and augment their supporting role.

Voluntary Bridge? The participation of these groups as a State-Society bridge is voluntary in all cases, except for the market vendors. The government has mandated that each market center needs to run a merchant committee to provide representation between the government agencies and the shopkeepers. The government has thus forced the creation of this bridge to provide a buffer between the Macro and Micro. Moreover, the augmented role of civic groups at each locale is expressed through an explicit partnership with the government agencies.

Exclusive vs. Multi-Channel Bridges. The nature of interaction between the government, civic groups, and business owners is different in each model. Some of the partnerships are *exclusiv*e, while other partnerships are *multi-channel*. For example, even though the government is formally partnered with the university and venture capitalist firm, other organizations have also flocked into the meso-sphere to serve as conduits of information and funds. This ecosystem accommodates the flourishing of multiple channels between the entrepreneurs and the government.

On the contrary, for market vendors, their bridge to the government occurs almost exclusively through the merchant committee. Grants from the government (such as subsidies for upgrading the architecture of the market) are funneled exclusively through the merchant committee that has the exclusive authority to apply for funds on behalf of the vendors. Other organizations cannot simply enter the meso-sphere and compete for the same funds to represent the market vendors. Likewise, the market vendors cannot create an alternative organization with the authority to use these funds. They have to assert their participation through the authorized merchant committee. This structure of exclusivity is relevant insofar as we might observe the meso-sphere growing with the entry of other private groups, prompting a multi-channel bridge, or staying static through an exclusive mediator.

This diagram in Figure 7 is an abstraction of the empirical information:

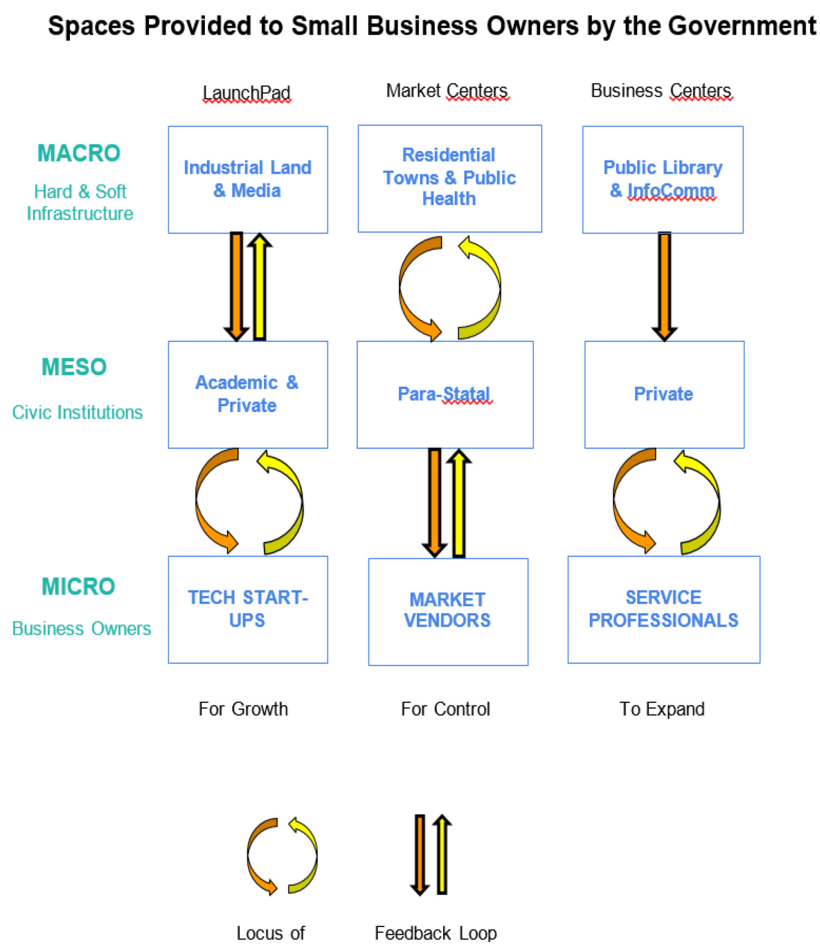


Figure 7 Spaces provided to small business owners by the government (abstraction)

Locus of Agency. Another point of distinction is that the locus of agency is not evenly distributed. Who is wielding more autonomy in the public-private partnership? For start-up entrepreneurs, the locus of agency is situated in the interaction between the civic groups and the entrepreneurs (meso-micro) — this is where the pulse of decision-making takes place. The governmental agency is a partner that shapes incentives for participation in the meso-sphere through grants, endorsements, and collaborations, but leaves the autonomy to the meso-groups to run the show at the venue. The meso-groups take their cue from the interests of the entrepreneurs to adjust their programming. The brunt of accountability falls upon the entrepreneurs and the way they draw upon the resources at their disposal.

One the other hand, the locus of support for market vendors is concentrated higher up the chain in the link between the government and the merchant committee (macro-meso). It is mainly a regulatory relationship to ensure that the vendors are following the laws. Events are organized by the merchant committee and co-sponsored by the government without widespread participation from the vendors. The pulse of decision-making takes place in the "meso-sphere" that takes its cues of what to do (and what not to do) from the government rather than the ground.

For example, government officials are in conversation with the national labor union to provide central dish-washing at some of the markets to improve efficiency and sanitation. Yes, you heard that right: government bureaucrats are helping the stallholders figure out solutions for washing dirty dishes (Balakrishnan 2014). The organizing force is primarily top-down. Correspondingly, the government bears the brunt of accountability when things go right or wrong.

For business centers, the locus of support is invested entirely into the private sector which is driven by the incentive of turning a profit, and for home-based workers, there is a diffusion of feedback between the business owners, chambers of commerce, and government agencies in a less systematic fashion, depending on current issues that need attention.

What happens to the meso-sphere? Of course, we want to know the impact of each model. What happens to their independent sources of support: do the networks of the business owners expand in the meso-sphere, are they static, enabled (emerge from the system), or weakened?

For start-up entrepreneurs, the meso-sphere is catalyzed and grows independently of the government, possibly due to the multi-channel structure that invites further participation. For market vendors, the meso-sphere is static and maintained exclusively by association with the government.

For skilled professionals, the meso-sphere is governed by the private sector and exists independently of the government. If other groups join forces, it will be through the initiative of the service contractor, so it might be static or it might expand depending on its profitability. Either way, this meso-sphere does not endow the business owners with a collective identity in the urban business landscape as we observe with the start-up entrepreneurs and vendors.

Finally, for home-based businesses, the meso-sphere bubbles with a diversity of private networks that are not explicitly linked to the government. There is no singular contact point for this demographic, however, policy feedback is primarily achieved in dialog with the chambers and trade unions that consolidate and channel the business interests.

Using the Abstracted Patterns in Theoretical and Policy Contexts. These patterns of government intervention suggest a variety of partnerships that are possible with the private sector to tackle the constraints of space, especially in increasingly crowded cities. And, not just having space, but having spatial capital. An entrepreneur has 'space' when she works at home or rents an office, but might lack access to unique 'spatial capital' that is available from working with a cluster of other enterprises and institutions.

Each pattern has its pros and cons: does the government want to promote the growth of supportive networks for small business owners? Or perhaps the priority is to tightly control their activities? In another scenario, the government might want to encourage the private sector to amplify its existing impact. Or the government might simply use its power to enable more business freedom, like the ability to conduct commercial activities at a residential property. Each case calls for a unique institutional relationship with the business owners and, conceivably, all these aims can be achieved with the same group of business owners by crafting the appropriate channels.

This set of patterns does not produce a causal relation, but offers some insights into the mechanism of how things work. The notion that government intervention is unilaterally destructive upon the internal capacity of the private sector needs to be challenged, and this study provides that critical challenge. This chapter illustrates multiple ways of nourishing the small business sector by recognizing their legitimate place in society while delegating the brunt upon civic groups and the free market to determine the survival of the fittest.

Chapter 5. Labor

According to the Economic Survey of Singapore in 2013, labor is a major cost in the service industry, "especially in the labour-intensive retail trade and accommodation & food services industries where it accounts for more than 30 per cent of total business costs" (MTI 2014). This chapter looks at the challenges facing businesses at the three tiers – microenterprises, growth-oriented SMEs, and high-growth startups. We will look at how they cope with these challenges within the dynamics of state-society synergy in each case.

The Economist Unit ranked Singapore as the most expensive city in the world which sparked an outcry in the local populace, some nodding their heads earnestly while others fiercely disputing the analysis. It is a world of dizzying extremes. Stroll through Singapore's glitzy downtown and you can relax with a cup of coffee for $10, but dip into an outdoor hawker centre and you can get your caffeine fix for a dollar or less. Ride in an air-conditioned train for one of the cheapest rates in the world, but dream of purchasing a modest car and expect to burn no less than $100,000 due to taxes. Shopping? Take your pick between a designer shirt for $600 and a mass-produced version for $3 a few steps away.

The existence of opposing worlds within a single society is not a new phenomenon. These polarizing lifestyles are especially taunting in upward-spiraling cities from New York to Sao Paulo, and Singapore is no exception. However, the label that a city is 'expensive' does not faithfully capture the contrast in consumption afforded to unequal segments of society. The Economist rightfully assessed the city according to the aspirations of the well-to-do – after all, the rankings are geared to help companies with relocation costs for high-skilled professionals – but, the analysis completely overlooks consumption and quality of life at the bottom of the pyramid— as if a life without top-end luxuries such as a car, condominium and country club membership is a life not worth considering. When the land we stand on becomes increasingly more expensive in the most expensive city in the world, where do you and I stand in society? Do we get displaced, physically and socially? What's the story there?

Microenterprices: The Hawker Market

In the previous chapter entitled "Space", we explored the fate of vendors jostling for a physical place on the streets of Singapore, and introduced the idea of "spatial capital" that potentially emerges when microsites of production are organized into centralized markets. In this section, I'll focus on the relevance of these microenterprise markets not just for the small business economy but for the broader economic development of the nation. The narrative will unfold in the following way:

(1) How labour at the hawker markets are regulated by the state

(2) Conceptualizing the hawker markets as a type of "social infrastructure" as public libraries and parks

(3) Including the "subsistence economy" as part of the formal economy

(4) How do hawker markets provide social integration and cultural benefits

(5) How does hawker markets assist consumption at the bottom of the pyramid and maintain class stability

In this section we focus on microenterprises, which typically hire fewer than 10 people, aspire to bring in a household income, and typically remain small throughout their lifespan.

For this reason, they are also known as “subsistence” businesses (Lerner 2012) — the business is a way to subsist, i.e. make ends meet. Of course, some of these microenterprises aspire to grow, and grow they do. But, we focus on their story while they’re still small in scale.

I have argued that the Singapore government is not explicitly pro-business in this category of businesses, but pro-regulation, exhibited most clearly in the management of land.

However, the continuation of this policy over the decades – preserving pockets of subsistence businesses in the urban landscape under the State - has yielded unexpected symbolic and practical significance: microbusiness owners are assured a legitimate space to inhabit in Singapore’s social structure even while the rest of the city gallops into the horizon of wealth. As a result, these sites have risen further to be culturally iconic and, I argue, structurally necessary to the stability of a highly unequal society.

In the case of microenterprises, labor – another input factor of production – is extracted from market forces and brought under state control. Microentrepreneurs are provided exclusive access to public markets, mostly within populated residential and office sites, *as long as they are the owners of the business and run the shops themselves*, i.e. personally present at the site. These restrictions narrow the demand for these sites to a particular segment of business owners willing to be the daily laborer in their own shop and, correspondingly, alleviate rental pressures from the broader corporate marketplace.

In addition to reserving the markets for self-run microenterprises, the vendors are not allowed to own or sublet their stalls to other tenants; they have to bid for a lease directly from the government, cutting away the speculative rentier class. This policy is extended by not even letting the tenants leave workers at the shop all day, as it could be a form of subletting in disguise. The owner of the business is the on-site laborer.

Grace Fu (2012), Second Minister of Environment and Water resources, explained that subletting was banned because “hawker stalls were set up to provide an opportunity for Singaporeans to run their own small business. As such, we agree that stalls should be personally run, and should not be used for profiteering.”[3]

Vivian Balakrishnan (2012), Minister for Environment and Water Resources, explained: “I have to persuade all of you to accept that hawker centres are social infrastructures. Therefore, as the ultimate landlord, we [the government] are not trying to maximise rentals from it.” We will explore the idea of a “social infrastructure” once we review how labor is also controlled in the markets.

Vendors have to be present

The microbusiness owners essentially need to sell their labor to the government in exchange for the land. They have to be physically present at their shop whenever it is open— or risk getting fined SGD $400. They are not allowed to leave the business to an assistant (unless they are personally present with the assistant). If the vendors want to spend time away from the shop (for instance, they are tired and want to rest, or want to focus on another operational aspect of the business), they have two options: they can close the shop during this time, or register a “joint operator” (who will manage the business and take all the earnings in that time, or whatever arrangement they agree upon). The underlying point

[3] Likewise, Block 71 at the Launchpad has been reserved for startups younger than 3 years before they are compelled to migrate to pastures outside this subsidized system.

is that the stall cannot be sublet to another vendor while the original tenant draws a profit from the rent. If the stall is registered under your name, you simply have to be present.

Labor is strictly controlled. Though the shopkeepers might be *petite bourgeoisie* as microbusiness owners, they are using their own labor to receive governmental support. Like Marx's conception of the *proletariat*, they have nothing but their labor to sell since they are not property owners: not of the land they work upon, and technically, not of a labor force. Their capital assets are typically small machinery, stoves, shelves, and blenders.

Those who aspire to scale their operations with a contingent of workers will need to exit the hawker market and enter the broader market economy. This policy conceivably brings down the cost of running the shop since the shopkeepers cannot siphon away profits as a propertied capitalist.

If these microbusiness owners indeed are a variant of the *proletariat* – propertyless laborers – and if the *proletariat* in society exist in relation to the propertied classes, the *bourgeoisie*, then who exactly is the *bourgeoisie* in this system that is exploiting their labor in this story? We shall continue to investigate this system of relations by zooming out into the bigger picture.

Markets are Social Infrastructure

Hawker centres are increasingly being described in the political lexicon as "social infrastructures" but, what exactly does this mean? From a scan of historical archives, it looks like the term is tossed around in Singapore's parliamentary parlance to discuss policies as divergent as the aging population to cycling routes. Most of the time, this term is undefined and ambiguous, but one parliamentarian articulated his view more clearly in a discussion on urban planning (Parliament of Singapore 2013; 2014):

> We are very good at building **hard infrastructures**. We have codified everything from the number of trees to the width of the footpath and in everything that we build. Going forward, MND [Ministry of National Development] has been very supportive in that we not only need the hard infrastructure; we also need to build **social infrastructures** into all the new flats and new towns that we build. … For example, we all know certainly a new town will require childcare centres. … it will never go to waste because while the space was used for a childcare centre today, it could be used for a senior activity centre later on.

Based on this narrative and others, it appears that a "social infrastructure" refers to the provision of public services through the built environment that targets specific needs and segments of the population. Grace Fu (2015) elaborated on the relevance of this concept for public markets: "Our hawker centres are an essential social infrastructure– they provide a clean and hygienic environment for our hawkers to ply their trade and enable Singaporeans access to good food at affordable prices." More broadly, it is an accessible site of activity for communities to gather about in small groups to chat about current affairs, share information, access provisions and services, and a way for residents in the neighborhood who are unemployed to provide informal help during busy periods to earn some income, fostering a sense of local familiarity, connectivity, and mutual support.

Markets are not considered part of the formal economy

It is notable that the government body responsible for these markets is not the Ministry of Trade and Industry that officially "promotes economic growth" through a "strong adherence to a free market economic system" (MTI 2012) but, rather, these markets have been delegated to the hands of the Ministry for Environment and Natural Resources that is concerned with public amenities, public health, and environmental challenges (such as pollution, public hygiene and sanitation, and water provision).

Framing the hawker and market centres as a "social infrastructure" rather than an "economic infrastructure" probably results in less than liberal economic policies over this segment of businesses (in view of the government's control over their productive assets such as land and labour). The concept of a "social infrastructure" also hints at something more than just the provision of social services. In a renowned neo-liberal economy such as Singapore, creating social infrastructures is an attempt to organize labor and spaces in a way that increase their productive value. The productive value is the ability of people to organize and care for themselves – with childcare centres and senior citizen centres built into the base of dense residential public apartments, ultimately striving to devolve more capacity for self-care to the population.

The political anxiety about keeping the markets within the reach of microbusinesses has little to do with a pro-business agenda. These businesses are not even conceived as part of the "economic infrastructure" and, in fact, retain the official qualities of an informal economy: (a) they are not counted in the national register of businesses (b) their revenue is not added to GDP (c) they are not required to register as a business entity (though they may do so if they choose) (d) they can pay personal income tax instead of business taxes. (Yasmeen 2001). Business taxes are fixed at 17% while personal income taxes are progressive from 0% to 20% (the highest rate of 20% applies to income above $320,000 per year) (IRAS 2016). So, taxes will likely be lower for this category of microenterprises.

The informal market throughout the world is characterized by these qualities by default because informal vendors operate in the shadows of the economy and are difficult to pin down. In this case, the vendors are formally recognized and operate in the regulatory spotlight, but they are not demanded to conform to standard economic measures, and have been explicitly extracted from the formal economic system.

So, if the agenda is not explicitly to promote microbusinesses, then what?

Markets are not social welfare

The Singapore government has never framed these hawker centres under the narrative of social welfare and, in fact, it has taken pains to note that these markets are anything but welfare and more about public health and, increasingly, food security and national culture— the generosity of welfare is not a label the Singapore State aligns with or promotes to the populace.

In fact, at a highly charged interview in Switzerland, the Deputy Prime Minister Tharman Shanmugaratnam was hammered live on television to declare whether or not the ruling party "believed in the notion of a safety net." After being badgered for a "yes-or-no answer" in what was discernibly a flummoxed few seconds, he refused to pander to the question and finally broke the tension with a straight face: "I believe in the notion of a trampoline" (St Gallen 2015). The audience broke out laughing.

Markets provide social stability

Yet, when 53% of the stallholders receive generous government subsidies for their rent to support their trade, and when all the stalls are removed from the pressures of the property market to promote an affordable food supply to the population, social welfare is at work: supporting a trade that may or may not withstand the pressures of competition from larger institutions (such as supermarkets) and supporting the ability of working people to eat without confronting excessive stress on their incomes is a form of welfare. These hawker centres, an original footnote in the early days of Singapore, arguably constitute a central force for social stability in the midst of massive economic growth and inequality.

Markets provide food security

Specifically, the political urge to put a lid on rising rents is motivated to keep down the costs of consumer goods for residents living on the fringes of the new wealth. There is explicit mantra to maintain food security with the "objective of ensuring that hawker centre food prices remain affordable" (Fu 2015). Meanwhile, the decision to build an additional twenty public markets in the city – bringing the tally up to 117 – was designed to "put downward pressure on rentals" when complaints were rising from the public about the mounting costs of food and rents at the hawker centres, as well as to target "areas which are relatively under-served with respect to cooked food" (Balakrishnan 2013). I consider these business policies under the banner of social welfare, enabled by treating hawkers as a special class of labor that receives subsidies in exchange for their social role through their microbusiness.

Markets are sites of class interaction

Expanding the footprint of markets is a widely popular policy. Embedded into the DNA of the Singaporean identity is a fierce sentimental attachment to hawker centres. Prior to national elections, these humid and humble hawker centres are sites of lively campaigning and sucking-up to the everyday Singaporean, just as we might see politicians in the United States roll up their sleeves and express comradery with the average Joe on Main Street. Most Singaporeans do not give a second thought to eating at these public canteens, where high-rolling executives wait for their food in the same long queue as their office cleaners; with an overflowing crowd at peak hours, strangers from all walks of life easily share a meal at the same plastic table under the swirling ceiling fans.

The leveling force of inter-class interaction within these hawker centres produces an incredibly powerful social site, or should we say, social infrastructure, where people from different income groups intermingle and sit at the same tables to chow on their locally cooked dishes, yet equally powerful is the reality that this site is probably one of few places left in the city where the polarizing extremes of wealth and poverty meet intimately face-to-face: for the well-to-do, hawker centres are a cultural luxury to indulge in favorite local recipes like chicken rice cooked on the spot; while, for the average worker, these markets might be the ceiling of material luxury to eat out. For society at large, it is a common treasure that galvanizes an otherwise polarized people.

I talked to the daughter of a shopkeeper who lamented that their business exhausts a lot of personal time. Her mother is either running the shop all day or preparing inventory for the shop and does not have time and energy to cook daily meals for the family. As a result, the family eats regularly at the hawker centres. Their dependency on buying affordable cooked food is a common story to Singaporeans who work among the longest working hours in the world at 2,409 hours a year which is 1.4 times more than people in the United States who each put in 1,700 hours of work on average, which is longer yet than their Western European counterparts (US. Bureau of Labor Statistics). The accessibility of cooked food to the masses enables these long working hours.

Thus, the official policy spiel may boast of protecting a culturally iconic sector that serves up delicious and relatively cheap cooked food, while the underlying shadow is that this class of microenterprises provides a much-needed stability for the poor and working class to get by on their wages and, more importantly, socially integrate within a tiny and highly capitalist city-state that is otherwise pandering lustfully to the noveaux riche.

Only for Singaporeans

Another labor policy of note is that the hawker and market centres are only available to Singaporeans and Permanent Residents—not to immigrants, although they are welcome to rent commercial property outside these markets. Think of *bazaars* around the world, and you are likely imagining ethnic immigrant groups introducing trades particular to their home experiences. The markets in Singapore emerged through a similar story of migratory groups from regional provinces in China, India, and Malaysia. Upon hitting the shores of Singapore, these migrants introduced and adapted cuisines such as Hainanese chicken rice, Hakka *yong tau fu*, Penang *laksa*, and *kaya* toast (a variation of the British breakfast), among other food and trades (Eng 2015), while the Chettiars from India settled into commercial services such as moneylending (and they have been credited for enabling the early growth of small businesses).

However, immigration policy today is tightly controlled and the island does not welcome a superfluous pool of unskilled immigrants. For those with work visas, you need to earn at least $4,000 SGD ($2,900 USD) to bring in your spouse or children (MOM 2015). Moreover, unskilled and semi-skilled immigrants are not allowed to marry a Singaporean citizen or permanent resident without approval from the Ministry of Manpower, and women cannot give birth in the country—if they get pregnant, they are deported (MOM 2015). Privileges of local marriage and birth are reserved for high-skilled immigrants earning above a particular salary band.

Since you cannot bring in your family, get married to a local, or give birth in Singapore, you will not see families of unskilled and semi-skilled immigrants such as spouses, parents, or children hustling for work opportunities where starting a microenterprise in a new city is often a self-motivated pathway for upward mobility in the face of limited formal education and ease with the local language.

More to the point, these 117 markets are state-protected and reserved exclusively for a Singaporean core of microenterpreneurs— it is not an incubator for semi-skilled and unskilled immigrants who are instead funneled to concrete industrial sectors such as construction, marine, and domestic help, among others.

Local vendors bid with each other to rent a stall under limited market competition but, despite the competitive bidding, face less intense competition than renting in the open marketplace. They receive a small space with limited control over the amenities (such as vents and capacity for renovation), but the market is institutionalized as a protected and stable arena for local microenterprise.

Big Picture: the structural role

Why does the government care about hawker centres, especially when these microbusinesses aren't even harnessed as part of the formal economy? Why is the government keeping down the costs in this sector and removing it from the pressures of the free market? Why is it only for local Singaporean vendors?

There are four points of note. One, Singapore boasts among the highest national income per capita in the world at $76,850. Second, yet, Singapore has among the widest income gaps in the world with a Gini index at 0.464. Three, real wage growth in Singapore has not been robust among the low and middle income earners. Four, public markets presumably exist to provide access to affordable food and commodities.

Connection between the top and the bottom

These four points are interrelated, and I contend that the hawker centres are intimately linked to the nation's broader developmental strategy. In fact, they enable the striking inequality. How? When the government protects the ability of people to afford food and everyday commodities, it costs less for the workers to support themselves. This means that it costs less for capitalists to maintain the worker as a commodity, so their income is under less pressure to inflate to keep up with the cost of living. The suppressed wages mitigate the increasing cost of scaling a business, and support the ability of businesses to profit, grow, and ultimately contribute to the economic growth of the nation where the rich can get richer off the state-supported backs of low and middle-income earners.

In other words, these public markets protect the structures of economic power and privilege in the city by helping keep down the basic cost of maintaining a worker's everyday consumption. Given that workers are a commodity to be bought, sold, and maintained, businesses can afford to pay them less if they can maintain their lives more cheaply, hence channeling more profit to businesses and facilitating economic development, while sustaining the viability of income inequality in the city. As a first world nation that is largely surrounded by poorer developing countries in Southeast Asia, Singapore manages to retain aspects of 'third world' living at the markets (fondly considered the 'heartlands') to sustain a labor force that is kept more competitive than might otherwise be possible for bigger businesses through a distinct market for consumption in a city of extremes.

Costs & Prices

We will walk through this argument. The government controls and distribute two factors of production at the 107 markets – land and labor – that lower the cost of running a microbusiness. Under this control, two categories of propertied classes are removed: landlords and labour owners. Landlords are removed from the process of extracting rents and transferring costs to the vendors and, ultimately, to consumers who pay the final price, while vendors are forced to sell their own labor through subsistence work rather than leaving the work to assistants, hence removing the cost of labor – generally the most expensive factor of production – and, ultimately, keeping down the cost of their microbusiness operations.

Correspondingly, the prices of everyday goods and services at the markets are not extraordinarily inflated through the exhausting costs of land and labour that is otherwise confronted elsewhere in the expensive city. Meanwhile, prices at the market are also kept low by letting the vendors contend with competition on the ground. Consumer prices are thus at a low equilibrium due to two factors: removing a class of capitalists from siphoning profits from the market, yet simultaneously relying on market pressures between the business owners to keep prices competitive at the bottom.

Wage Growth

The state-protected markets play a structural role in supplying affordable consumption despite stagnant and weak wage growth over the years. What's the story with wage growth in Singapore as it rockets into economic development? Loh (2011) shows that "between 1997/98 and 2007/08, nominal monthly income for the bottom fifth actually declined at an annual rate of -0.3%. In sharp contrast, annual monthly income growth for the other quintiles ranged from 2.5% to 4.8% for the highest income quintile." Wage growth improved in the next 5 years between 2007/08 and 2012/23 (green bars in Figure 8) where the lowest income group experienced a jump in their pay from 3.6% to 6.6% (Dept of Statistics 2014).

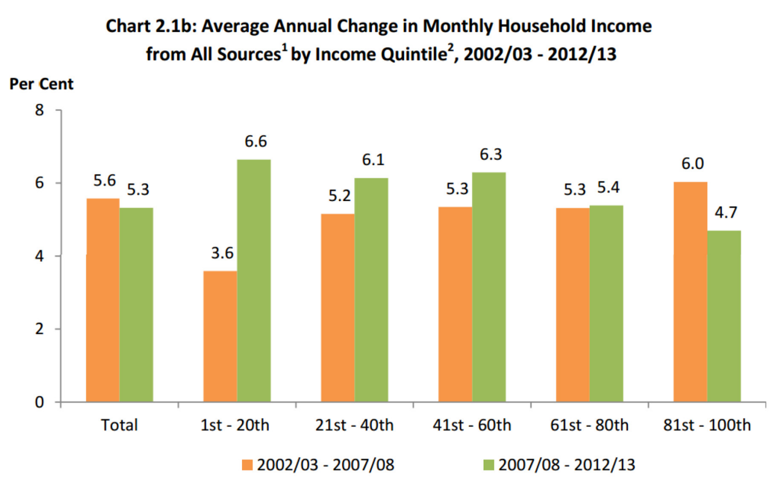
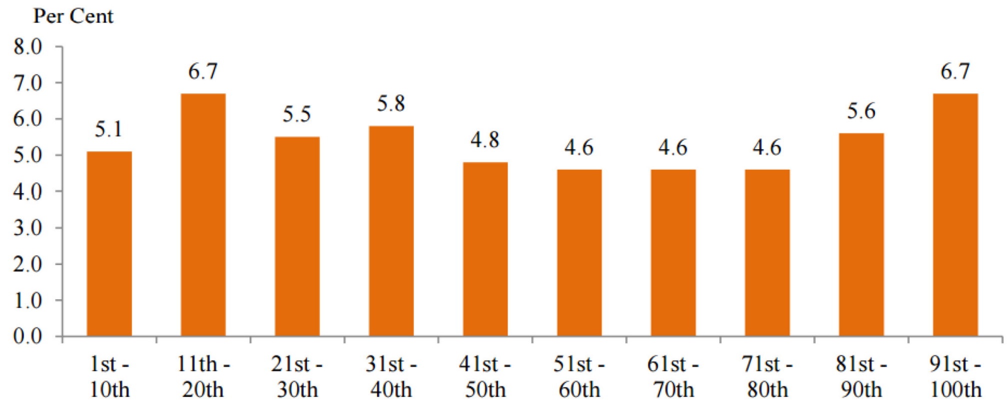


Figure 8 Average Annual Change in Monthly Household Income from All Sources by Income Quintiles, 2002/2003- 2012/2013. Source: Dept of Statistics, Singapore, 2014

Chart 5 Real Change in Average Monthly Household Income from Work Per Household Member
Among Resident Employed Households by Deciles, 2013 - 2014



2013	$463	$896	$1,268	$1,633	$2,033	$2,483	$3,039	$3,837	$5,192	$11,198
2014	$494	$971	$1,353	$1,747	$2,155	$2,627	$3,217	$4,060	$5,524	$12,032

Note:

Figure 9 Real Change in Average Monthly Household Income from Work Per Household Member Among Resident Employed Households by Deciles, 2013-2014. Source: Dept of Statistics, Singapore

The year 2012 also happens to be the year when the government announced plans to build another 10 hawker and market centres across the island, with yet another 10 announced in 2015 (Feng and Khew 2015) hence expanding access to this commodity market. This institution of support theoretically makes the cost of a worker less onerous to businesses. Put differently, it is possible to pay workers less money if they can support themselves with less money. Protecting access to basic commodities makes it possible to sustain low wages at the bottom of the pyramid, keeping down costs of having employees, and helping to sustain the climb at the top of the pyramid.

Substituting labor with technology

Meanwhile, the government is aggressively encouraging growth-oriented businesses to substitute labor-intensive tasks with technological strategies. This campaign ultimately strives toward less labor dependency and greater economic productivity. Generous subsidies and grants are awash from multiple government agencies, not least the Ministry of Trade and Industry, to support purchases of technology that speed up the structural transition (this is described in more detail in the chapter on Capital).

Income inequality

Meanwhile, people need to get by in a city where the rich are getting much richer. The gross national income per capital has seen a meteoric rise (see Figure 10), but the gains are tilted. Jacqueline Loh adds in her report: "In 1997, the average monthly household income of the top quintile was about 9 times that of the bottom quintile. By 2007, the highest earning quintile's income was 14 times that of the bottom quintile. Should these growth patterns continue, by 2017 the highest quintile's average monthly income will be about 23 times that of the lowest quintile group. This is a stark change over little more than 2 decades."

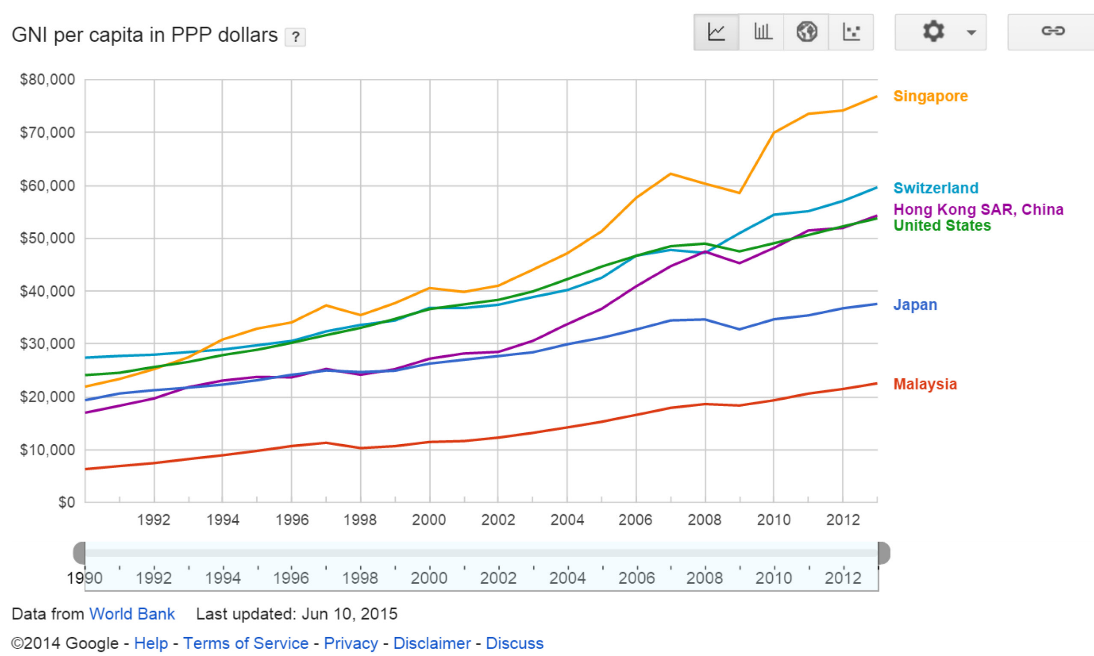


Figure 10 GNI per capital in PPP dollars. Source: World Bank, 2015

Inequality is dramatic in Singapore. The Gini index, measuring income inequality, is among the highest in the world at 0.48 compared to the USA or Hong Kong. Income is one ingredient in the polarizing broth of society, while wealth thickens the stew further. The local newspaper illustrated that 4.4% of Singapore adults have more than US$1 million in wealth, while 20% have less than US $10,000 (Chan 2014).

Bottom of the Economy but Not for immigrants

Meanwhile, these markets serve as platforms of self-employment for those who are not a central part of the meteoric economy. Jacqueline Loh gives a breakdown of this category:

> "One of the structural challenges for Singapore is the large block of older, less educated workers who have limited capacity to improve their skills. Of a 2010 workforce of 1.97 million, more than 27% earn less than $1500/month and the majority, nearly 295,000 of them, are 45 years of age and older. This tallies with the over 346,000 workers of the same age group with no higher than lower secondary educational attainment."

Vendors in the hawker centres generally fall into this middle age group (or older) and many tell me that they are in the trade because "my English no good, cannot work in other place." However, these state-protected markets have about 15,000 shops at most, and removing competition from immigrants protects the space for local microenterpreneurs.

Control of productive resources

While the city advances steadily into a highly modernized and wealthy economy, these market centres provide an anchor of social stability, and it is conceivable that policies surrounding these public institutions will shift further where the control of productive resources at these markets transit from a statist economy to a more capitalist economy over the course of time. At the current time, these markets are wielded as a social infrastructure, with talk of transferring them to social enterprises (which would move them closer to a 'social economy') to artificially do what the market might not do under the pressures of rapid development – facilitate consumption forthe lowest income groups – and enable the meteoric growth at the top.

In sum, the government of Singapore has striven to create a win-win structure where hawkers are compelled to work within a regulatory system that not only benefits their business, but also harmonizes with the country's economic and urban development. The public-private synergy in this instance is expressed not only for the population of small business owners, but pertinently for the nation's economic development where the subsidized provision of low-cost food and commodities in the hawker markets sustains the low-wage labor force that enables the flight of high-skilled sectors such as finance.

Firm-to-Firm Networks: Satisfying Labor Demand under Cost Pressures

I have discussed the classification of micro-entrepreneurs as propertyless laborers in the social structure, and now turn the attention to growth-oriented businesses that own more assets. I will focus on the constraints that these businesses confront with hiring employees, and how this constraint impacts their ability to grow. However, given these constraints, I show how they turn to social linkages with other business owners (as a substitute for labor) to fulfill their sales demand and tackle projects without necessarily adding to their manpower count. In the scholarly literature, these relationships are known as interfirm networks. I expand upon these networks and argue that this is an integral strategy for small businesses to bypass labor constraints for both skilled and unskilled labor.

Growing the business with flexible social alliances rather than fixed labor

When faced with blockages to certain resources, entrepreneurs who want to grow their business can turn to social channels to convert into comparable opportunities. You have probably been advised at some point in your life not to “bite off more than you can chew” (for example, take on more projects than you can handle) and, if you are an entrepreneur, you have probably disregarded this advice. Entrepreneurs see limitations as opportunities to solve a problem, not a signal to stop. Small business owners encounter many frustrating limitations, not least because they are small. They simply do not have enough money and manpower to scale their ideas as quickly as they might like. But, this is the glass half empty. The upside is that their small size makes them nimble enough to move and strike alliances through a series of rapid-fire collaborations. These collaborations are a platform to scale their ambitions from a network of collective strength rather than individual weakness.

We call this network a complementary alliance. This practice is distinct from traditional ‘outsourcing’ where you sub-contract a business to take care of peripheral services that are not centric to your value proposition. For example, you can outsource accounting and public relations to an external firm, and this provides peripheral support for your core business idea, but it is not directly relevant to the *core* service or product, whether it is focused on designer clothes or consulting. This outsourcing simply helps to maintain the gears of the business apparatus. In this research, I refer to this type of B2B collaboration as a ‘peripheral’ alliance, where a business receives support for its business infrastructure.

Core-to-core linkage

An interesting concept with regard to the complementary alliance is the 'core-core' collaboration. This is where two businesses team up for a project based on their core strengths and comparative advantage. Adam Smith described this idea in *The Wealth of Nations (1776)* when he proposed interdependency in the global economy: "If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage." David Ricardo elaborated the idea of comparative advantage in his book *On the Principles of Political Economy and Taxation (1817):*

> "Two men can both make shoes and hats, and one is superior to the other in both employments; but in making hats, he can only exceed his competitor by one-fifth or 20 per cent, and in making shoes he can excel him by one-third or 33 per cent;—will it not be for the interest of both, that the superior man should employ himself exclusively in making shoes, and the inferior man in making hats?" (D. Ricardo 1817)

These scholars advocate (not without controversy) that countries should specialize in production niches and embrace a global division of labor to prosper in the international economy. The complementary alliance between firms draws on the principles of comparative advantage as well, but it also goes beyond it, as the businesses share a commonality of purpose and identity to achieve a single delivery. They interlock their core strengths, forge into one face, execute a common vision, and then unlock to find new interlocking partners (or continue the alliance, as desired).

For example, a copyrighting agency called Writing Alley discovered that most of their clients not only needed copyrighting for their projects, but design services. When she was starting out, Jane, the owner, could not afford to hire an in-house designer because the stream of sales did not justify the cost of a worker, but her ability to secure sales and grow her business steadily was limited unless she offered this complementary service. Her strategy was to work with another small business to do the design components under the banner of her brand. She gave business to the design agency whenever there was a project, while the customers only needed to interact with her, not with both firms. The business transaction was B1-B2-C (design business doing work for the copyrighting business doing work for the customer).

When sales picked up, Jane was able to afford to hire a designer, and she is gradually bringing more 'core-core' complementary alliances into the fold of her internal business. Her most recent move was to hire an online marketing specialist, rather than link up with someone through the complementary web. However, she still relies on a web of external alliances while building up her business. She explains how her organization is structured: "For the services we do, in-house we'll do copywriting, design, web design, and now the online marketing. That's basically it, as far as what we will do in-house. But to make everything happen for our clients, they will also need photographers, videographers, printing. And programming, we don't do programming with websites and stuff. So those services we would outsource."

These distinct business entities interlock from separate directions to coordinate for a single sale that one business has secured but cannot execute independently. Jane bites off more than she can chew, but she does not choke because she links with other small fish to chew on the project together with her (See Figure 11).

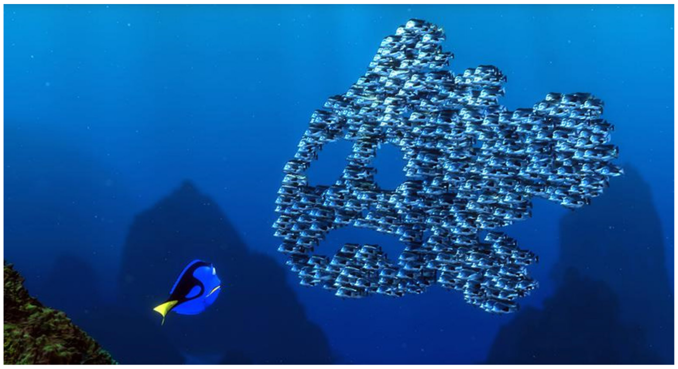


Figure 11 Metaphor of collaboration among small businesses. Source: Kuiper 2016

It might seem like a messy affair: small businesses hooking up and reshaping into a larger whole to work on a single project. How does it happen smoothly? Is there a specific method?

Distribution of revenue

To start, they need to decide the amount each business devours from the catch. How is the profit divided? There are numerous methods but, typically, the business that secures the deal is the *de facto* coordinator for the entire project, and pays each participant a fee for their contribution. So, the copyrighting agency collects the customer's payment, and gets billed by the design agency for their part of the work. The Writing Alley has the option of choosing who to select for this complementary effort, so the fees are modulated by market competition and affects the final price for the customer. There is no centralized decision-making: market forces allocate the revenue.

Reciprocity

The business that coordinates this action takes on the role of a broker since the sales go through their channels, while the complementary businesses gain an income stream. It can go both ways. The design agency might be the broker in another instance with the customer, and piecemeal the copyrighting portion of the project to the Writing Alley. Typically, a consistent dyad is formed. Jake described how a web hosting company referred clients to him to make websites: “Hey, [Jake], I have a lot of inquiries from my customers— because they host websites, they don't DO websites. So, why don't we have a partnership? I said, ok loh!” Likewise, he uses the same hosting companies to park his customers’s websites, hence reciprocating their business. He described how the process works with a namecard company (clients who need websites typically need namecards as well). “You always counter-propose an affiliate. I said, eh, you're doing namecard design. Ok, how much is your namecard? Then I will close a sale, I will mark up his pricing. I'll say, hey I have a namecard for you. I won't tell him what... I just give him. He doesn't know what I'm doing! But I need to see his quality, it's always about quality. So, after that, we built up a network, and you need to maintain quality, but the point I do this is that I don't incur costs from hiring people who are not suitable and incur a loss.”

Jake says that hiring unsuitable people incurs costs, but doesn’t it cost resources (including time) to create and maintain these complementary relationships? Of course it does! But, fishing in the open market is a way to overcome not having enough resources to expand the firm internally. In an article called *The Nature of the Firm*, Ronald Coase explained that “a firm will tend to expand until the costs of organizing an extra transaction within the firm become equal to the costs of carrying out the same transaction by means of an exchange on the open market or the costs of organizing in another firm” (1937: 395). In simpler language, when it costs the same to hire someone as it does to outsource the work, what would an entrepreneur choose? Theoretically, according to Robert Coase, he would rather outsource the work based on the assumption that the prices will be set more efficiently in the open market for the best value (you won't be stuck paying a fixed wage within your firm, along with other inefficiencies). But, to the extent that it is a burden to continuously search for a good worker, negotiate a contract, and train new people, they would rather bring them into the firm.

This burden is alleviated for small business owners since these partnerships aren't exactly temporary: some are consistent (like going to the same guy for namecards), others are contracted for a period of time (like a public relations agency), and others shift around based on the different projects. The temporality seems like an additional risk because you constantly need to screen people for quality and trust. To counter this uncertainty, referrals lighten the burden of trust. Sam, a spa owner, described why referrals help: "I guess for me when someone refers it means that they come highly recommended. … You're not going to refer someone for the sake of referring, because you know it's also your reputation on the line." Moreover, the very temporality of the transaction means that the stakes are higher to maintain your reputation in the marketplace and continue getting referrals. The linkages in this web provide a source of sales, and once this revenue channel has been created, there is an incentive to maintain the tie rather than dive back into the market to source for new partners. Structurally, this resembles one big firm made up of a hierarchy of many small firms, with each firm linked to many others.

Meso-sphere

Each small business is considered a firm, but can we visualize a network of businesses as a single firm? What is a firm? Robert Coase defined a firm as an institution that "consists of the system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur" (1937: 393) — meaning that there is less room for unpredictability when all the work is controlled inside the firm (unlike depending on the market to seek and allocate resources) — and that it is "likely to emerge in those cases where a very short term contract would be unsatisfactory" (1937: 392). Short-term contracts require dealing with the "price mechanism" again and again, such as "discovering what the relevant prices are" and "the costs of negotiating and concluding a separate contract for each exchange transaction which takes place on a market".

In that case, we can probably envision this complementary web of small businesses as a single firm handling a transaction, especially if the partnerships are consistent and you can rely on them as though they constituted your internal manpower. Similar to a firm, there is a central 'manager' (the coordinating business) directing the actions of the 'workers' (the complementary businesses). Coase says that the "centralization of this deciding and controlling function is imperative, a process of 'cephalisation' is inevitable" as a strategy for buffering against the vagaries of market allocation (1937: 400). (Cephalisation basically means that a head is formed, like in an organism.) But, even though these small firms are free-floating nodes in the 'market sphere', their coordinated action resembles a single unified entity, while simultaneously benefiting from the efficiency of the price mechanism to regulate how resources are allocated between themselves (rather than a long-term contract). This might be the shape of the new-age firm for surviving the new economy. As Jake said: "I'm showing you a different way of doing business. So you cannot compare me... you have to whitewash the traditional because we are a modern-age business." This paradigm enables his survival and growth as a one-man show, or perhaps the *illusion* of a one-man show, because in reality he is embedded in a matrix of alliances that allow him to bend and bow according to the winds of the market, creating new alliances, breaking others. Referring to this structure, he says: “It's the ability for me to get into the business, or get out of the business totally” through the flexibility of his ties.

This system of autonomous nodes lets each business owner focus on making money from projects which relate to their core, while allying with other businesses to fill the orchestra depending on the exact tune they need to pipe. In this structure, every participant is able to advertise that they provide a broader range of services than they actually have (since they include the services or products of their allies), and this allows them to attract and close more sales. More importantly, these business owners are not superglued to the linkages, so the tune of their song can evolve fluidly depending on shifting customer demands and market conditions.

For instance, Sally produces and sells cosmetic products, and also offers makeup workshops at her studio. Her customers, however, might be interested in hairstyling as part of the workshops. Rather than stretch her resources to create this speciality within her business boundaries, Sally links up with another microbusiness owner who can complement her package. They both benefit from the revenue and exposure, while Sally coordinates the effort. The network is strengthened when these partners call upon Sally’s services to complement their own projects. The business owners can innovate and grow with less risk since they don’t need to put down so much capital at once to scale their services and gain increased exposure, hence enabling them to manage their cashflow (expand revenue with minimal costs and risks) while growing their operations.

It might appear as though the ‘core-core’ affiliations mainly suit service providers, but it could work for products. Daniel from Cozy Coffee has a quaint little coffee shop that turns into a bar at night with a flow of craft beers. Customers get hungry, but he doesn't have the physical resources to upgrade their kitchen and hire a cook. Now, don't think this will stop an entrepreneur from biting off more than he can chew. Daniel's strategy for swinging past this limitation is to list the dishes from popular neighbouring cafes on his menu, and buys it from them when customers request it. "So we don't have a open fire kitchen. So what we do is that our food menu, other than our sandwiches and everything, is actually from our neighbours." These neighbouring restaurants are aware of this arrangement, of course, and see no harm in the exposure (and extra revenue) since they each have differentiated cores as a small business. This way, they can all grow and take flight together (but independently) in the buzzing neighbourhood.

The undercurrent to these collaborations is the desire to avoid uncertainty and risk that comes with the commitment of hiring. (The desire to protect from the cost of uncertainty can be considered a driving force of many 'social institutions'.) It is the reason why a small business might want to piggyback on a friendly mentor while entering an unfamiliar territory. It explains why they might establish external core-core alliances rather than take the risk of expanding internal resources too quickly— or if they simply don't have the means to expand physically. The interviews in my study revealed that one way to manage risk is to grow slowly and cautiously. The complementary alliance, rather than add to risk as we imagine, actually offers a less risky pathway to growth. Paul, the owner of a small architecture company, explains his view: "We try not to expand too rapidly to hire people without certainty of work ahead. So, there's always a little lag, I think, that's my management. I wish it were better. But, like we would rather work a little harder than hire someone and not be able to pay them [laughter]. That has been the most difficult part: balancing the unknown with what you have to work with. It's daunting."

Even though Sally has been in the cosmetic business for five years and dreams of further expansion, she continues to cultivate collaborations to cement her coffers cautiously: "I know of course in business you have to take risks, but we try not to push ourselves too far too soon because sometimes of course it is very tempting when you see a lot of customers want this and that, maybe we should do this and that. But we also have to keep in check the cash flow and all these things. … Even though it's slow, but it's growing." Like Jane from the copyrighting agency, we can imagine that Sally may eventually internalize some of these partnerships under her own roof when the growth of sales provides working capital for further expansion.

These constellations are recognizable structures. They are social institutions. From a sea of autonomous creatures swimming for their survival, a union of a multi-headed creature emerges, or the *illusion* of a single creature. These businesses rise up from the microscopic units of society (based on individual exchanges) and enter the mesoscopic level (based on structures that surround each unit). These structures, such as networks and institutions, condition the range of possibilities for members separately from the autonomy of the marketplace. To use another analogy, we observe not a scattering of stars, but multiple *clusters* of loosely-bound stars that operate within their own field of gravitational energy.

These social institutions emerge as a way to avoid the burden of internal overheads when growing with resources. One practical way for businesses is to adopt this "lean growth" methodology based upon collaborations such as the complementary web.

Understandably, we might feel queasy or uncertain about engaging in collaborations. We do not want to expose ourselves to the risk of sabotage, exploitation, or ruining our reputation by affiliating with another business, especially when the process is informal. Networks also limit our range of action when our individual interests counteract the group interest. So, how do small businesses manage this risk?

My research illustrates that trust and reciprocity is reinforced by sharing the “front stage” and “backstage” of the business. This extends the theory proposed by Erving Goffman (1959). In this case, sharing the “front stage” means joining your brand in the eyes of the customer so that each reputation is at stake, not just one business. For instance, they might share a namecard or provide official endorsement on their websites. This practice of mutual affiliation alleviates the risk of deviance since it could affect their own reputation as well. It imposes an inhibiting pressure.

Sharing the “backstage” refers to the interdependency of resources, such as equipment or customer channels, so losing access would be frustrating. Businesses create structural closure (consciously or not) to reinforce trust and reciprocity in the network, and it is primarily effective when each business shares similar negotiating strength so that they each have as much to gain and lose (rather than one business depending more on the other). Luis Suarez-Villa (1998) notes a similar phenomenon in his article *Structures of Cooperation: Downscaling, Outsourcing, and the Networked Alliance*: “Keeping coproducers small, or of similar size, can also prevent the kind of interfirm disparities that undermine trust and reciprocity. Growing disparities among coproducers, on access to capital, new technologies, facilities, or labor and marketing skills, can lead to a dissolution of cooperative outsourcing arrangements, as transactions end up being dominated by a larger or wealthier partner."

What makes this type of social institution unique is that it is flexible and informal. We usually imagine institutions as private safehouses from the risk and uncertainty of the market. An institution creates a boundary where the freeflow of society is superceded by a central planner, and where established cultural norms are used to sanction any aberrations to the collective identity.

On the contrary, institutional rigidity is not a defining part of this complementary web. The membrane of membership is porous and malleable. These relationships last as long as the gains are symbiotic; some are long-term while others are temporary. When a business outgrows the symbiosis or when the project is over, they might dip back into the sea of businesses for new collaborators, or add to their range of alliances. Rigidity would be antithetical to their survival. The nature of this changing constellation provides a critical adaptability for latching onto new opportunities within the tidal change of customer demand and market conditions.

Macro-sphere

Now we're going to see where the government plays a part in this whole affair. After all, we do not operate in a vacuum, and the government is an undeniable layer in the social tapestry. Business networks emerge partially from macroscopic conditions such as market pressures and government policies. Singapore has a unique profile of enjoying close to full employment (unemployment is 2.9%). There are simply not enough workers available to do all the jobs (Shanmugaratnam 2014). At the same time, since 2010, policy restrictions have been placed against the influx of foreign labor in response to surging pressures on housing and public transportation. Stress on scarce space in the small city-state had sparked souring sentiments against state policies. The city gets uncomfortably crowded. Try riding a train at 6pm on a weekday. But, business owners aren't delighted with these labor restrictions: they need affordable workers!

Minister of Finance Tharman Shanmugaratnam explained the State's position during his Annual Budget Statement (2014): "The tighter labour market and increase in wages that we are seeing are part of economic restructuring. However we can only sustain wage increases if we succeed in boosting productivity. Let me put this in another way. Without good productivity growth, if we try to push wages up, we will end up with either higher consumer prices, or squeezed profit margins that hurt both businesses and ultimately jobs. Firms will either pass on higher wage costs to consumers through higher prices, especially in the domestic service industries, or else they will become less competitive. It becomes a zero-sum game between business profits and wages, that no one benefits from. That is why raising productivity is at the centre of our economic agenda. It is the only way we can raise our living standards in the years to come." The stance of the State is to embrace higher wages and encourage businesses to meet these elevated costs by automating and restructuring their operations. The government has made it clear that the tight labor market is here to stay and employers need to "adapt to a manpower-leaner environment" (Tan 2013) as part of Singapore's economic development.

By allowing the burden of labor to grow, the internal transaction cost of hiring workers goes up relative to the external transaction costs of using the market such as subcontracting. This analysis is based on Robert Coase's theory of transaction costs when he describes why a firm might desire to hire employees instead of outsourcing all the operations. We can't claim that the complementary web created by small businesses is a direct *result* of policy measures, but it certainly *conforms* to the tune of economic pressures. Notably, while the government allows the pressure to rise with labor costs (higher transaction costs internally), it is simultaneously trying to lighten the load of using external collaborations, hence shifting the incentives for businesses to uncouple their operations into multiple linkages. Instead of roping the necessary human capital under one roof, some of the human capital is decentralized in the marketplace through a system of linkages, forming an institutional network.

One of the government's programs is called the Collaborative Industry Projects (CIP) designed for businesses to make their entire sector more efficient. Minister of Trade and Industry Lim Hng Kiang explained that they "want to encourage SMEs to form partnerships with solution providers to test productivity solutions that have the potential for mass adoption" (Lim 2013). The restaurant industry typically gets mentioned in speeches, probably because these small businesses have felt the heat in their kitchens due to foreign labor restrictions. The Senior Minister of State for Trade and Industry, Lee Yi Shyan, explained that these businesses can "reduce their manpower requirements by aggregating demand and collectively outsourcing their food preparations to suppliers. They could also pool logistic assets, such as warehouses and delivery trucks, to benefit from economies of scale. Hopefully, CIPs can also bring about greater integration in the supply chain and reduce wastage and inefficiency" (Lim 2013). If at least 3 enterprises join forces, they are "eligible for up to 70% funding support for qualifying development and adoption costs" (SPRING 2014). The Restaurant Association of Singapore has posted a memo on its website inviting businesses to apply for this grant as long as the "preparation process of the food item is currently done in-house and is an existing process in the company" among other requirements (RAS 2014). This policy encourages businesses to unbundle their in-house apparatus in favor of establishing multiple linkages with one another to accomplish their activities. For example, instead of hiring cooks in their kitchen, they are incentivised to use the services of a commercial kitchen.

There are trade-offs: not every sector will benefit from the pressure to decentralize their processes to be more 'productive'. Food quality could conceivably suffer the reputation as generic 'airplane food' versus individualized preparation under the hawkish attention of a Chef in his kitchen. A member of parliament lamented during a debate: "It is not that the majority of our hawker food tastes terrible. It is that it tastes so average. Most hawkers have already gone down the road of generic pre-made factory food in the name of cost efficiency and productivity. It is an economically understandable but culturally unsatisfying answer to our rising cost and manpower issues" (Kuik 2015).

Indeed, the local news has reported a variety of long-time businesses that have closed their doors with owners specifically blaming labor costs, presumably unable to keep up with the pace of development. The labor pressure on businesses has led to an outcry, especially in the services sector. I spoke to the Chairman of the Spa & Wellness Association who described the dearth of local workers for spas along with barriers to hiring foreigners. He asked: "How much can you increase costs before businesses collapse? The margins are thin. It's like they're adding straws to the camels back. Where is the breaking point?"

Like aerial acrobats swinging through the air and linking together to reveal a stunning formation of interdependency, we see businesses that adapt create their own formations as a way to survive and grow with lean resources, producing another level of opportunities and attendant challenges. This formation elevates them from individual units into social groups that constitute relations of production and exchange. Sociologically, we analyze them not as a single microbusiness at the micro-level of analysis, but as a collective of businesses that constitute a network in the meso-sphere and, more than a network, a social institution with its own norms and predictions. Here I have called this structure a complementary web. It is useful to consider these formations as a social institution not only for theoretical import (such as tracing how social structures emerge and evolve) but as a reference for government agencies to adopt policies that consider these recognizable yet informal conglomerates.

Summary

Stepping back to analyze the system as a whole, we observe that there are three tiers of social spheres: micro, meso, macro. The government does not provide labor as a tangible resource, unlike space and financial capital that it can redistribute under its purview; it mainly produces policies that affect the labor supply through wage floors and quotas, and more broadly through training and education. There is less active hands-on intervention from the state in this domain. The role of the government is more diffused, lending to a stronger reliance on self-governance for small businesses to access and resolve labor needs.

While the top-down intervention is diffused and indirect, the ground-up influence upon the government is similarly marginal through trade associations. Small business owners are helpless over influencing labor conditions and policies that are hinged upon long-term economic transformation. Moreover, there is little to gain for businesses to engage with the government to resolve their labor shortages, especially in areas where a technological upgrade is not the solution.

The institutional disconnect seems to propel the formation of self-organized networks among business owners to stabilize in the new economic environment, drawing upon manpower outside the formal payroll in a B2B (business-to-business) network to execute their operations. The locus of autonomy in this system, or burden of responsibility, lies squarely with the business owners to innovate within the sphere of macroeconomic policies. From what I gather, the government does not offer support or policies that incentivise this B2B ‘complementary web’ used by businesses to stay afloat- no tax deductions, no subsidies, no training incentives based on external alliances (whereas you can get subsidies for training your paid workers); the focus is squarely on businesses that collaborate to use innovative technological solutions. It appears that this meso-force might be a source of dyssynergy from the state as small trade and service businesses feel compelled to stay small and strike informal alliances outside the formal system of government resources rather than expand through internal hiring to survive and expand within the new economy. Figure 12 shows the visual mechanics of how the meso-sphere emerges in this system.

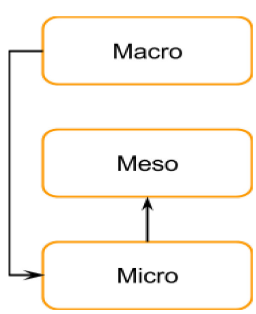


Figure 12 Emergence of self-organized networks among business owners

Forging alliances with the owners of other small businesses is an avenue for steady growth over time, as it allows the business owners to collectively handle bigger projects (and more frequently) even when constrained with hiring people to help out, as they tap onto each other's expertise and resources. The story is different for tech startups who want to develop and market their products rapidly, might not necessarily have time to create these interpersonal alliances, and need a skilled set of people immediately to execute the idea (eg. designers, programmers). In the absence of an easy supply of affordable labor, informal labor has emerged as a common practice that alters the institutional landscape of state-society synergy. We shall discuss this further.

The Skilled Labor among Start-Ups

Unless they are pumped with generous investment funds, startups are constrained with hiring in three main ways. One, they may not have the budget to build an in-house team given that they are still developing the product and not have any revenue to sustain the costs. As one founder put it plainly: "We simply do not have the dollars and cents to hire." Two, they do not have the certainty of whether the company will even exist beyond a stretch of time since they are still testing the market, and hence not able to commit to permanent contracts. "Even if we wanted to hire, we can't guarantee that we will still be around for the long-term." Third, labor laws on foreigners restrict the pool of hiring (in Singapore, the ratio of employees that is legally allowed is 5 locals to 1 foreigner, adjusting to industry) (MOM 2016) and it ramps up costs when the foreign workers can offer a better rate.

In conversations with founders of early-stage startups, a common refrain, when you ask about their biggest challenge, is hiring. They talk ceaselessly about the challenge of finding and, most importantly, *retaining* talented people amidst multinationals that offer juicier perks and pay. To build a committed startup team, they typically have to offer value beyond money, whether it is equity, exposure to compelling projects, training, and an accommodating work environment. One founder noted that the younger flock of less experienced (and more affordable) employees entering the workforce had a more spoilt conception of work. In their minds, they think: "I want fun. I want exposure. I want to make friends. I want to see the world." And, as a startup, they had to cater to these needs.

To circumvent these constraints, entrepreneurs turn to student interns, but they are also drawing on freelance labor. These freelancers are part of the independent contract economy without geographical bounds (because you can piece out projects online to people anywhere in the world). This practice is notable: it enables business to circumvent national labor laws, hence superseding the autonomy of sovereign authority. These contract workers do not necessarily appear on the company's payroll or even on the national payroll, but can be relegated under 'business expenses'. Using this method, an entrepreneur in Singapore can hire anyone from Costa Rica to Bangladesh by tapping into the global informal economy of high-tech labor.

Correspondingly, labor is not necessarily a fixed monthly cost, but a variable cost that shifts with the needs of the startup while it strives for investments or revenue. This arrangement is practical to the entrepreneurs, but not ideal. One Singaporean founder explained the drawbacks to hiring freelancers as opposed to having an in-house team: "Freelancers are not loyal to you, they might be slow or not submit work on time, and you cannot guarantee protection of your intellectual property." However: "It is the cheapest way to develop at the early stages of the company."

This section focuses on the practice of hiring freelancers. I noticed that it is common for tech entrepreneurs in Singapore to outsource pieces of their production to workers in surrounding developing countries such as the Philippines, India, and Vietnam. One founder mentioned going on an organized group trip to Myanmar with other entrepreneurs in the Founders' Institute to source for developers. These Myanmese developers, if hired, join the ranks of the highly-skilled informal economy. The startup is not saddled with taxes and the costs of providing health and retirement top-ups that national laws in Singapore and Myanmar mandate (Oo and Ghosh 2015), while benefitting from the talent of these workers at a price point that might not have been possible if they were limited to hiring within Singapore's shores. Meanwhile, the developers in Myanmar receive income that might not be formally declared, albeit losing out on formal protection such as retirement funds, medical leave, and government protection for dispute resolutions, and also, they can be fired anytime without any notice, creating a context of vulnerability.

In place of formal regulations typically managed by the government, it is substituted by informal regulations managed by agencies such as Freelancer.com, Guru.com and Upwork.com, to name a few big players, where founders and freelancers meet in a labor marketplace. These three platforms together have approximately 15 million freelancers registered from all around the world (Sanaul 2015), predominantly workers in the developing world serving clients in advanced economies. This phenomena is not unlike the tide of manufacturing that has been outsourced from advanced nations to developing economies; this time the phenomena includes intellectual labor rather than just physical labor, and includes legal services, writing, web development and design.

Why are these freelancers opting into this informal system? We might attribute one force as a response to the economic crisis in 2008 when downsizing and retrenchments saw skilled professionals world over cast unceremoniously into the unemployed labor pool, and even in Singapore, the category of workers known as professionals, managers, executives and technicians (PMETs) accounted for half of those who lose their jobs in 2014 (Hock 2015). Moreover, in countries and during episodes of economic crisis where the social contract might be weak from both companies and governments in terms of benefits and job security, the informal economy does not come across as a substantial downgrade, and is absorbs into the concurrent dynamic of firms restructuring to draw skilled, independent workers into their fold for one-off projects.

Meanwhile, the informal economy comes with its own informal social contract, operating with its own system of rules on conduct and obligations that regulate the relationship between the employer and employee. For example, Upwork.com introduced a minimum hourly wage of USD $3.00 per hour, in part due to the flattening of the international marketplace where, say, a designer in France and a designer in Bangladesh with equitable skills are competing shoulder to shoulder for the same client with vastly different rates. The Senior Vice President of Operations of Upwork notes: "While we recognize the complexity of our marketplace—from the large differences in earnings around the world, to the diversity of work done on our platform—we believe $3/hour strikes the right balance" (Tse 2014). This policy is a notable move given that the minimum wage in, say, Myanmar, a developing nation in Southeast Asia, is USD 0.38 per hour (Oo and Ghosh 2015) – but this overarching regulatory system – a private system – supersedes the national authority with its own power of enforcement (by closing down the accounts of delinquent users and effectively shutting them out of the marketplace for not complying).

Apart from instituting minimum wages, these intermediate global platforms also have their own legal system for arbitrating disputes (Upwork 2016). Rather than go to the Small Claims Tribunal to which you might be entitled as a formally-declared worker, you can resolve payment issues through their own arbitrator deployed and resolved through an internal system of policies. Even if one wanted to go to such a court—in whose country and under what jurisdiction? The nature of global online hiring for projects makes it less straightforward to receive protection and bring both parties into the same courtroom, and it might not be worth the disproportionately higher cost as opposed to settling the matter informally. Meanwhile, we are seeing an alternative bubble of independent regulations cropping up to mediate this network of relationships and hedge the risks of disputes, institutionalized through these online marketplaces that allow you to view the computer screen of the worker at a random time once every hour that they claim to be working, and setting incremental milestones that require approval before the funds are released. These measures are not fool-proof, but they provide a governing structure.

With the numbers of people joining the ranks of high-skilled freelancers in the service economy, governments are perking up and paying attention. This population represents a pool that has the liberty to declare their own income, potentially under-declaring and avoiding taxes, and they not looped into the state's social contract of protection and obligations where the employer is typically a participant. The Labour Minister of Parliament in Singapore lamented in a speech: "They do not receive CPF contributions by employers [Compulsory Savings Fund: for health and retirement], nor do they enjoy medical or leave benefits. Some have to deal with clients who do not pay up, or take a long time to pay for the services rendered. I have spoken with many of them recently and they have reiterated these concerns. This year's Budget has brought much cheer to them. Many will enjoy income tax rebate, GST rebate, enhanced Workfare Income Supplement (WIS) and Medisave top ups. These measures will help them manage some of their cost pressures." Some incentives are thus given to freelancers to encourage them to participate in this social contract. For example, freelancers who contribute to their own Medisave accounts (even though it is optional) are eligible for additional top-ups (MOM 2013).

The proclivity to hiring freelancers or using contracts for service is not specific to startups, but it reflects a broader trend in the reorganization of the firm and employer-employee relations. The number of self-employed in Singapore is around 15% and real estate in the city is reflecting this centrifugal trend among firms with more than 25 offices dedicated to co-working arrangements cropping up in the city within 4 years after 2009 (Chng 2013). This is partially a reflection of rising rents that are funnelling more businesses into flexible work spaces (discussed in the section on Space) but it also reflects a demand from the population doing independent knowledge work.

An interview with one of the directors of Regus (a co-working facility discussed in detail in the section on Space) explained that in 2015, 30% of their co-working users were employed by small and medium enterprises, 32.8% were startup entrepreneurs, the self-employed were 23%, with others working in multinational companies. It appears that the majority of users are independent service workers (self-employed) and contracted to firms with a flexible working arrangement outside their core office. Are these workers official 'employees' of the firm, or independent workers? It depends on their contract. The Ministry of Manpower in Singapore notes: “Some vulnerable ‘freelancers’ exhibit many employee-like characteristics such as working for only one contractor, and/or having fixed working arrangements with the contractor including fixed working hours, required to wear the uniform of the contractor etc. These workers do not receive the benefits of the employment laws that they should rightfully receive as employees” (MOM 2013). They fall into a category of workers called “permalancers” which is a word fused between the words permanent and freelancer, defined in the Oxford English Dictionary as “a long-term freelance, part-time, or temporary worker who does not have employee benefits” *even though* they might be affixed to working at a single company as though they were a full-time employee. Another word used is “permatemp” fused between permanent and temporary.

We can see the growing usage of the word in the corpus of English publications (including books, reports and articles) in this Google Ngram in Figures 13 and 14 that illustrate the percentage use of the word against all other words published at the time. This is not to make a definitive statement, but merely a point of interest about the growing use of these particular words and their concepts.

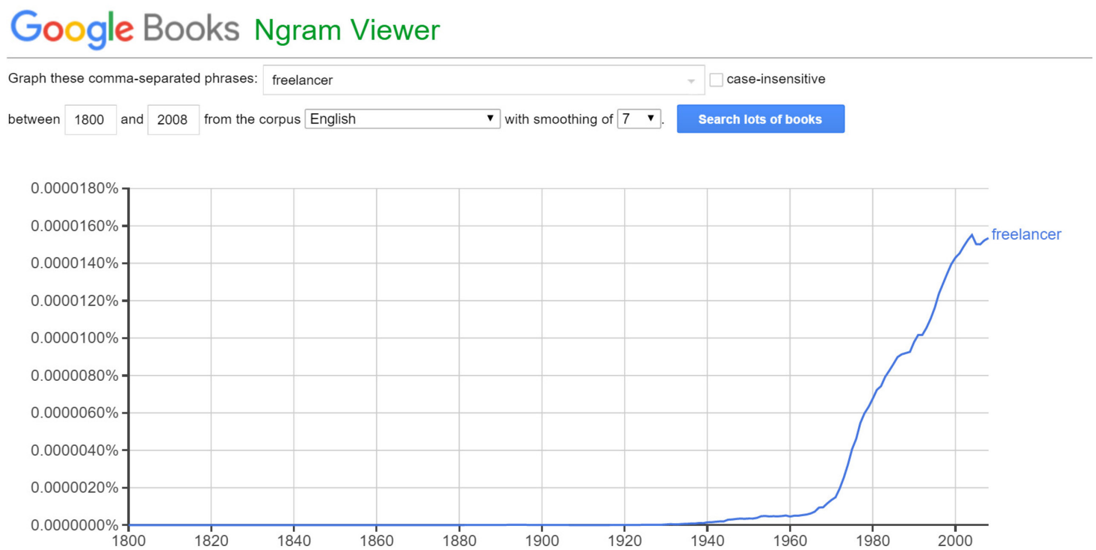


Figure 13 Escalating use of the word "freelancer" in published books, reports, and articles. Source: Google Books Ngram Viewer

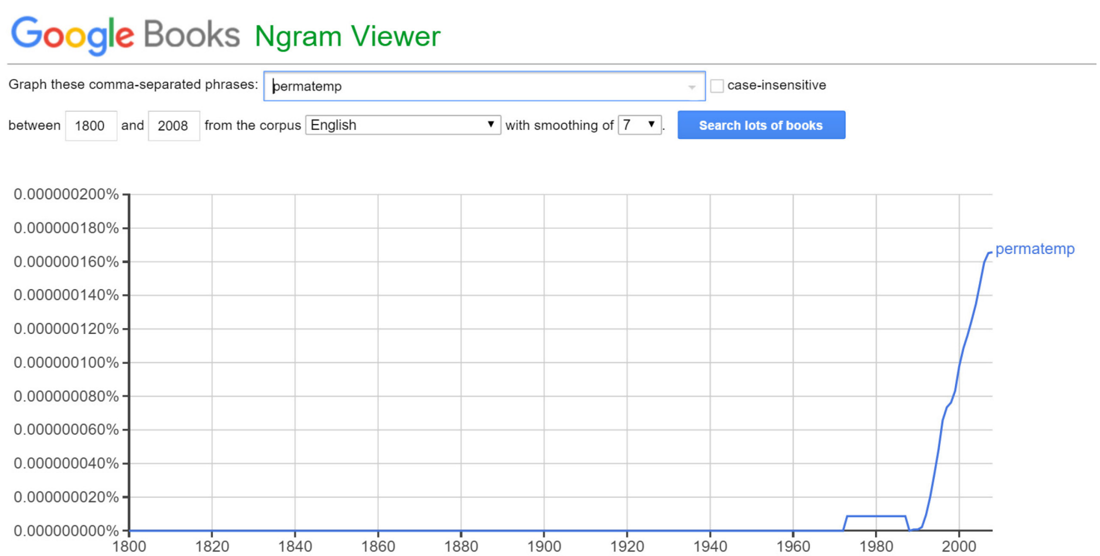


Figure 14 The usage of the word permatemp over time. Source: Google Books Ngram Viewer

The bigger picture here is that a dialogue is taking place between the government and entrepreneurs in relation to their labor force. The government has strict rules in place that prioritizes local hiring, and the social contract essentially demands that the firm provide for the employees to chip into their welfare and facilitate the broader stability of society. There are firms that cannot afford to participate in this social contract, and there are workers who, for a variety of reasons, are willing to part with the social contract and operate informally. This is in part a response to macro-policies, and indicates a severance of the dynamic between the macro-sphere and micro-sphere. Out of this tension bubbles what Robert Neuwirth calls System D in his book "Stealth of Nationals" - l'economie de la débrouillardise – "the system of resourcefulness", and we see this in what we have labeled the meso-sphere that attempts to mediate between the laws of society and the needs of the labor marketplace. These are temp agencies and online marketplaces that link scores of independent workers to their clients on service contracts (Neuwirth 2012).

We have all the while used the term 'informal economy' in this section to encompass patterns of skilled labor. We now can abstract the patterns in Singapore to define informal economy as "transactions where the state neither provides protection nor receives a cut" (Fernández-Kelly, Patricia 2006). It does not refer to criminal work, merely work that is not in the radar of the government. Centeno and Portes (2006: 36) go on to say that "the relationship between the informal economy and the state is, by definition, one of inevitable conflict. The whole point of the state is to assert the monopoly of its authority within a territory, but the whole point of informal entrepreneurs is to avoid or subvert that authority" but they point out that "this theoretically conflictive relation devolves, in practice, into various forms of accommodation." This section focuses on services, but even in the goods industry we have noticed Internet retailers such as Amazon.com finally get roped into charging and paying a sales tax in the United States given the volume of sales that are in the same league as brick-and-mortars such as McDonald's and Sears (Streitfeld 2012). Vendors selling old books and gadgets on the marketplace may no longer be operating in the informal economy where the transactions are independent of government mediation. Now, the government is inserting itself into the transaction to benefit from the trade on their land… or in the clouds above their land.

Likewise with service marketplaces where the dynamics of trade no longer adhere to our traditional conception of unskilled individuals on the brink of poverty trading in their services informally. This population is burgeoning with high-skilled, educated individuals who service clients for either short or long-term projects, sometimes balancing several clients, and other times entering into a "permalance" position with one client. In any case, these transactions are not mediated by the state, they are mediated by agencies in the middle. An article in the Harvard Business Review called The Rise of the Supertemp points out that China licensed its first temporary staffing agency in the country 2007 (Miller 2012). It is not as though temporary staffing did not exist prior to that, but this is a sign of the government firstly acknowledging the phenomenon and secondly inserting itself as an accommodating player, giving a chance to close the loop between the firms, the intermediate matchmaking agencies, and the government.

Likewise in Singapore, there has been some recognition of the commonality of 'outsourced' hiring or contracts for service, and policy measures to accommodate it, although it remains local and does not yet account for the nature of international freelance work deployed online by startups mentioned above. For example, companies in Singapore are eligible for subsidies when they train their employees provided that they meet specific conditions (such as locally-owned, hire at least three local employees and so forth). In 2014, companies were finally able to claim subsidies for training employees who were not directly hired by them, but deployed to them through an intermediate hiring agency for a period of time (which means these employees are not on their direct payroll) (ASME 2014). This enhanced policy recognizes the commonality of 'contracts for service' (not covered by the employment act) instead of the more traditional hiring arrangement called 'contract of service' where the employee is on their payroll. In this case, the capacity to benefit from these subsidies means that the employment needs to be formalized.

As the nation moves increasingly toward a knowledge-based economy, and firms get better at segmenting their projects with flexible, mission-based roles, the trend of independent workers is not primed to decline, and we may see more active intervention from the government to close the macro-micro loop with hiring to accommodate this phenomena more directly into the system.

As far as the startups are concerned, there is little state-society synergy in their hiring affairs as they have opted out of the system through hiring independent workers who are not on payroll. A meso-structure has emerged and primed to grow as the dichotomy in the population sharpens in who receives employee privileges for their work and who doesn't – for example, in NYC there is a Freelancers Union that organizes health insurance for its members (Miller 2012) and given the emergence of this phenomenon, the meso-structure is still weakly linked to the macro, but we are seeing signs of their tentacles touching and interlinking. It is a dynamic growing meso-structure to provide a sense of collectivity and cohesion to the demand and supply of freelancers that help small businesses grow within their constraints.

Conclusions

In this chapter, we have looked at how small businesses that seek to grow handle their hiring strategies under the regulatory framework of the government. The microenterprises that are informal and operate in the public markets are straight-out not allowed to replace their presence at the market with employees: the owner has to be present for at least 4 hours a day for the enterprise to stay legitimate. (When a shopkeeper went on a vacation and hired staff to take her place, she actually submitted her travel documents to justify her temporary absence.) I have cast light on how this policy, in some measure, requires the owners to remain a source of labor and reduces the cost of business (labor is among the highest fixed costs) and allows costs of basic consumer goods and services to be depressed in the city, hence supporting a working class in the population that endures low-rising or stagnant wages which in turn suppresses business costs and enables the meteoric rise of business and incomes at the top of the pinnacle. This synergy of labor is geared toward economic development. The locus of control is firmly with the government.

With the growth-oriented businesses (SMEs), a way to stave off the cost and commitment of hiring employees is to create alliances with other small firms to take on aspects of the project, hence allowing the firm to take on the sales that enable growth while acting as a bigger firm, even though it might just be a one-person firm. This applies to both services and goods, where a coffee joint might get food from a next-door restaurant to avoid the costs of hiring people for a kitchen. They gain economies of scale through this flexible collaboration. This link happens informally on a micro scale without explicit governmental support, and there is not much state-society synergy to speak of—this network emerges as a coping mechanism to cost pressures, and it is improvisational. The locus of control is situated among the informal business networks.

The tech startups desire fast growth and this occasionally entails hiring fast—especially getting programmers to build your product. However, startups face constraints: legal constraints with hiring foreigners, and fixed costs of hiring, pushing them to the informal labor market where international freelancers operate outside the social contract. While the government is making effort to adapt to this demand by recommending changes in the school IT curriculums to breed local software engineers, demand outstrips supply, and startups are looking outwards for cheap talent who do not have to move geographically to get the job done; the remote workforce is in vogue. What we see emerging is an independent regulatory framework managed by online marketplaces and international agencies who set the rules of the game for employer-labor relations. In turn, we are seeing a response from governments to step up their own game upon acknowledging this reality, especially as crowd-sharing platforms and independent contractors surge in the labor force. The locus of control is still in the meso-sphere, although we may see more agency seep in from the government.

Chapter 6. Capital

We need capital to make capital, including physical, financial, and spatial capital. This chapter focuses on financial capital.

Businesses revolve around capital. Entrepreneurs frequently need initial capital to start their operations, but bank loans are often out of reach for small and young companies. Today, microfinancing is more common, but small businesses sometimes find themselves stuck between a rock and a hard place: microfinance offers small sums that are not sufficient for bigger steps forward, while traditional banks only offer larger amounts only if you prove a strong profit trail.

This chapter delineates the challenges with financial capital experienced by three categories of businesses: subsistence microenterprises, growth-oriented businesses, and high-growth startups. Specifically, this chapter explores the formal and informal strategies that business owners use to access capital, and I will anchor these strategies in the framework of governmental support for the small business economy.

Microbusiness

In the chapter entitled Space, we delved into the stabilizing influence gained when market territory is managed directly by the State to keep it steadier despite the vagaries of the property market. These specific market arenas are embedded throughout the urban map for microbusinesses to hold fort amidst the skyscrapers of the city, and we examined how this particular organization of space facilitates the creation of what we call spatial capital.

In the chapter entitled Labor, we unpacked the dual role of small business owners as both capitalists (property owners) and proletariat (inputting their labor directly in the business) and how this role is further defined by the State in relation to the labor force at large.

In this section, we explore strategies for capital accumulation when starting with few resources, and the context that enables these strategies. The State is minimally involved in providing direct capital provisions (unlike its intervention with high-potential businesses) and the role of the State is present more clearly in providing infrastructural stability for the smooth flow of commodities through the system of suppliers. In this case we see much less direct intervention (as we do with labor and land) and a retreat into letting the flux of demand and supply work its course through the value chain.

Unmet Financial Capital Needs

Microbusinesses are the majority of registered businesses in Singapore and around the world. In Singapore, about 80% of registered businesses have less than $1m in operating receipts, and this doesn't even include market vendors who are not required to register with the Accounting and Corporate Regulatory Authority (ACRA)—instead, they register with the National Environmental Agency (NEA) and pay personal income taxes. Studies indicate that the vast majority of business owners don't aspire to scale their businesses: they prefer tending to a small fire rather than a roaring wildfire. A report in The Economist (2014) noted that "Three-quarters of people who start companies [in the United States] say that they want to keep their companies small enough to manage themselves."

Since they are small, microbusinesses might take the liberty of skimping on bookkeeping: not recording profits and losses, not updating their paid-up capital, and not keeping their

Notice of Assessment for taxes. Bookkeeping takes time, but the lack of an official paper trail makes it harder to get a loan, even though it is already hard enough when their turnover is modest and unstable. It is therefore common to see microbusinesses manage their cash flow without official loans or investments. So, how do they do it?

Incrementally adding the costs

One strategy is to roll-over the capital slowly over time to reduce the upfront costs of the business: like adding bits of tinder to a fire, waiting for the fire to yield a little warmth, and then continuing to add a little more fuel. A little at a time. This cost strategy is used to manage the rent, inventory, and labor.

Rent can be scaled incrementally. A shopkeeper of eclectic goods (clothes, costume jewelry, collector items) described his journey building up the business. He started with a folding table that he placed in the hallway outside a row of brick-and-mortar shops to catch the regular stream of passerbys. "I rented a table in the corridor, $30 a day for 3 months, setting stones in rings. People around here got to know me. So, after that, I looked around the area, and found a shop to rent. After 4 years, I moved here [to a bigger shop]. There is more place for the things." His upward social mobility has been slow and gradual in the model of boot-strapping. He has been at his new shop for 3 years and constantly revises his inventory to ensure a trickle of revenue from low-value items such as pajamas and costume jewelry that he places in prominent places, while relying on better times in people's paycheck to sell his expensive collector items.

In each phase, he waited patiently till he had accumulated enough capital, established his customer channels, and gained confidence in predicting demand before investing in further expansion. While his business remains "micro"—and he runs it all by himself—he took the business through incremental phases of growth without any external capital injections from formal institutions such as banks and government agencies. His approach: slowly investing into himself. This model has a downside- it limits the speed of growth, but it keeps the business at a manageable, sustainable size to handle on his own.

In another case, the owner of a video games store described how he and his partners started with just one video game machine: guitar hero, which they rented out at events. "We struggled for 2 years, paid ourselves nothing, pretty much $500 a month. We were lucky because we were fresh grads, no commitments, stayed with our parents, so it was okay. But it was almost all organic, we didn't take any outside funding." Wasn't it expensive to buy all the equipment? Yes, but it was possible because "we reinvested profits." So they added equipment to their inventory from their own profits without a loan? "Yes, piece by piece." This story is common in various industries from selling cosmetics to running a photography studio: starting at the simplest possible level to create an initial sales cycle, and funneling back the revenue slowly to grow to a manageable size.

Hiring people also creates a fixed cost, and microbusinesses might sooner struggle without an extra hand or depend on free untrained help from family members than commit to a payroll. A shopkeeper explained: "I don't hire people otherwise I need to worry about how much I am making. I'll need to have a set goal, and must worry whether I will have enough to pay the salaries every month. Now I just sell whatever I can, and take the leftover profit at the end of the month." He explained his financial model: "The first 2-3 weeks is usually to pay the rent; and the rest is just my salary. It's just a way to pass my time." Hence the fixed costs are kept to a minimum – essentially rent – and the aspiration is modest: to earn a livelihood.

An architect explained his hiring philosophy: “We try not to expand too rapidly to hire people without certainty of work ahead. So, there's always a little lag, I think; that's my management. I wish it were better. But, we would rather work a little harder than hire someone and not be able to pay them [laughter]. That has been the most difficult part: balancing the unknown with what you have to work with. It's daunting.”

Creating new revenue channels

Apart from managing costs sensitively to alleviate the need for external capital injections, the next part of the equation is boosting sales to create consistent revenue streams. When we think of a microbusiness, we imagine goods with relatively low-value: things that people need regularly, so the sales cycle is short, like vegetables or haircuts, but you have to sell a lot in order to bring in revenue as it only trickles in as drops with each purchase. This model contrasts with selling pricier goods that have a longer sales cycle, like handmade Persian carpets or a consultancy service that might not get sold every day, but when you do sell a piece, you make a lot of money at once.

One strategy for businesses use to get by, however, is to offer a mix of values, low and high. For example, the carpet shop might sell cheaper shawls on the side. So, even if people don’t buy pricy carpets (which depends on consumer confidence during that episode in the economy), money can still stream in through lower-hanging fruit of necessities. Similarly, when everyday sales slows, the business might manage to tide forward with a couple of big sales. This section mostly focuses on businesses that deal in low-value items. The huge reliance on day-to-day sales is reflected in a comment that a fruit juice vendor made about the biggest business challenge she confronts: "The hardest part of the business is when it rains: not so many people come to the market."

Every day of sales counts. These microbusinesses rely broadly on personal interaction and the law of numbers (higher conversion with big crowds) as well as loyal customers who return to them despite the availability of the product or service anywhere else, especially pertinent since prices for generic commodities are typically depressed and practically identical (think brooms, phone chargers, and photocopying services).

Peripheral alliance with suppliers to ease the cash flow

There is a fierce and forced independence among microbusiness owners when it comes to capital. This is a contributing factor to their small and suppressed growth, as they only grow by rolling their own profits into the business. To ease the process, they create what we will call "peripheral alliances" with their suppliers to get favorable credit terms: paying for their purchase in installments or negotiating smaller bulk quantities to part with small amounts of capital at a time. This negotiation draws upon trust and rapport built over a long-standing relationship or, in other cases, the vast number of microbusinesses needing this flexibility establishes a patterned process among distributors with built-in safeguards that no longer requires negotiation (e.g. slightly higher prices for smaller delivery quantities).

Collective organizing

Favorable credit terms can sometimes be achieved through collective organizing. Associations of informal vendors and microbusinesses are evident in numerous cities in

Asia, such as the National Alliance of Street Vendors and Self-Employed Women's Union (SEWA) that are entrenched across India, and Cebu City United Vendors Association (CCUVA) in the Philippines which is officially registered with the Security and Exchange Commission (SEC) and actively mobilizes with the city government to gain concessions in legal recognition, infrastructural support, and access to credit and space (Yasmeen 1996).

Singapore is similarly home to an exhaustive network of hawker and merchant associations representing every cluster of shops managed by the commercial office of the Housing Development Board. These shops are integrated with public residential buildings and managed by government agencies at the top. In a sense, then, every single vendor in these public precincts enjoys group representation based on their geographical location. In practice, however, the shopkeepers are not actively involved in the associations, explicitly dismissing the function of the committee as "self-serving" or mired in "too much politics" and having "no use to me" and preferring to stay clear of it. Any public issues they face – such as negotiating space boundaries, repairs, or disturbances – go directly to specific government agencies or Town Council for remedy, or even to the Minister of Parliament for their district, bypassing the merchant association as an immediate resource or representative. They link is established for direct communication between the macro and micro, although the efficiency of this channel depends on each case.

The intermediate associations are run with a chairperson (who might be informally self-elected) who serves as the primary point person with the government representative in the area to fund and manage collective activities such as spring cleaning, community concerts, government talks (about healthcare programs etc), and so forth. This chairperson might organize fun family events that draw crowds to the area, and will be responsible for putting out tenders for the 'night markets', acting more or less autonomously from the shopkeepers with approval from the Town Council.

There is an apparent disconnection between the association and the members, resulting in an institution that acts more or less autonomously to enact recommendations from the top to ensure a smooth and regulated functioning of the markets with informal feedback from below from shopkeepers who want to contribute. When I met up with a market chairlady for an interview, our 5 minute walk to the hawker centre was extended twofold in time because she was constantly getting stopped by people hanging out at the market who had something or another to say to her: chit-chat about upcoming events, cleanliness, and the next night market coming to the area. However, matters related to running the individual business: access to credit, terms of rental, supplier chains— this is not in her purview, and this role is weak; this coordination is left to the national trade associations for which microenterprises selling low-value goods are less apt to join since the benefits they can accrue (such as grants for collaborative technologies) are limited based on the modest scale of their enterprise (daily sales of low-value items) and informal practices.

There is a slew of government support schemes purportedly designed for local businesses with less than 200 employees and $100m annual turnover (under the definition of small and medium enterprises). However, the majority of support is geared toward growth-oriented businesses: favoring training and hiring practices, global expansion, and technological innovation. If you peddle low-value commodities and stay hyperlocal with casual accounting practices, you are pretty much on your own, save for the infrastructural support available at the public markets and towns to gain hyperlocal visibility, as discussed under the chapter Space.

A Weak Meso-Bridge between the State and Business

Metaphorically, the Singapore government might try to control the economic climate around the flames of business – the macroscopic winds such as property, stability, investments – but it does not actively provide fuel for the flame. The microbusinesses are forced to feel the friction of competition and find their own spark, and a small flame does not need a log to burn. But, once the flame is burning brightly, the government might offer to throw in the logs to help create a wildfire (such as expanding abroad).

Insofar as financial capital provision is concerned, there is little interaction between the government and low-growth microenterprises, not only because the majority of capital support aims at growth-oriented businesses, but these microenterprises themselves do not undertake the formal measures to be eligible for these subsidies since it still requires a capital output from their own pockets. In this model seen in Figure 15, the government relates to the microenterprises through the conduit of the neighborhood merchant associations where funds are funneled toward collective activities while shopkeepers are not necessarily included in the deliberations. This association – or the chairperson – acts more or less autonomously on behalf of the community and coordinates with the Town Council run by the minister of parliament for the area. Shopkeepers who want to initiate activities need to go through this particular channel of organization, hence it is an exclusive pipeline to get approval and government funding for collective activities. For individual issues, they can approach government agencies directly.

These associations are mandated (but run by volunteers)—each market needs representation even if it's just one person. The locus of agency is primarily located in this meso-sphere under the persuasion of the minister of parliament who needs to retain good standing among the constituents. The chairperson relays feedback from the ground through an informal connection that they enjoy with the town council and minister. Their role is to maintain stability and order to loop the satisfaction of both the government and shopkeepers.

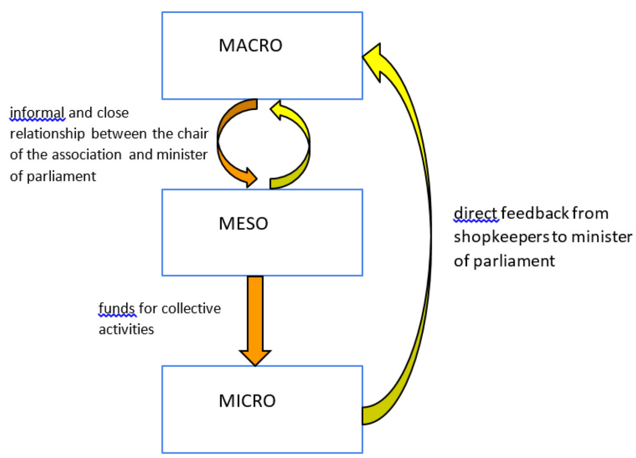


Figure 15 Institutional dynamics between the state and micro-entrepreneurs

Growth-Oriented Businesses

This section provides a detailed description of how growth-oriented business owners overcome constraints to accessing money to fuel their business. We discover how, in the absence of money, they turn to numerous types of social exchanges that help them survive and grow. This network is informal, and we see how this informality has benefits (such as flexibility) with certain disadvantages. We then explore the way formal trade networks interface with government support in a way that the informal networks do not, and compare both networks as a way for accessing capital. The formal network creates a closed bi-directional loop of state-society feedback and synergy. However, their outreach is limited. Finally, we explore the role of the "SME business adviser" created by the government to reach out to business owners outside these networks of support, providing a triangulating force of synergy between the public and privates sectors. We then conclude with a discussion of state's ability to penetrate its vision through the use of these networks, and its limits in doing so through the force of synergy.

Capital is one important input in business. This is straightforward in the case of growth-oriented businesses. In business, payments from customers (account receivables) usually come *after* the initial investment (account payables). In the meantime, you need what is known as 'working capital' to sustain your operations, i.e. spare capital that could include loans, investments, and disposable reserves.

The Entrepreneur magazine says that "working capital is one of the most difficult financial concepts for the small-business owner to understand. In fact, the term means a lot of different things to a lot of different people. By definition, working capital is the amount by which current assets exceed current liabilities" (Entrepreneur 2013). (This is distinct from "net worth" which is *total* assets minus total liabilities and may not be immediately convertible into cash.) Small businesses might not have the collateral or credit history to secure a bank loan. But, without a chicken, how will the egg hatch and turn into a chicken?

This chapter explores the process by which growth-oriented business owners circumvent barriers to capital. You will find that when a true entrepreneur has their mind set on something, they will usually find ways to get it — one way or another. I discovered that in the absence of funds, growth-oriented business owners turn to myriads of ways to compensate financial capital with social capital to achieve their goals.

Using qualitative data gleaned from in-depth interviews, I will highlight some of the collaborations that are useful (and sometimes essential) for microbusinesses starting (and growing) with low capital. Even though the government has encouraged banks to act as 'enablers' in the system through microfinance, interfirm alliances remain necessary for staying lean and efficient.

This section links my narrative to a theoretical framework. microbusiness owners — after all, their quest for survival is the motivation of this research, and getting capital is among the knottiest struggles. We start with unpacking how social interactions can take the place of financial capital for building a business, hence illuminating the way social structures influence the autonomy of economic action. Then we extend the analytical frame upwards from the microbusiness to the government to see how these interfirm exchanges might be embedded within a design of public-private partnerships.

Forms of Piggybacking

> *"Bernard of Chartres used to say that we [the Moderns] are like dwarves perched on the shoulders of giants [the Ancients], and thus we are able to see more and farther than the latter. And this is not at all because of the acuteness of our sight or the stature of our body, but because we are carried aloft and elevated by the magnitude of the giants." John of Salisbury (1159)*

*Social leverage to get ahead***.** It's hard to know the best way to do things when you are walking through an unfamiliar forest. The territory feels strange and complex, and you may not recognize all the traps that could hurt you. Even if you recognized them, you might not know how to escape quickly. It's scary. In business, you can lose a lot of money, and it might inhibit you from entering the forest in the first place.

So, what do you do? You have a brilliant idea, and you are determined to make it succeed. One approach is to piggyback on businesses that have already cut a path through the territory you want to explore. These businesses have seen the dangers, know the allies, and stumbled through the tangle of options. Even if they are simply another little business in the field, *as long as they are a little bit ahead of you (or way ahead)*, they can illuminate the paths to proceed a few steps forward with less risk.

Sociologists refer to piggybacking as "social leverage" which is not about networking with people who can help you "get by" - people usually on the same level as you - but connecting with people who can help you "get ahead" - those who have already made it further up the hierarchy (Briggs 1998: 178). These relationships provide a way to overcome the hurdle of limited capital while nurturing the business, and I shall illustrate exactly how this process works by drawing on a collection of in-depth interviews from Singapore.

Access Startup Resources

> "When I started, I had to actually invest a certain amount, right? If another person comes on board, they invest the same amount plus time, and sometimes it's like— sometimes they get exhausted."

Piggybacking can make it easier to cross barriers to entry in the market. To get started, you need customers but, in the beginning, nobody knows about your business, so revenue might be slow from sales and you may not even have the financial capital to develop your product. One way to overcome these barriers is to forge win-win relationships with other business owners to take advantage of their social leverage in the marketplace.

You might be wondering: why would a business owner who has succeeded help another small business catch up to their position? The trick lies in the symbiotic relationship where both entities benefit. Let's look at a designer clothing business called Devotion Fashion. Within 3 years, the founder, Amy, was collaborating with independent designers who were eager to launch their own products. She says: "Whether you want to start your own brand, start your own dream, or whatever, we have the support that we could give you, so from production to marketing."

Amy decided to support aspiring designers who wanted to launch their fashion labels by using the physical resources she had personally amassed while launching her own brand. This makes it easier for them to enter the industry by saving time and money upfront. Simply by being in the game a few years longer, Amy was enjoying close links with a factory and retail outlets (ties upstream and downstream), and had a space where she could invite designers to collaborate and focus on their core ideas rather than divest their energy into building a business infrastructure. She describes her business model:

"This is where the business model comes in, so that we will take care of certain risk. Of course, for example, when I started, I had to actually invest a certain amount, right? If another person comes on board, they invest the same amount plus time, and sometimes it's like— sometimes they get exhausted. So we're saying you don't have to invest the same amount. You have to invest a slightly smaller amount and then we can do partnership, co-branding or whichever thing that will help you in that sense."

So, despite being low on capital, aspiring fashion entrepreneurs could piggyback on the existing resources at Devotion Fashion to get running with production, marketing, and retail— the main levers of the business infrastructure to let them focus on their core business idea:

“We will waive a certain amount off you— but you have to invest a certain amount with us as well. Yeah, X dollars. With this X dollars, you can realize your dream of becoming a fashion label because we will take care of the production for you, right? We will also take care of the marketing for you. All you need to do is design, alright?”

Amy clarifies that she isn’t “doing community work after all but some part, it will be community, for some part, we still have to make it work out for business to happen.” In this case, the critical catch is that Devotion Fashion gains an additional revenue stream to grow her business: “So the moment the pieces are being produced and sold, then that's where we split the revenue. In this case, I think that it is a win-win. At least for a person who wants to kick-start, you don't have to invest a huge quantity. To be honest, I invested close to five to six figures to manage this brand.”

This symbiotic relationship generates working capital for each partner: in this case, the leading business receives a cashflow boost— the upfront investment to use their platform, as well as the profit-sharing model— and benefits from human capital (labor), while the piggybacking business gains access to the infrastructure needed to put wheels on their idea. Social capital in this relationship transforms into a triad of physical, human, and financial capital to overcome the sticky barriers of limited funds.

Belong To A Social Network

> “we want to draw in more and more people who have a love for fashion”

Piggybacking is not simply a dry business-to-business (B2B) transaction. Devotion Fashion not only provides one-to-one business services such as marketing, but the unexpected benefit is that the support generates a network of designers in her circle who can exchange knowledge and inspiration with one another, bringing benefits to both the incubating business as well as the piggybacker. Amy describes the context for collaboration:

“We are selling more than just— we like promoting a love for fashion, and we want to draw in more and more people who have a love for fashion. It could be a love for accessories, love for colors, love for anything that's under fashion, to come on to this network with us, and we will continue to run a lot of programs with them.” In the process, “more people will be in our network” and Devotion Fashion “can show off more collections, more fashion brands” to customers, hence expanding the scope and reach of their business.

Amy reflects that “this is how we grew.” In this situation, the emergence of a social network generates ‘knowledge capital’ that can be harnessed to improve the value of products they provide.

> “I am training a job owner. I help you now, in future you can help me.”

Learning How To Build A Business (Incubation). Thus, flying beneath the wings of a more established business can lift a micro business out of the shadows of obscurity until they can take flight on their own, while easing the glide of the leading bird.

In another case, Fred is an energetic guy in his twenties who runs a web development company called Stream Technologies. He describes how he had no idea how to run a business when he started out as he was inexperienced with elementary business skills such as branding, marketing, and selling his services. All he knew was how to make websites. His mentor, another business owner, was more skilled in the art of business and showed Fred the ropes over the course of their partnership. In return, Fred helped his mentor to execute projects. “So, basically, just to keep it short, he marked up prices outside using his experience with branding, I'm a very good programmer, I'm a very good tool, so, I work for him, I earn, and as a living, he earns more.” Initially, Fred’s partner roped in all the project work, but eventually Fred mastered the technique of winning sales and secured clients as well. He did the website programming, while his partner did the designing, and they would split the profits between their businesses. With this dynamic, Fred and his mentor both grew their businesses.

Today, Fred is no longer under the wings of his mentor and, instead, manages his own flock of partners— sole proprietors who run their own small businesses. Much like Fred in his early years, their priority is to achieve a consistent revenue stream (sales) which they struggle to get on their own with their limited marketing experience. So, Fred pulls in the sales. He explains that potential customers are unlikely to use these smaller businesses without his affiliation because “they won't even find them on the website!” since his business name dominates the rankings in search results. Fred explains how piggybacking gets these businesses through the rough tides of starting out:

“Let's say you're starting out a business. You have to find sales yourself, you'll not hire because of budget. And you don't know how the industry works, how the prices work.

They're freelancing, they found it's good, but the income is slow, it's not consistent. When we come in [to partner with them] they say, woah! This is after my side was consistent [with earning revenue]. A business must be constant."

The process of piggybacking looks similar to business incubation, a concept we usually associate with tech startups. Officially, "Business incubation is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small businesses by helping them to survive and grow through the difficult and vulnerable early stages of development." (UKBI 2012) The difference is that we are seeing this supportive structure occur among very small businesses that we would not immediately associate with having the resources to incubate another fledgling business. But, the nature of this collaboration creates a context for mutual gain. It generates economies of scales for all involved, something a microbusiness might not achieve on its own.

I asked Fred why his affiliate partners didn't branch out to build their own customer base. Why did they work under him and share the revenue? He explained: "They are allowed to find other projects, but I am capable enough to feed them with the projects that I have. Why would they want to find someone else? Stick with me. … I am training a job owner. I help you now, in future you can help me. Please don't destroy me! We are partners and we are friends." As a microbusiness owner in a competitive marketplace, Fred is able to expand his market share because his partners do part of the work. He can accept more projects which creates an additional stream of revenue for him, while his collaborators receive consistent projects and cashflow for their own businesses. Fred views his previous growth with his mentor in a positive light, and sees his current business model as win-win for all involved.

The institution of piggybacking thus provides a launchpad for microbusinesses. It alleviates the struggle of earning a consistent revenue while the owner is experimenting and building up the business infrastructure (such as marketing, distribution channels, and suppliers). Meanwhile, they can focus on their core expertise and accumulate funds (assuming it is not provided by a bank). On the flipside, since their economic opportunities are ensconced in the relationship forged with the 'sponsoring' business, they might be hesitant to leave until they can transform the social capital into working capital to set out on their own path. If not, their subservient position in the structure might remain entrenched.

Gaining Social Legitimacy.

Piggybacking is therefore a type of incubation that helps to kickstart the revenue stream in the early stages of a business till it can survive on its own. Gaining legitimacy is another benefit of collaboration. When we imagine a brand, we usually imagine a household name such as Nike, but even microbusinesses recognize the importance of branding to attract customers in the long-term. Adam, the owner of a small fertilizer and consulting company explained: "When I started this, I recognized that I must have my own product. I must have my own brand. You know, these are the two survival keys for a company."

It might seem like branding is all about presentation: creating a logo, choosing a recognizable color scheme, designing a website, packaging, and crafting a story. But, the larger purpose of a brand is to connect with customers and build trust. Robert Brunner, previous Director of Industrial Design for Apple Computer, says: "You don't own your brand. A brand isn't a logo or packaging. It's a gut feeling. And when two people have the same gut feeling, you have a brand." It behooves any microbusiness to build trust with their customers to compete and expand further in the harsh marketplace— trust is the DNA of any brand, and this is where piggybacking has financial and social value.

Amy from Devotion Fashion says this about her collaborators: "Now that we are established, we have made a name, and more people want to be part of us because they know that - at least you know that if you love to do design or to be part of fashion, they can be taken seriously." To return to the forest metaphor, the trick is to ride on the tail of a friendly character that is well-known so that other creatures in the territory accept you with higher regard, rather than view you as a suspicious animal in the territory.

So the affiliation is a form of endorsement. Jake is the owner of Lunar Electronics that sells tablets, smartphones, and computer accessories. Rather than run a brick-and-mortar shop, he promotes his online store and establishes contracts with corporate customers who buy in large quantities (for their staff or corporate gifts). He notes that one of the key challenges in his business is winning their trust. "So how are you going to attract people? I mean there are so many things online, how do you attract them to your site? I mean, how to make them know that this is a trustworthy site?"

Jake responds to this challenge with a two-pronged strategy. First, he builds up his brand which is all about "who we meet and how we keep our promise to customers. How we present ourselves on Facebook and everything. How we advertise through word-of-mouth and all the different marketing strategies." This strategy is based on creating a reliable reputation through presentation and delivering quality results. Jake's approach coincides with the philosophy of Daniel Pink, an influential business author in the United States, who describes a brand as "a promise of what awaits the customer if they buy that particular product, service, or experience."

The second strategy is to associate with more established players in the market, that is, building up his reputation through *external* ties. Jake actively nourishes these collaborations to boost his legitimacy in the market. For example, he gained the exclusive distribution rights for products designed by another small local company that had a history of contracts with well-known corporations. Through this association, Lunar Electronics could ride on their reputation to secure deals for his own products. "For me to come up and talk to customers, to them we are still a young guy… there's not much trust you see. So, I would say we need such companies to back us up before we can close the contract."

Jake considers these alliances to be a critical doorway for growing his sales and credibility. "If they know that you are working with partners like big companies like [XYZ] and dealers and all.. They'll be more... Trust us more. They will be more confident in buying from us. So that's something we have realized actually that we need these big players to support us before we can go into our own branding."

Gaining Exposure.

"no money involved but we all earn money together"

Collaborations also expand market exposure. Jake teamed up with a local YouTube artiste to shoot a humorous video that mentioned his product. In return for this product placement, Jake gave him a phone from his inventory. The video had over a thousand views which Jake appreciated given their low profile in the early stages. This piggybacking was framed as a personal favor, even though it was wrapped indirectly as a financial transaction through a gift. It provided Jake's business with exposure and endorsement, two things which are not easy to buy upfront with financial capital, but easier achieved with social capital.

Product placement can happen in other ways. Sally often posts photographs of herself online to provide a fun visual of her cosmetic range. Because she has outreach to thousands of customers, another micro business selling brooches asked whether she could don her accessory for one of the shots since their customers probably spring from similar wells (in this case, fashion-conscious women). True enough, the brooch business received new subscribers through the exposure, and Sally didn't lose out from getting a pretty accessory to complement her clothes.

Jack sums up how social relationships take the place of working capital: "So more or less we try not incur any financial expenses ... we exchange opportunities and gains with other companies so that both benefits in a winning situation: no money involved but we all earn money together."

"work with someone who has walked a step before you"

Accessing Tailored Information. Beyond money, piggybacking provides useful and *specific* knowledge that is relevant to your particular stage of business. For example, Amy had reached a stage in her growth where she was ready to make connections with international buyers, but her piggybackers might still be in their early stages launching their first designs. The collaborative alliance is an opportunity to learn from a business owner who is intimately familiar with the micro-territory you want to explore. Fred from Stream Technologies described his experience with his partner: "I decided to work with him because I do believe, and it's proven, that if you do work, work with someone who has walked a step before you. So if you walk those steps, he has a lot of problems being solved. So, I'm young, he is much older, so if I go and do it myself, or if I do my meetups, google, do you think it's enough? I found out along the way, I stumbled and fell, very easily, but he shared with me his experience, he allowed me to see a wider vision, a clearer picture."

This approach stands in contrast to the value of attending networking sessions organized by business groups. Adam from the fertilizer and consultancy business considered it a waste of time. "Because, sometimes, what they presented to you, the knowledge - may not be in depth. It is very general. But when you want to pursue a business in Indonesia for that particular area, you must go into detail." He highlighted his desire for efficient social interactions. "Whereas, this Chamber of Commerce, they are just networking - networking is okay. You know you want to know each other, get together for drinks, you know, just for socializing. Okay, but I don't have the time now to do that socializing. I am building up my capability. I'm building up my company."

Therefore, a focused source of guidance from business owners in your own industry has more cache, especially if they can tell you where you might trip before you actually trip, costing time and money. An entrepreneur who works in Block 71 (Singapore's 'Silicon Valley') summed it up: "I think it's a lot more worth your time meeting founders who are ahead of you, than just advisors who just, you know, whose only job is to advise. You wanna talk to guys who have been there, coz they know the hundred ways you can screw up and they don't judge you for screwing up. Whereas if they haven't done it, and they are like "Oh, that's a good idea"— mainly talking about stuff they read on tech blogs. "This is what I read this morning, so that's what you should do!"

In this way, the sustained social interaction serves as an institution that transforms microknowledge (vs. sweeping formulas) into a financial advantage. The intense interaction is not simply interpersonal, it is interinstitutional, and presents a structure of support. This support is not a substitute for the power of financial capital - who will disagree that “cash is king”? - but if the underlying power of capital is to create more capital, than this ‘social capital’ seems to be providing an alternative fuel for this purpose.

Reasons To Ally With A Piggybacker

But, we return to the question: why would one small business help another small business *in the same industry* - potentially a competitor - catch up with them? It seems counter-intuitive: don’t they fear the direct competition? We observed this collaboration in various industries including fashion, electronics, and website development, and discovered three reasons why this social network can be sustained.

First, there is no perceived threat of competition; the market is massive relative and there is more demand than their individual capacity to supply on their own. Second, ‘piggybacking services’ provide an additional stream of revenue. This is a welcome pipeline, especially when the mentoring business is similarly small and needs a source of more working capital to expand. Third, piggybacking provides a source of labor without committing to a payroll— it is a source of human capital. We will discuss the first two benefits in more detail first, and discuss labor arrangements in the next chapter.

1. Increase Market Share

The microbusinesses did not seem to tremble at the prospect of competition from their piggybackers. I heard the word “cake” and “pie” a few times during the interviews (not because we were hanging out in a bakery… well, sometimes). The context for referring to dessert was often about collaborating with others. For example, Jake described his openness to investors by saying: “Sometimes the cake is so big, you don't share the cake, in the end you also cannot finish the cake - then the whole cake is wasted. So I might as well share the cake rather than waste the cake right?” It raises the perspective that a business cannot grow without external help, or at least not fast enough. Unless they work together to devour the cake, the cake will be out of reach to all of them.

Adam, the owner of a small fertilizer and consulting business, describes his willingness to collaborate with other companies in the same industry. He also uses the cake metaphor. “Sometimes the cake is too big. I say, "I cannot take it all." I say, "Okay, I take a small portion. The other party takes the other portion." This is okay for me. That is my business model.” His business does not have the internal resources to execute larger projects on its own, so without collaboration, he would have to let go of the projects (along with the revenue stream). By joining forces, smaller businesses have a chance to compete for customers and serve them through the additional capacity of another business. This is the value of an alliance as it enables growth, defined by Street and Cameron (2007) as “a close, collaborative relationship between two, or more, firms with the intent of accomplishing mutually compatible goals that would be difficult for each to accomplish alone.”

For a business that provides engineering consultancy, we can accept that the project may benefit from multiple brains and hands to execute. But, what about products? Surely you don’t need a competitor selling the same stuff to your consumers and fighting for a piece of the same cake? Amy from Devotion Fashion sees it differently. “Although we want customers to wear [Devotion Fashion] seven days a week, but nobody wears a brand throughout, right? ... You can wear [Devotion Fashion] on Monday, you can wear another label on Tuesday…” Without saying the word ‘cake’, Amy considers the market big enough to accommodate not only her business but others in the same industry, so the piggybackers do not represent a threat.

In fact, piggybackers can make the cake (market) even bigger. Lina is a young business owner in her 20s who designs and sells children’s jewelry. She taught 600 women to produce these handmade accessories over two years in her home-based workshops to help her with production while she worked from her own home as well. Even though each of these women could potentially turn into her direct competitor, Lina claims that their participation increased hype about her jewelry. “When they make the [jewelry], they will talk about it, and more people will be interested and want to buy it for their children, so they will look for it when they go shopping. And whose [jewelry] will they see? It’ll be mine.” She maintains her confidence in part because she has secured contracts with popular shopping malls such as Toys R Us to carry her products, and stays a little ahead of the distribution trail.

This particular social structure works because the microscopic size of each business means that they cannot individually fulfil the vast demands in the marketplace (while Apple sells its iPhones to about 41% of the US market, a microbusiness might only serve a drop of its potential customers) (Shane 2012). Outside my sample in Singapore, a shopkeeper of vintage clothes in Baltimore told me something that resonated closely with my research interviews: “As a small business, we’re all trying to grow together. It’s easy to feel threatened. Here we are, rubbing our few pennies together, and it's easy to think, here's another business trying to take away one of my pennies. … Instead of feeling threatened, we can all pursue our passion together, and grow together." She, too, teams up with another vintage clothes business to present their collections together.

2. More Revenue Streams

"...my business makes money through my competitors"

Not only does Lina (from the jewelry business) brush off the possible threat of competition, but in true entrepreneurial style, she perceives her competitors as a unique source of business to increase revenue. On her blog, Lina writes:

When you have a good idea, there will always be competitors who would follow the way you make things. Not to forget, you may not have noticed that you could also be someone's else copycat or competitor too. When [Classy Children] was doing well in selling [jewelry], I have already expected an influx of creative [jewelry-makers] who will start launching designs and wanting a share of the pie. So instead of going against them, I supported them.

I ran [jewelry-making] workshops so I could guide them how to make [jewelry]. That way, with their interest to earn income and making new designs – I went on to sell them raw materials. That way, my business makes money through my competitors too and since I can afford to buy in bulk because of mass production, I can sell them in small quantities to support them.

The piggybackers need raw material to run their microbusinesses. Meanwhile, the sponsoring business may have the capacity to provide these supplies to them at a discount until the piggybackers grow and construct their own capabilities. Perhaps the piggybackers will grow up and strike out on their own, or perhaps they will stay small but, meanwhile, their activities in the same industry can lend a new stream of income rather than dry the existing stream of income. Another microbusiness owner of 7 years, Sally, produces cosmetic products. She, too has starting helping microbusinesses produce cosmetics to sell under their own brand since she has gained the expertise and equipment to help them out. Instead of perceiving these microbusinesses as competitors for the same ‘wallet share’, she embraces the opportunity to pave fresh channels for revenue, marketing, and knowledge-sharing.

Knowledge and expertise can similarly be packaged and sold by one microenterprise to another. Lina conducts workshops to impart survival skills that she picked up through her own experience, such as “Brand Management and “Battling Price Wars.” She refers to this information as ‘knowledge capital’ and she encourages business owners to identify their skills in their respective industries - whatever it might be, such as running a restaurant - and pass it forward to knowledge-hungry microentrepreneurs— as an additional revenue stream. While this relationship is highly transactional, an informal exchange of ideas and support is not uncommon through the process.

In short, collaborating with another microbusiness does not necessarily diminish your resources (such as customers, revenue, equipment), but, on the contrary, increases the total stock in the network. This is not to say that all parties benefit equally: the business that has more leverage can set the terms of the exchange. However, the bargaining power is not severely tilted since each business in the network is similarly a little spec in the marketplace, hence moderating the scale of exploitation that we might witness in other interfirm networks such as a cottage industry where one player is dominant.

3. “Coopetition”

This social structure reflects ‘coopetition’ – when businesses simultaneously cooperate and compete. More precisely, it is “the dyadic and paradoxical relationship that emerges when two firms cooperate in some activities, such as in a strategic alliance, and at the same time compete with each other in other activities” (Bengtsson and Kock 2000). The U.S. Small Business Administration blogger Rieva Lesonsky writes: “Co-opetition means teaming up with complementary businesses to market your companies together” (2010).

This definition varies from the reality that I observed. These small companies are not necessarily complementary, but also *identical*, with one small business willingly teaching a smaller one the ropes. This phenomenon seems uniquely possible and beneficial among microbusinesses that feel compelled to milk every resource available to grow in the market— even if it means helping their competitors grow. Otherwise, who gets the cake? Even bigger guys.

Of course, piggybacking may not be ideal for every situation. There are certain conditions that make it useful for getting over the capital hump. These interviews suggest that microbusinesses that are just starting out may find it most beneficial. Meanwhile, businesses that accept piggybackers might be able to derive extra revenue, flexible labor, or marketing exposure. Piggybacking serves as a ground-up and decentralized incubation system among microbusinesses to nourish their collective survival and growth in the face of limited funds from the banking system. Putting aside the benefits of pure capital, the foothold that we described within this intimate alliance may yield more than money can buy.

Summary of Piggybacking

Piggybacking is officially defined as “a ride on someone’s back and shoulders” and we have applied it to a situation where a smaller business taps on the resources of a more established business (which might also be small). It is a dyadic and symbiotic relationship that functions as a social institution with distinguishable patterns of behavior, just as we might view marriage as a social institution. The key point that this research wants to highlight is that these dyads provide a clout for microbusinesses to survive and gain traction even when the relationship is forged between one tiny enterprise to another; not necessarily when hinged to a large enterprise.

The stability of the relationship is achieved through mutual dependency; it is a marriage of convenience, but unlike a marriage which is infused with sentiment, this relationship is situated in a ‘free market’ where the informal relations can delink and link again as needed in a process of constant adaptation.

In summary, in the face of limited financial capital, microbusinesses can consider piggybacking as a substitute for liquid cash. It can serve as an alternative source of capital in the following ways: reduces the cost of product development (economies of scale), eases access to customer segments (increase sales), gives legitimacy (branding), provides tailored information (knowledge), and expands market exposure (publicity). These factors consume time and financial capital which a microbusiness owner might not achieve unless they engage in social capital. Meanwhile, the more established business is not necessarily a sacrificing martyr in the network: the gains are symbiotic. This business makes use of the dyad to expand its market share, increase revenue channels, and tide through episodes of limited labor. Jack affirms that in business “it's not what we know, it's who we know” to get what you need.

As we can see, small business owners might turn to informal collaborations to achieve their goals in the absence of formal sources of support. These collaborations provide a structure of social support that substitutes for the injection of working capital from banks and other institutions. However, these informal strategies have their limitations, particularly because of the smaller scope of resources available. The informality is based on an intimacy, and this intimacy seems to create smaller networks without the traction that one might get with a bank loan or institutional network that provides credible leverage in marketplace negotiations. Small business owners leaning toward faster growth only piggyback on other small businesses, but they also draw upon formal institutions that provide resources that amplify their legitimacy, economies of scale, and access to insider knowledge. Government agencies primarily intersect with formal groups and not the informal networks. We shall now explore the formalization of informal collaborations, and how these institutions in turn piggyback upon government resources to gain additional clout.

Bonding Alliance (from Informal to Formal)

When financial capital is limited, microbusinesses might piggyback on the tail of another business to make inroads into the journey. However, once a business has developed its infrastructure to sustain profitable sales on its own, it may not want to enter into a relation of dependency with another business. Instead, it may seek to collaborate on an even playing field. Rather than hop onto the tail of another business, it may want to link arms with a compatible equal. When two (or more) businesses with similar value propositions come together to collaborate, we call this a bonding alliance.

The bonding alliance is a spin from the concept called “bonding capital” which the sociologist Robert Putnam (2002) coined to refer to people “who are like one another in important respects (ethnicity, age, gender, social class, and so on)” - this has implications of not just mutual support, but exclusivity from people who are different. We shall consider this bonding at the institutional level— the similarity of microbusinesses in their age (stage of growth), customer segments, value proposition, and so on. There is room for mutual support and, on a larger scale, sinister prospects for a market oligopoly. This is when birds of a feather fly together to share the power of the wind.

The ‘wind’ in this analogy would be infrastructural resources that can be shared. An easy way to think about this could be a clinic where each doctor operates their own medical practice, but they function collectively as a single clinic to share the cost of rent, receptionist, equipment (which can be quite expensive), and other peripheral costs. They each attract their own clientele under their own brand and manage their books separately. However, when demand outstrips their capacity to provide (i.e. when they are overbooked), they might refer their clients to each other within the network. This system helps them minimize the cost of business, expand their market presence, and free their working capital.

Joining a bonding alliance makes sense when the business depends on the owner’s personal skillset. For example, Leonard provides market consultancy to software companies, and explains his plans for expansion through a bonding alliance. “Right now, I'm in the process of trying to see how to institutionalize this practice of mine to slightly broaden it. The problem is these clients are willing to pay for me and my services, they may not pay my assistant. You know what I mean? I have to come up with the practice which is more with the group of people who are on similar level as me who can work on similar principle and still service these clients. There are projects I may not want to lose and somebody else might want to do. Or a project that they don't want to do, and I may want to do it."

Why can't Leonard hire consultants to work in his firm, instead of each consultant operating their own business entity? Theoretically, he could hire employees, but the catch is that he would need to set aside financial capital to sustain full-time employees while his microbusiness is still growing. Linking arms with a compatible business reduces the risk of growth since the work is apportioned separately to each member of the alliance, so that each person only needs to tend to their own distinct territory for sales, while pitching in for common costs and benefitting from increased brand exposure through each additional person in the network. The bonding alliance supports incremental growth until they can support in-house employees and infrastructural costs on their own.

Each business might be tiny, but linking up with other microenterprises creates a larger physical presence

Microbonding. The bonding alliance does not only apply to specialized and professional services. For simple retail, microbusiness owners might split the costs of a booth at a market. Even if they both sell the same thing, like silk scarves, they might find it more useful to join forces rather than not afford the booth at all. For example, Mary sells silk scarves online using her website and Facebook and occasionally goes to fairs to expose her products to more people. "My cousin's business is also something to do with the Muslimah wear and all that. So both of us sometimes will collaborate together and will sell stuff at the expo if there's an event, so we'll share a booth." If they don't know anyone personally, they might use online forums (such as the event's Facebook page) to seek out partners willing to split booths. These are ways in which limitations with financial capital are surpassed using the power of bonding social capital. Each business might be tiny, but linking up with other microenterprises creates a larger physical presence from the customer's point of view and expands their business platform for exposure.

Trade Associations & The Business Bond.

It seems that most of these collaborative strategies (such as microbonding) take place outside the realm of any government support. These coping mechanisms are a way to deal with the plight of limited funds to expand the business, and the process is highly self-driven and autonomous. My interviews indicate that these business allies emerge from personal connections, social media (such as Facebook or LinkedIn), or personally canvassing other businesses on the street. The process is informal and circumstantial.

The informal process is potent as it draws upon an intimate social relationship that curates the precise exchange of resources in place of funds. For a microenterprise, the informal intimacy might feel more comfortable allowing a flexible 'give-and-take' — sometimes through bartering resources. However, the informality of networks can also be limiting. As we have seen in the interviews, piggybacking and bonding alliances take time to nourish and maintain, so the networks are quite small (operating as dyads or triads or no more than a handful), and they are prone to some instability: while there is strength in the interdependency, there is potential weakness in depending on the tenor of the personal relationship.

Informal alliances can acquire greater scope and stability through formal organizations that assume the coordinating work between them. The management of the relationship is outsourced, and shifts the network from interpersonal to interinstitutional. This higher-level coordination (among potentially hundreds of members who do not necessarily meet each other) takes away from the intimacy of the alliance and it compromises individual leverage and flexibility which a small network might support. Formal groups may even require a paid commitment (such as membership fees) in place of depending upon interpersonal trust for commitments, but it lends a stronger predictability for specified interests. It is entirely possible to draw upon both formal and informal alliances and, in fact, one might lead to another.

Formal organizations can be entirely a private - for instance, there is a group in Singapore called Moms@Work that arranges networking events for working and self-employed mothers. In this case, it serves as a source of connections and information, but it does not manage interfirm business affairs.

This coordinating role belongs to trade associations. The association builds upon existing informal networks and officially consolidates the needs of their members, as well as provides an official point of contact with the government. In this way, trade associations expand interpersonal alliances beyond the intimate group and institutionalized the support. We shall explore three examples of how this works.

Examples

1. Motor Cycle Trade Association: a distributory system

The “last mile problem” is a logistical puzzle for businesses striving to cut distribution costs and expand market share, but we can also use this concept to analyze how the government interacts with the furthest outreach of its population.

I spoke with the president of the Singapore Motor Cycle Association who explained that the small motorcycle shops typically do not have the funds to buy the minimum quota of bikes that the suppliers demand, such as 5,000 Kawasaki motorcycles from Japan (remember, account receivables come *after* account payables). To overcome this capital hump, they created a shell company to purchase supplies in bulk together to get a discount (even though they are competitors), and when the order ships in, they distribute the motorcycles among themselves for their independent shops. The Association provides a platform for the microbusinesses to strike what we call the ‘bonding alliance’ among 180 members so that the cooperation is institutionalized and outsourced to a higher management committee. Microbusiness owners gain bargaining leverage and credibility through the power of numbers and affiliation to the government.

The government injects support into the *system* - in this case, the trade associations. The committee members meet with officials from the Land Transport Authority and the National Environment Agency every six months to discuss matters such as vehicle registration and laws pertaining to the motorcycle (all sorts of mundane details such as the engine operation and safe height of the seat), and when regulations are being modified, the motorcycle committee provides input based on their contact with realities on the ground. The government likewise uses the trade associations as tributaries to channel streams of information, policies, and grants to their members

In this way, the trade association (meso) functions as an intermediate force of influence between the government (macro) and the microbusinesses (micro). It brings to mind the "last mile problem" which is a challenge faced by businesses in reaching out to their furthermost customers, because the cost of distribution gets more expensive as the volume of people trickles down in locations further away from the hub. This is common in mail services, communication lines, and even transportation such as the airline industry. Forbes magazine (Shane 2014) describes the last mile problem eloquently:

"A majority of the population in developing economies live in rural areas often accessible only by poor quality road infrastructure. Furthermore, geographical isolation or limited access to relevant information disconnects populations in many developing countries from any business value chain. The consequence—which can affect both urban and rural populations—is that products providing essential value either do not reach the intended customers or are more expensive or lower quality than the standard products that are accessible by other populations."

The "last mile problem" is a logistical puzzle for businesses striving to cut distribution costs and expand their market share, but we can also use this concept to analyze how the government interacts with the furthest outreach of its population. The trade association serves as a 'catchment hub' through which the government transmits its policies to align microbusinesses with their economic agenda and, vice versa, to tap into feedback on the ground.

Therefore, the designated trade groups in Singapore function as semi-governmental organs which we term "para-statal" since they function as an extended arm of the government. Yet, the same structure that is supported by the government to achieve policy aims is harnessed independently by the businesses to figure out interfirm efficiencies. In this way, the trade association (meso) serves the policy interests of the government (macro) and economic interests of the business owners (micro).

2. Textile & Fashion Federation: trickle-down support

In another example, Amy joined the Textile and Fashion Federation (TaFf) when she started her business to "improve our own knowledge and skills" in the industry. Because of her membership, she was invited to attend a tradeshow called "Blueprint" that is organized annually by TaFf. Blueprint is an event where local designers come face-to-face with prominent distributors and media companies all around the world, leapfrogging their brands onto the international stage.

The trade association acts as a distributary channel for the government to invigorate the economy. Rather than provide funds directly to individual businesses, support is injected into the system. How? We follow the money: TaFf was given funding to organize their trade show by the Local Enterprise and Development Programme (LEAD) that was launched in 2005 to "enhance industry and enterprise competitiveness" (2014). The LEAD department falls under SPRING, a statutory board that falls under the Ministry of Trade and Industry dedicated to "helping Singapore enterprises grow" (2014). Lee Yi Shyan, Senior Minister of State, described how LEAD "has supported 30 TACs [trade associations and chambers] on 53 industry-upgrading projects, totalling more than S$160 million and benefitting about 38,000 local enterprises" (2014). Each TAC designs their own projects for their respective industry.

Chain of Support. Ministry of Trade & Industry (government body that sets economic policies) → SPRING (government agency dedicated to local enterprises) → LEAD (government program for supporting trade associations and chambers) → Trade Associations and Chambers (para-statal non-profit organizations) → Small Business (private firms) → Micro-Businesses (micro firms)

So, while Amy opens the door for aspiring fashion designers to piggyback on her resources, she herself is piggybacking on the collective marketing exposure gained at the trade show (funded by the Singapore government). The trade show has boosted her legitimacy in the global industry. Even though she runs a very small business trying to break even on her initial investment, the thread of legitimacy and support passes through her to other microentrepreneurs lower down the chain. This is an example of synergy: where support from the government catalyzes the existing effort of private institutions.

If the government did *not* invest this money into trade associations, would the private sector have stepped up to accomplish the same, if not more? Could this actually be an example of crowding out? Honestly, we won't know for sure without a controlled experiment. What we do know, however, is that the government's investment enables trade associations to focus their efforts on sectoral-level improvements that each business, independently, would take more time to accomplish on their own.

The trade fair, for example, makes it easier for small business owners to network with industrial leaders under the official banner of the trade association, rather than each business attempting to make these myriads of contacts informally on their own. This way, the government injects support into a structural *system* that provides a platform for collaborative growth. Even though businesses are more than capable of self-organizing, the businesses that are further along the growth curve have a chance to become even more established, which enhances their capacity to serve as mentors and incubators to younger and even smaller entrepreneurs who are not yet in the radar of the trade associations or the government, i.e outside the official distributary system. This is how the formal and informal tributaries might be linked.

Similar to the Motor Cycle Association, the Textile and Fashion Federation formalizes the informal relationships among business owners which enables coordination on a much larger scale than an informal network and also gives much-needed credibility to the business owners. This credibility could mean securing better terms of repayment for their inventory (hence chipping away at capital blocks) and it could mean getting taken more seriously in the global industry via the affiliation.

> Economic policies are the privilege of the government with input from business owners, while economic action is the privilege of businesses with input from government officials.

Role Of Trade Associations: Tension vs. Convergence. These trade associations are voluntary, ground-up initiatives among business owners to consolidate their economic interests, but the government ropes these institutions into the political ecosystem as designated voicespeakers. Trade associations are located along the distributary system from the government and branch off to individual business owners in the groups, carrying information downstream from the government and providing contact points for business owners while returning sediments of feedback from the outer reaches of the business territory.

Where is the locus of autonomy in this system: who is calling the shots for action? Whose voice really matters? The government sets the broad vision of economic development, then creates policies and funding schemes to nudge businesses into the plotted direction of national growth (such as increasing productivity measures), while trade associations retain the autonomy to create their own tailored programs and curate applications from business owners based on funding criteria by the government. The government is not an exclusive source of funds— these associations get independent funding through membership fees, events, and donations from larger businesses to push sectoral improvements, therefore their autonomy for action is not exclusively governed by governmental interests, allowing at least in theory a point of tension and divergence.

While in countries such as the United States these commercial groups may have massive clout and adopt a position of antagonism with the government, what we see in Singapore is largely a cooperative relationship where officials from public and private sectors meet in person to hammer out the details of the policies. Economic policies are the privilege of the government with input from the business sector, while economic action is the privilege of businesses with input from government officials. This synergistic interaction happens through business groups formally endorsed in the meso-sphere.

The message from the Singapore government today is as clear as daylight: collaborate to improve economic standards and to be more productive, and we will stand behind you. Political speeches are peppered with praise for productive partnerships. In a speech at the Food Productivity Conference in 2013, the Minister of Trade and Industry Lim Hng Kiang spelled out an example of a bonding alliance: "Three of our noodle manufacturers – Jia Jia Wang, Seng Kang and Leong Guan – had leveraged on Jia Jia Wang's distribution vehicles to deliver noodles to clients in the same hawker centres. This has resulted in a reduction of delivery cost for all three companies. For Seng Kang and Leong Guan, they can now focus on their core food business" (Lim 2013).

The government in Singapore is a stakeholder in economic development, but it does not run the economy. At least not directly. It promotes economic strategies (in alliance with the insight of trade groups), and depends upon business associations (such as the Singapore Manufacturing Association) and business owners to avail themselves of programs and grants to shape up their operations.

> Informal alliances allow more breathing room for tailoring the exchange to the rhythm of their microbusiness.

Yet, it appears that microbusiness owners tend to eschew these formal organizations, using them for very specific benefits (such as bulk buying), and preferring informal alliances that are forged out of customized and precise needs. The decentralization of decisions in an informal network allows an easier flexibility with negotiating various terms and conditions, and this flexibility is critical when a business is resource-constrained and relies on bite-sized exchanges to sustain their operations.

From a microbusiness perspective, the informality contains its own rationale of efficiencies for satiating the capital starvation. The chambers of commerce and trade associations provide formal platforms for interaction among business owners, but they focus on interests that apply across a broad spectrum. They also consume precious time such as going to the venue (which means spending time away from the business) or attending events occurring at specified times that cannot be negotiated. Informal alliances allow more breathing room for tailoring the exchange to the rhythm of the microbusiness.

SME Centres: Extending Outside the Business Networks

The Singapore government recognizes that microbusiness owners tend to be tied up juggling the immediacy of their day-to-day operations and may not have time to research all the opportunities that can take their business forward, whether these are policy schemes or collaborations. As with any bounded network, trade groups have boundaries defining insiders and outsiders. Outsiders - microbusiness owners outside the formal network - may not have the resources to join (time and money), and are therefore located outside the official distributary system of support.

At a business conference that I attended, the Minister of State for Trade and Industry, Teo Ser Luck, described a conversation with a food vendor about investing in a machine that would make his work easier in the small kitchen stall. He told the vendor about a grant that would cover the costs of the S$4,000 machine since it fell under a scheme to encourage productivity but, in the sticky heat of the afternoon, with a line of hungry customers waiting to be served, and a lot of cooked food to serve, the vendor's response was, "Where got time to apply for this?" When the Minister explained that their agency could help him with the application, the vendor said, "You can help me, but the more important thing you must tell me is, you want to eat this *san bei* now or not?"

The audience of business owners in the auditorium laughed, presumably as it struck a chord. With close to 200 government schemes available, it not only takes time to apply for a grant— time that competes with making your immediate income, but in the first place you need to figure out which application is relevant to your business. Each scheme has its own paradigm of prerequisites (for example, employing a minimum of 3 workers) and it can feel like looking for a needle in the haystack to find a scheme suitable for your business. Teo Ser Luck acknowledged that "given their busy schedules, businesses find it challenging to spend time and resources to identify capability gaps and seek solutions" (Teo 2013). Informal alliances such as piggybacking offer an informal way to pick up specific knowledge (and pinpoint the relevant 'needle' in the haystack) based on the experiences of other business owners, but what about those who don't belong to formal networks or enjoy close informal alliances?

Singapore has been lauded as one of the best places to do business— not because it's cheap.

To help business owners cut through the haystack, the Ministry of Trade and Industry launched 15 SME Centers located across the nation starting in 2005, thus inserting another bridge linking the macro and micro-spheres. These are "one-stop centres set up to help local enterprises improve their capabilities, increase productivity and grow their business" (2013). The centers are housed under the chambers of commerce and trade associations (local civic groups) and provide consultancy without charging any fees. Depending on your business interest, you can approach an SME Centre run under the Singapore Manufacturing Federation, Chinese

Chamber of Commerce, and so forth. We may visualize these SME Centres as a condensed representation of all the government agencies, so rather than approach the Ministry of Manpower, the Ministry of Finance, the Ministry of Information and Technology, and all the different agencies regarding their policies, you can approach a single business advisor.

Chain of Public-Private Support.

Ministry of Trade & Industry (government body that sets economic policies) → SPRING (statutory board of the government for local enterprises) → Trade Associations and Chambers of Commerce (para-statal non-profit business groups) → SME Centres (non-profit created by the government that reports directly to the Ministry) → small business owners (private sector)

Why is the government providing free business advice? These advisors will meet you anywhere at your convenience! They will go to your shop, office, factory, or chat over a cup of coffee to discuss how you can improve your business using government subsidies. I tested this process by initiating contact about starting a business, and an SME advisor arranged to meet me at Starbucks in my neighbourhood. I tested this process a few more times with other advisors and, lo and behold, got an appointment within a week to field all my questions on taxes, grants, loans, rent, hiring, strategies, you name it. There was no reason for oblivion on any government policy.

What's the catch? The catch is that the State is trying to align enterprises with their plans for economic development; micro-efforts on the ground aggregate into macro-economic outcomes for the nation. Singapore is facing a labor crunch that is driving up costs for businesses, and rent in this small but busy city is spiraling upwards. This not only hurts profit margins, but could impede the national productivity target of 2-3% and economic growth of 2-4% (Parliament 2014). If trade associations are part of a distributary network linking the goals of the macro and micro, then SME advisors are like a drizzle across the island for untapped clusters of life. As of 2015, each SME advisors was expected to meet with 30 unique clients a month averaging 60 hours of advice. Whether these SME advisors are extending their efforts beyond the established distributary networks is not known (it would be interesting to evaluate the extent of their influence), since they can meet their quota in multiple ways, and their quality of advice certainly varies. However, they remain available as accessible contact points without requiring membership in a formal organization or negotiating a relationship in an informal alliance, insofar as it is a source of practical information on business policies, and no more.

The meso-sphere provides numerous outlets for small business owners to defray their capital drought. There are *voluntary grassroots groups* such as trade associations that act as official channels between the State and individuals. These groups act as extended tentacles of the government to transmit information but they also coordinate economic projects among members. There are *informal alliances* such as piggybacking to exchange resources within an intimate collaboration to overcome the lack of microfunds. These alliances also enable inter-firm collaborations. To complement the networks, there are *autonomous nodes* created by the government, the SME Centres, to focus exclusively on transmitting policies relevant to the business landscape— a ninja approach for business owners to iron out doubts with a hit-and-run contact point rather than maneuvering a formal network or dealing with the bureaucracy of multiple government agencies. And of course there are *profit-oriented business groups* that charge a fee for resources such as workshops or industry contacts.

Singapore has been lauded as one of the best places to do business— not because it's cheap. Operating costs are high and frustrating. It is common to hear business owners complain about soaring rent and difficulty finding workers. However, while rising costs are an inescapable reality in fast-growing "supercities", other costly factors need to be mitigated. Red tape is costly. The lack of information is costly. Time, is costly. Making it easy to overcome these costs with a bubbling distributary system to access information easily, take action quickly, and join forces with other businesses, is a boon that keeps businesses moving. Access to information - *and access to one another* - seems to allow for a variety of social collaborations, formal and informal, to stay lean in the tide of heavy costs, providing outlets for businesses to stay afloat and, ideally, expand. I have illustrated how these linkages are facilitated within a new institutionalist paradigm where the macro and micro are linked through a diverse mesosphere of networks ranging from voluntary to State-cultivated. These linkages result in a social institution that shapes the range of economic action among actors through a synergy between the government and the private sector. We will explore this synergy through the microloan program.

Shared Accountability.

The <u>Micro Loan Programme</u> is run by the government via 3 private banks that handle the applications. The government does not monitor the decisions or success rate of loan applications, but participates in 50% risk-sharing, and increased it to 70% for firms younger than 3 years when they got feedback that their short track record makes it harder to secure funding. This public-private partnership "is expected to catalyse an additional $32 million in loans for FY2014 and FY2015" (Shanmugaratnam 2014). The government takes on some risk and shares the accountability, but the banks take on all the gains, putting the ultimate decision in their territory.

However, practically every respondent in my interviews expressed difficulty with getting a loan which was slowing down their growth. The banks possess ultimate autonomy to determine whether a firm can be trusted with credit, and present their own strict criteria. The founders of an educational platform described the reality: "I think as a new business, honestly no bank - especially if you're like first time entrepreneurs, multiple time failed entrepreneurs, no bank is going to give you a loan. It's out of the question. If you are a director of multiple successful companies and you set up a new company, it is possible to look into. We had to look elsewhere for funding."

Sam runs a spa and has never taken a loan. I asked him why, and he said: "Too damn difficult man. They needed collateral, they needed assets…" Even for a small business? "Yah. They needed assets. I mean, okay, you got your government SME loans and everything, but the SME loans require you to have I think 2 or 3 years of financial statements that you need to give to them for them to consider. So, unless I fudge it, I can't really do much."

So, even though the government participates in risk-sharing, the private banks still indicate hesitance; they prefer a trail of profitable numbers. Their autonomy challenges the notion that government intervention unilaterally 'crowds-out' funds from the private sector when, in this case, their risk-sharing provides an incentive for private participation, but certainly not a competitor to private funds. The burden still lies squarely with the banks and firms to make economic decisions in their best interest. Jake from Lunar Electronics talked to a few banks and learned that "you need to have a proposal, and you need to show your track record and everything. So that's what we have been trying to do for the past three years."

Triangulated Autonomy

The individualized forces of the marketplace are influenced through a triangulation of pressure from the government, banks, and business owners. How? The government tells the banks that they will accept some risk for loaning money to microbusinesses, but the banks make the decisions. So the banks retain full autonomy, but the autonomy is under the influence of the government. This influence is reinforced by numerous business advisors serving as intermediaries between the public and private sector. Their role was created top-down by the government and, as far as loans go, they mediate on two fronts: guide microbusinesses to be more credit-worthy and informally follow-up applications to explore reasons for rejections (since it is partially a government program), and, to assist the banks, these advisors align the businesses with best practices and government schemes, hence adding an additional layer of screening for the private sector through the lens of economic development. The microloan applications do not happen in isolation. The autonomy of each entity is embedded within a system of public-private interactions.

The advisors at the SME Centres work closely with both the government agency (SPRING) as well as banks to understand the culture of expectations for getting a microloan— and relay this information to the small business owners. This is important for dismantling wrong information. Some of the business owners told me that the banks required a minimum turnover (not true) or activity for at least three years (not true). It may have been an informal criteria that a bank officer expressed for getting a loan more easily, but not a formal requirement. More importantly, the SME advisers guide the owners through the process of writing a credible business proposal (easy to ignore when you are caught up earning day to day as a sole proprietor) and instil the need for keeping track of transactions— practices that not only make your microloan application more attractive in the private domain but comply with tax regulations in the public domain.

I had the fortune of running into a business advisor from the Singapore Malay Chamber of Commerce who was chatting with two bank officers over coffee at a seminar for small business owners. It turned out that these officers personally handled all the microloan applications at their bank. The business advisor told me: "If they anyhow reject, I sure call these guys and find out what's happening" meaning that if the microloan applications got denied without a clear reason, he would personally follow-up on behalf of the business owner. Microentrepreneurs want loans, banks want credible customers, and the government wants a flourishing national economy: the role of the SME adviser is to help all the parties mesh more favorably in view of the government's agenda for economic development.

Public-Private Enmeshment

> … they offer what is known as "linking" capital that builds *hierarchical* connections "across explicit 'vertical' power differentials, particularly as it pertains to accessing public and private services that can only be delivered through on-going face-to-face interaction" (Szreter and Woolock 2004: 655)

Peter Evans (1996) describes synergy as an "enmeshment" that "connect(s) citizens and public officials across the private-public divide" and we observe a similar dynamic in the role of the SME advisor who forges interpersonal relations with stakeholders in both the public and private domains. One might ask whether his role competes with private consultants who do similar advisory work. On the contrary, his work is complementary (or should we say synergistic) as the government provides generous vouchers for firms to hire external consultants to do ‘deep tissue’ evaluations. The SME advisor is a generalist, not a specialist, so he may advise the business owner to contract an expert consultant. The SME Centre is simply a first layer of contact for business owners to orient themselves to business policies and opportunities. The director of an SME Centre told me during an interview: “We are not consultants. We have no profit-motive! They trust us. We’re their confidante. We are not trying to make money out of them. We are here for them in shark-infested waters.”

Needless to say, business owners may not necessarily find these advisors useful, and nobody in my own research sample approached them for help. They thirst for tailored business knowledge from mentors who have already tried the ropes— and this is okay. It fits into the plethora of resources for businesses at different stages of growth. When I chatted with Minister Teo Ser Luck, he said: “If they use their private networks, we support it, because it's part of the ecosystem, and we encourage them to use these resources. The government is part of it. … If they want to use the trade associations, it's there, if they want to use SME Centres, it's there, if they want to use the Merchant Committee, it's there. For those who want to access the government online, we are also there. They can connect to the government through all these platforms. For those who don't use these platforms, then maybe they don't find it necessary at the moment. But if they want us, we're there.” He proceeded to nail home his point: “You sent me an email to chat— and now you are talking with the government!”

True enough, it felt like a stroke of good luck to get on a private line with Ser Luck without any inside connections. Government personnel are accessible, if not directly, then at least through the SME Centres. At almost every business event, at least one SME advisor passed me their namecard, imploring me to get in touch to learn about government grants, assuring me that the meetings were free-of-charge. In Sociology, they offer what is known as "linking" capital that builds *hierarchical* connections "across explicit 'vertical' power differentials, particularly as it pertains to accessing public and private services that can only be delivered through on-going face-to-face interaction" (Szreter and Woolock 2004: 655). SME Centres, located across the island of Singapore, forge an interpersonal "enmeshment" of actors between the government institutions and small business owners.

Visible Hand of the Government

Sociologists tend to see the world through the lens of conflict and consensus, and so it goes with state-society theorists who, on one hand, see the State as a hegemonic force serving the interests of elite groups and, on the other hand, those who see the State as a necessary catalyst for development. We will not engage this ideological debate by confirming or rejecting either standpoint, but this thesis strives to demonstrate the *mechanisms* through which the government interacts with society in a city that is famous as a libertarian pro-business oasis akin to Hong Kong. We question the notion that the State simply steps back to let market forces do their work, and show ways in which particular kinds of intervention from the government enables the market to thrive freely.

This research has revealed the intimate entanglement of personnel from the government and business sectors, and it happens through a network of secondary institutions located between the Macro and Micro. How does it work?

The government ropes existing business groups into its advisory network (such as trade associations) and goes further to construct an intermediary for sectors untouched by these groups. These are the mediums through which government officials exert their influence and, likewise, seek feedback to shape their policies. Personnel from both the government agencies and business groups meet regularly in person to hammer out obstacles facing the nation at large and business owners on the ground, and the government sets the agenda for economic development with a view to this input, for instance, the bottleneck with land scarcity and the way it impacts small businesses.

The government assumes the prerogative to conceptualize and finalize economic plans for the nation. The policies may not be favorable to small businesses, such as clamping down on the right to hire foreign workers at affordable wages. These policies are filtered back down to the business community with corresponding incentives and schemes for them to make the necessary adjustments. Ultimately, business groups, and business owners — not the government — have the prerogative of economic execution, such as designing industrial and commercial projects supported by government grants. Both the government and the people - the Macro and the Micro - are bounded through this “dialogical process in which state and social forces shape each other” and adds to the body of examples that show “more successful states tapping into social resources and institutions” (Keshavarzian 2007: 11).

While the Singapore government actively dips its hand into the economy - quite visibly - it only gives one hand, and expects the private sector to extend its own hand before the dance can begin. People complain that they need more than one hand. Sam, a spa owner, admits that “it's human tendency to want more.” The government has made it clear that "generous incentives and government efforts... cannot replace what businesses must themselves do” (Josephine Teo) and the director of an SME Centre told an audience of women to take full advantage of the grants, but not to be “grantrepreneurs.”

The Underbelly Of Synergy

Uneven Support

Some business sectors receive a bigger injection of support than others. Businesses that promise to revolutionize the industry, such as automating a production process, are favored. For example, there is a scheme called the Collaborative Industry Projects (CIP) “to encourage SMEs to form partnerships with solution providers to test productivity solutions that have the potential for mass adoption.” The Waste Management Industry (a trade association) has called upon its members “to improve their productivity and prevent unsafe work practices such as working at heights to cover and uncover open top containers” by collaborating with a vendor who can design a technological solution (WMRAS 2013). Each consortia “shall minimally comprise 1 solution provider, and at least 3 solution adopters” with the intention of catalyzing “mass adoption.” The team that proposes and implements this solution can get 70% of their costs subsidized.

These major collaborations (bonding and bridging) promise big leaps in productivity for the nation, and hence attract generous public funds. Microbusinesses are not ignored, but their micro-alliances are less celebrated and less supported through these grants. Political speeches rarely applaud fishmongers who help each other buy different kinds of fish from the ports to economise on costs. These vendors are simply doing what they must do to survive, while the government's "Darwinian budget policy," as a business leader put it, is focused on easing and rewarding the journey of high-growth businesses, putting them on the fast track, much like focusing attention on the brightest students in a class. Even though the government has demonstrated support for underserved young businesses by taking on 70% of their microloan risk, programs conferring direct cash subsidies are primarily geared for businesses on the fast track.

In another example of uneven support, the Productivity and Innovation Credit (PIC) only provides cash grants for businesses that have hired at least 3 workers, again, favoring capital provisions for businesses that are already on the track of growth. As you can imagine, this disqualifies microenterprises run by one person or a family. For instance, Jake from Lunar Electronics had yet to hire workers (at the expense of not sleeping much!) while building up his sales, so this grant is out of touch for him. He needs to grow more before he qualifies. In a follow-up interview with him, I learned that Jake had expanded his business to the point of hiring interns to take over his everyday operations (and allow him to get more than a cat's nap at night), and he successfully received the grant. Others who are growing without hiring as yet, such as Sally who runs a cosmetic business, remain outside the radar of this grant.

Another issue is that the PIC grant provides a generous "matching cash bonus" but it is only available when you spend a minimum of $5,000 upfront before getting the cash back, and this can be tight for microbusinesses that do not have the working capital. We need capital to grow more capital, while the government injects capital where there is already capital.

That said, there is not a lack of sensitivity to cashflow struggles. Based on feedback from the ground about the cashflow bottleneck, the government tweaked its policy so that businesses can apply for their cash payout at the end of every quarter (every 3 months) rather than wait till the annual tax returns to be reimbursed. While requirements are strict regarding employees and expenditure, the process is made easier for those who qualify. Despite barriers imposed to ensure that legitimate and stable enterprises are curated (at the expense of legitimate microenterprises that do not make the cut), the grants are designed to be as simple and usable as possible.

State Omnipresence

These bridges also represent structures of influence and power between the State and Society. What serves as a source of support in Singapore is simultaneously a slither of soft supremacy to sustain the state's schemes and strategies. These civic groups receive support from the government and expand the government's foot presence in society, fortifying the state's influence in the micro sphere. The multiplication of the government's eyes and ears in everyday life might seem frightful, but, on the flip side, these SME advisors have their ears on the ground and channel pressing feedback from business owners to government officials, especially since the SME advisers meet regularly with officers from SPRING (the agency that manages policies for local enterprises) to update them with micro sentiments and struggles.

Macro Meets Micro

The Singapore government might be a control freak, for it will not rest its laurels on business groups to connect with the comprehensive audience of small business owners. Government agencies deploy their own officials to community centers in residential neighborhoods to reach out to small shop owners. One of these events is called "ACRA@The Heartlands" (Accounting and Corporate Regulatory Authority) to "conduct public talks for heartlanders and new and aspiring entrepreneurs that provide them with essential information on doing business in Singapore" (written in pamphlet). At one event in March 2013, officials from 5 separate agencies briefed the crowd (dressed in casual t-shirts and slippers) on government schemes for raising productivity (such as the microloan), as well as explained, quite clearly in my view as a layman, about the laws pertaining to registration, taxes, home offices, and employment. The question and answer session was lively with members of the audience airing their frustrations and confusion pertaining to their specific enterprise, and getting instant feedback from the panel of government officers on the stage about how to maneuver their knotty situation (in some cases, they were told to approach the government official personally after the talk since the case was unique and complex). The dialogue was frank and candid.

These gatherings bridge the government to the ground. They put individuals from the government and business sector face-to-face with each other, and channel information in both directions: from the government to the people, and from the people to the government. Advisors from the SME Centers were present to meet with people individually after the talks. In an interview with Victor Tay, Chief Operating Officer at the Singapore Business Federation, he noted that compliance in Singapore was quite high (for example, foreign worker ratios) which indicates that "policy information is quite well-disseminated." The embeddedness of government actors through a system of incorporating civic institutions as well as direct outreach probably contributes to this alignment of information and enforcement.

Summary

This section focuses on growth-oriented business owners' strategies regarding financial capital and how the government plays a role in this aspect of small business. The system of government intervention is multi-channeled in this framework of synergy, reaching out through more than one contact point such as trade associations, private banks, and direct dialogue at regular public events. The existence of multiple channels provides a basis for rigorous interaction between the state and society, as opposed to a system of few and closed channels. However, the flipside is that this distributary system is channeled toward firms that already have the capital to take advantage of the resources, hence creating disproportionate gains. For instance, firms that are more established are more likely to meet the eligibility for capital injections than microbusinesses. Meanwhile, even though the government actively connects with microbusinesses through regular business events held in residential neighbourhoods, this interaction is not so much about reducing the barriers to capital, but about providing clear policy guidance so that businesses are aligned within the law when it comes to registration, paying taxes, and employment practices.

To extend its reach in society, the government works together with existing business groups that were created from the ground-up to serve its members, such as trade associations. These social institutions serve as voluntary bridges between the government officials and business owners –the committees from the public and private sector meet regularly to discuss challenges and regulations that are specific to their sector. We call these institutions are “intrinsic” to society since they exist even without government intervention. This is contrasted with “extrinsic” institutions that the government creates from the top-down to permeate its reach in society.

A collection of socially “intrinsic” groups is endorsed by the government as formal partners for gathering feedback and implementing policy projects. These institutions receive formal backing and funds from the government, which strengthen their capacity as a platform for organizing interfirm collaborations such as the ‘bonding alliance’. Through this partnership, the groups serve a dual function of public-private dialogue as well as economic coordination.

The flipside to this arrangement is that members of these formal organizations might not feel intimately involved in its affairs. These organizations are usually steered by a small management committee (and the board members are usually owners of much bigger companies). Small business owners seem to regard these organizations with some distaste for pursuing broad sectoral projects that are not adequately tailored to their localized needs for growth, hence preferring their informal alliances.

Moreover, these intrinsic bridges are not comprehensive across the landscape of more than 170,000 small and medium enterprises, of which the majority is small in size. To permeate the business landscape further, the government created intermediate groups, in this case, the SME Centres, to reach out to business owners with policy information. I have called these “extrinsic” groups since they are created from the top-down and inserted into the business ecosystem. They do not provide a coordinating function between business owners, and merely dispense necessary information about government policies, hence providing direct coordination between the public and private sectors, and between the macro vision and micro activity of society.

In brief, the meso-sphere contains entities that are both preexisting as well as State-cultivated. The State-cultivated entities – the SME Centres – are officially labeled as non-governmental groups and embedded within preexisting social institutions. The SME Centres are located in the chambers of commerce and community centres, and they are 'officially' extensions of these voluntary, nonprofit groups, rather than the government ministry, even though their directives come from the government. This contrived arrangement appears strange, but it appears to force a closer dialogue between the government officials and business leaders through regular meetings and coordination based on their spatial proximity and shared stakes in business outcomes.

Where is the real power situated in this State-Society nexus for easing the capital frustrations of small business owners? I would venture to say that small business owners in Singapore are largely on their own for figuring out their capital injections, designing informal ways to substitute financial capital with social capital to stay lean and expand. For example, there is no SME bank run by the government to guarantee loans to microbusinesses. Microloan programs are available with government support for the risk borne by the banks, but the ultimate decisive power is located with the banks, not with the government. Trade groups are given grants to design projects that make their sector more competitive and, again, the decisive power of distributing the grants is by and large located with the business groups, not with the government officials. Using these meso-channels, the government receives feedback from the ground and crafts what it considers to be a viable strategy for the nation's development, while the business groups take care of the design and execution of projects pertaining to their own territory; this responsibility is delegated to them since they are closer to challenges on the ground and have vested interests in the outcomes.

It looks like the institutional structure seen in Figure 16 blends autonomy from both directions. The penetrative vision of the developmentalist State is mediated through the autonomy of a capitalist Society. However, the system can only entertain so many ‘intimate’ interactions for dialogue between the public and private sector, hence businesses that promise stronger economic returns invariably get a more prominent voice and receive stronger capital injections even as distinct efforts are maintained to engage and include microbusinesses within the formal distributary system of economic development.

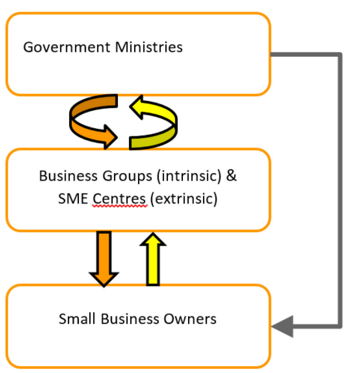


Figure 16 State-society dynamics for growth-oriented businesses

I have provided a theoretical abstraction of the capital ecosystem for small businesses along 3 dimensions: exclusivity of the channel for connecting with the government vs. multi-channels, the voluntary role of intermediaries mediating between the government and business owners vs. groups that have been constructed by the state to fulfil this purpose, and locus of autonomy for deciding how the capital is allocated, i.e. where power is situated in the public-private partnership.

High-Growth Startups

The Quest for Money

"Ramen profitability" is a playful term used among entrepreneurs to describe a company that "makes just enough money to keep all the founders eating ramen" or, in other words, just enough to get by on. However, there's only so much (instant) ramen you can live on before you eventually want the real thing and, likewise, there comes a time when you may want to move your startup to the next stage of its lifecycle. However, entrepreneurs need capital to fuel product development, marketing, hiring, and business infrastructure. The startup may have a "lean" model, but it may struggle to expand without input. To paraphrase Karl Marx, you need to spend capital to make capital.

Getting a rainfall of thousands or even millions of dollars is no small deal. Searching for this investment can be a grueling experience. If you are lucky, friends or business partners will indulge in your vision with personal cash, but most of us are forced to convince wealthy strangers and investment firms using a "pitch" in the anonymous marketplace. Startup investors have a unique outlook. While traditional bankers and investors demand to see a positive track record in your credit history to make sure you are 'safe' for returns, startup investors often gamble on fresh innovations in hope that it rockets with commercial traction.

However, in the beginning, funds in Singapore were tepid (Tech in Asia 2011). Without a culture of startup successes (there were just a handful such as Creative Technology that made a technological breakthrough with the PC soundcard in the 1990s), we can hardly blame investors for holding back on the promise of local entrepreneurs. Scott Anthony, the CEO of Innosight, described the general reaction he encountered from venture capitalists in the United States when he announced his decision to move to Singapore in 2010 (Anthony 2015). They found the notion ludicrous. “Why Singapore? You’ll never find any interesting deals there” and, more provocatively: “Name a Singapore start-up. I can’t think of a single one”

Start-Ups are Stirring

Yet, startups were stirring. In 2009, three local entrepreneurs resolved to bring unity to the fragmented startup community that was hanging by the thread on disparate email lists. To provide a gravitational force for these networks, they rented a commercial studio in a chic bohemian neighbourhood, called it Hackerspace, and opened it to “geeks” to hammer out their ideas and projects; the studio is described as a spot “where people with common interests in computers, technology, science, digital and electronic art, come together to meet, socialise and collaborate.” This was a big deal in a city where no coherent identity for entrepreneurs had earlier existed. Soon after, in 2010, the National University of Singapore was hunting for a location in the city to channel the mature startups that had outgrown the campus incubators— these startups needed ‘replanting’ in a venue bigger than even Hackerspace could not accommodate. Through this quest, Block 71 was born— an industrial complex with abandoned manufacturing rooms that the government was planning to demolish, but instead reassigned as a pilot project to startups (younger than 3 years) to 'see what would happen' after which it planned to continue with the demolition. I have described this public-private phenomenon in detail in the chapter on "Space" and, now, we turn to the question of funds.

Government Gets Involved

There are a ways to avoid burning cash but, by and large, startups spend a lot of money to test and build their innovations before they see any returns; it can take at least a few years. To spark the fire in investors' bellies and stimulate the flow of funds, the Singapore government began releasing a slew of schemes to alleviate the investment risk (see Figure 17 below). These programs share a pattern of public-private partnership where the government chips in matching funds to bolster private support. For example, the Business Angels Scheme was initiated in 2005 to match a private investor's contribution dollar-for-dollar up to SGD $1.5 million, as long as the investor sinks at least $75,000 into the startup and, even as I type this dissertation, developments are unfolding where the government just announced in this year's budget that it will raise its ceiling upwards to $2 million dollars per startup. Just two schemes in the buffet have "catalysed close to $340 million cumulatively from about 500 private sector investors and funds into 240 investments" (Parliament 2015). In 3 years between 2011 to 2013, the total venture capital investment suddenly soared more than 3 times from USD $30 million to more than a billion dollars (Anthony 2015). The stream of money is starting to gurgle and sceptics may need to sit down to hear the full answer to their taunt: "Name a Singapore start-up." Hundreds. That said, big winners (making huge windfalls for the entrepreneurs and investors) are still few and far between as the ecosystem is still considered young (having gained momentum only five years back) (Hall 2015).

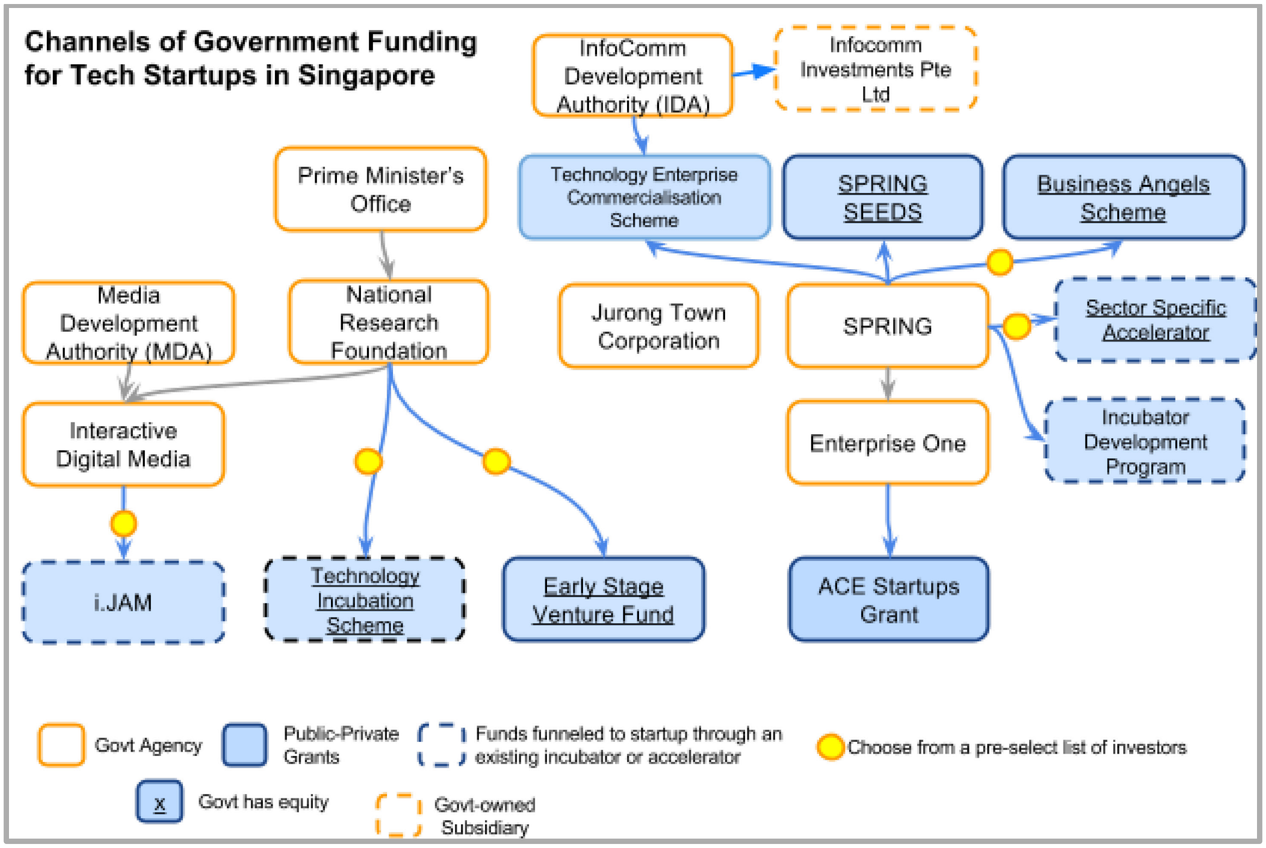


Figure 17 Government funding schemes in 2015. Source: diagram is a personal creation using information compiled from numerous government websites and triangulated with conversations on the ground

Type of Government Intervention

This colossal support comes at a price. The government gains a share of equity in the startups based on its investment (example: if it provides a matching grant, then its share is 50-50) and, given the stakes, it remains closely involved in monitoring the progress of these start-ups because "if we have equity we have shareholder responsibilities." For example, each startup is assigned a liaison from the government agency who evaluates whether the startup has achieved set milestones before disbursing the grants in tranches, and also "chases" the startup for financial statements. While the startups generally run their projects without day-to-day interference, they remain accountable for submitting to broad administrative metrics.

Entrepreneurs also mentioned the lag in time with getting grants from the government which is not conducive to the fast pace at which a startup desires to move. “For me, having come from the private sector and now linking with the government sector, you know it takes six months to complete an application form? I have to go through dozens of interviews and they release charges in like in the tens of thousands, as in like the first charge would be ten thousand, and then you need to get to the second milestone and then there's another ten thousand which is... really, really small money.” Due diligence takes time. When I attended a public briefing on startup funding, the entrepreneurs present appeared baffled at how long the process would take them to even see the money: 3-6 months. This is shown in their presentation slide in Figure 18.

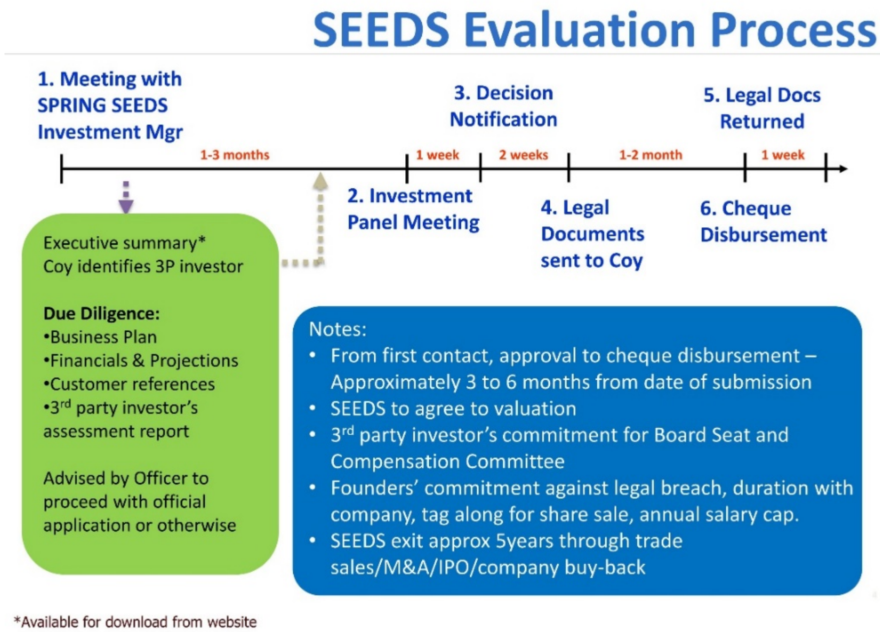


Figure 14 Timeline for processing a startup grant. Source: PowerPoint slide from a SPRING Seeds talk to entrepreneurs and investors

Bimal Shah (CEO of a software company with investment experience) explained that "with government funding comes (in most cases) a greater burden in terms of regulation and reporting. Perhaps a little more paperwork, but also a different, likely additional set of KPIs [key performance indicators]. A private investor wants to have a sense of your pipeline, your profit and so on. The government, on the other hand, might also want to know who you employ, how you employ them, etc" (Varela 2015). With the government retaining stakes in the game, they have interests that extend beyond the individual success of the entrepreneurs and want to see benefits in "local development outcomes" such as the requirement that "key hires" are based in Singapore. Investors tend to focus on quick returns on profits whereas the State is invested in long-term development. As such, the co-investment partnership draws upon an important synergy of private and public interests.

Many of the schemes give investors the privilege of buying over the government's shares through call options. According to my conversations with agency officers, this option was to attract investors to enter the scheme, as well as reduce the dilution of the market price when the startup makes an exit (by getting publicly listed or getting acquired by another firm), indicating that full stakes of responsibility over the startup is transferable from the State to the private sector.

These schemes catalyze investors to hedge their bets on local startups with the government's willingness to leave the partnership once private confidence swelled. However, my conversation with a government investment manager revealed that this buy-back incentive may no longer be available for the next round of startups, because more investors have entered the scene, so this transfer will only be considered on a case-by-case basis, for example, in a case where the startup successfully raises new rounds of funding and the new investor wants to buys all the shares. With hundreds of millions of dollars injected into getting local startups off the ground, it is apparent that the government wants a hand on the steering wheel rather than leaving it entirely to the 'free' market.

Watchful Custodian

Notably, the government does not invest directly in entrepreneurs, so the relationship is not one-to-one between the State and the individual. Instead, the entrepreneurs are forced to court private investors based on their own merit and, once they gain this support, they can approach the government to share the risk. This process allows the private sector to serve as the primary gatekeeper before the government intervenes. Government officials refer entrepreneurs to investors in their "accredited" circle to review and approve before they step in more actively. One entrepreneur described how he got his first investment: "The person who introduced us to that initial investor was from IIPL - Infocomm Investment Private Limited - which is the investment arm of IDA [InfoComm Development Authority- a government agency] … it's just that they are trying to help local startups, and so that's how we got connected to the angel investor initially." Even when government agencies actively identify entrepreneurs they want to support, they ultimately rely on the gauntlet of the private sector to make the final call.

This system of government intervention is designed to foster relationships between entrepreneurs and investors by subsidizing the risk of failure—but not bearing it entirely. The injection of public funds encourages investors to take a chance on the startups since the initial risk is shared, as opposed to a system that crowds-out their funds by completely taking over their investment role. The Singapore government is not saying, "Step aside, and let me take your place." Instead it says, "Step up, and we will stand by your side." It insists on providing a complement to the private sector, not a replacement. However, the State's presence in the startup's life remains visible beyond the cash. An analogy might be to imagine a 'civic marriage' between the startup and investor under the explicit endorsement of the government that provides monetary incentives and sets the boundaries of the relationship (such as divorce).

Private Sector Autonomy?

However, we need to throw a light of skepticism on the autonomy of the private sector in this relationship, even though the government tips its hat to their gatekeeping role. First of all, to access the public coffer, entrepreneurs cannot approach any investor in the market willy-nilly. Most of the schemes draw upon an "accredited" list of pre-selected investors that the government appoints through a call for proposals and works with this exclusive crew of investors to funnel the funds. Therefore, the profile of investors is dictated under the government's purview. I am pointing this out simply to highlight the boundaries of market autonomy in this model of government funding, and not to question whether this is a sound strategy which is a separate policy analysis.

Second, the accredited investors have to fulfill their end of the bargain to benefit from this generous endorsement: for example, they have a mandate "to call in an x number of Singapore startups" every year and to increase the government's access to "quality startups" otherwise "it wouldn't make sense" to have them on board, and this requirement creates external pressure for investors to actively seek start-ups to meet their quota.

In my analysis, this 'exclusivity' of investors within the meso-sphere enables the State to exert greater control over the startup sector, and this system tightens the channels of communication to a fewer number of 'agents' (in this case, investors) to penetrate the State's vision of local economic development via the startup sector.

Summary

The institutional environment of start-ups is defined with two distinct loci of control. First, the government decides who gets to occupy the role of middle-man through a call for proposals. These might be incubators or investors whose interests are aligned with the vision of the government. The government uses its clout to sway resources toward its agenda for national development, and gambles on its ideal vision of winners in its first push: startups that employ local people, products that can scale widely into regional and global markets, and proprietary technology that prioritize commercial returns to the city.

However, upon being appointed to the meso-sphere, investors have the prerogative to pick whatever startups they want to support, just like any other investor. Once their relationship with the entrepreneur has been forged, they can rope in the government to join forces as a co-investor, but the lion's burden of responsibility for the startup's success lies with them. Krishnan Kumar, associate director from the Institute of Innovation and Entrepreneurship explained in an interview with me: "You cannot have two drivers. The government produces the first round of funding, but investors look for the next round."

This system of public-private collaboration represents one jetty of support in an ocean of potential networks that entrepreneurs can turn to for contacts, information, and perhaps funding. I discovered that the majority of the 14 incubators supported by the government's Technology Incubation Scheme were only launched in Singapore in 2010 or later, indicating a synchrony between government support and the emergence of private venture capitalists in the system. Without a pre-existing abundance of private jetties, the Singapore government took it upon itself to construct a reef of support to entice private players to anchor their weight. We will likely see a continued presence of the State in the technological startup sector, rather than its exit, but a progression toward a model that devolves more autonomy to private players in the meso-sphere, and perhaps the cultivation of intrinsic and extrinsic channels that link the Macro to the Micro.

Conclusions

In this chapter, we have seen the capital constraints confronted by three tiers of businesses - microenterprises, SMEs, and startups. We have also seen how the entrepreneurs handle these financial constraints, and ways in which the government interfaces with their strategies.

As a quick recap, the microenterprises that are informal, that is, not officially registered as a company, straight up do not qualify for bank loans, and the low-growth scale of their business means that they do not want to be chained to the debt of a bank loan. Instead, they prefer to independently accumulate small amounts of capital to roll over into their business, and focus on frequent high volume sales that offer small but daily cash injections. As far as direct capital provision and support goes for the microbusiness, the government is not actively involved. The government intervenes at market-level improvements to defray costs of the infrastructure, but there is no direct intervention in the business itself. There is a disconnection from the government with capital assistance for hyperlocal microenterprises.

For growth-oriented businesses, we point out two types of state-society bridges: intrinsic and extrinsic. The intrinsic organizations exist organically in society- such as trade groups, while the extrinsic bridges are constructed by the government to permeate its reach further into society. Business owners are ingenuous enough to access ‘capital’ through social capital when bank loans are out of their reach, leading to the creation of informal conglomerates, but we have noted that these informal networks have limitations. With the extrinsic roles created in the meso-sphere, there is a triangulation of accountability between the banks, businesses, and government, and trade associations are tasked with getting their members to avail themselves of the government subsidies for business growth.

Startups sometimes have the option to bootstrap, meaning they use the strategies of the poultry seller mentioned above— starting with small savings, and rolling over their profits from revenue. However, there are startups that need bigger investments for equipment, research, and product development. The government uses a practice that we may call ‘steering synergy’ by encouraging investors to take a leap by giving them matching funds to alleviate the risk. By taking an active part in the investments, the government can also steer funds toward arenas that investors might not otherwise consider, such as CleanTech and GreenTech where the monetary returns are only long-term. This steering energy is based on a closed loop of feedback through appointed incubators and accelerators that manage the funding in the meso-sphere.

In all cases, there is a clear inclination from the government to defer part of their support to intermediate organizations in the meso-sphere, while maintaining a very close link to these appointed agents to ensure that the synergy of interests remains close to their agenda. Ultimately, however, the government agencies still play a role in deciding how the funds are allocated: they are not totally hands-off. They use the meso-sphere as a filtering entity, but retain the rights to the final decision, as much as they defer primary knowledge to these agents who are closer to the ground. The influence goes two-ways: sometimes, the meso-sphere filters businesses upwards for the government to consider, and sometimes the government identifies businesses for the meso-sphere to consider. Figure 19 provides an abtracted representation of capital dynamics.

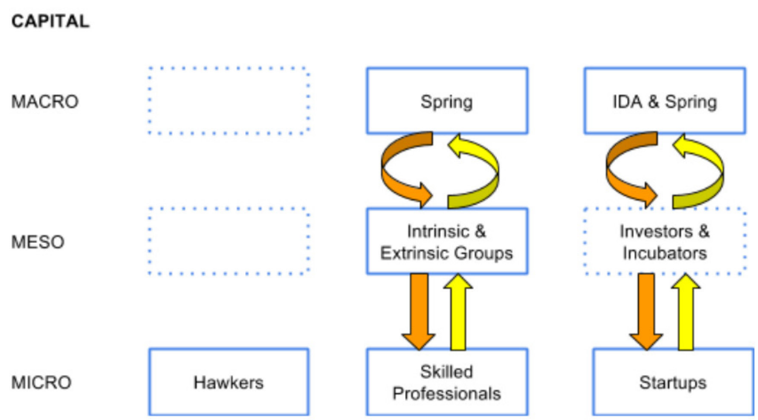


Figure 15 Capital and State-Society Dynamics for Hawkers, Skilled Professionals and Startups

Chapter 7. Conclusion

This chapter highlights what I learned from reviewing the role of the state in the small business economy. I emphasize the interaction that government agencies have with business owners through bridging networks that simultaneously serve as a channel to assert the government's influence as well as moderate their influence through the input of the grassroots. I provide an analytical abstraction of the meso-sphere to unpack the emergence, role, and impact of these intermediate institutions over small business opportunity in relation to the State agenda, and then apply this lens on shadow cases from Brazil and Malaysia to inform the application of this framework on other empirical cases cases of synergy.

Prelude: a story from South America and how it relates to Singapore

One hot day, when I was strolling the streets of Sao Paulo, I saw a street vendor selling coconuts from a cart. I watched him work swiftly as he hacked open the top of the coconuts and put in a straw for customers to drink the fresh juice. Unable to resist, I went over and asked for one. Just as he was hacking open my coconut, we heard a soft, almost imperceptible whistle. Immediately, he put the coconut back on his cart and started running away with it down the street.

I called out after him: hey, what about my coconut?! Without looking back, he gestured at me to follow him, so, not knowing any better, I jogged slowly behind him until we came to a new street corner. He stopped, gave me the coconut, and calmly resumed his business.

I felt a little stunned and didn't take the time to interview him (plus, it was not long before a new crowd of customers surrounded his oasis). However, he managed to tell me that the whistle was a signal that the city police had been spotted. The policemen go after unlicensed vendors and confiscate everything they have. It means that the vendors lose their humble means to a living, and have to start again from scratch.

Things are slowly changing in Brazil. The government is actively encouraging informal businesses to get registered as it is a massive sector where about 60% of workers make their income (source). These unregistered businesses represent lost taxes, unregulated activities, and potential exploitation of workers under the radar.

However, the story with the coconut vendor also highlights another issue of paramount importance in running a business: place. A business cannot exist without a place of some sort. The police not only confiscate the vendor's cart, coconuts, and tools, but his space on the street, which is a commodity in its own right.

In Singapore, the Street Hawking Scheme similarly only gives the license to people who meet specific requirements, and their focus is on those who have social "hardships" such as being above a particular age, disabled, or financially needy (source: phone conversation with NEA). The government has determined that mobile hawking such as selling ice-cream is not a viable avenue for income for the majority of the population, hence they ought to rent a stable shop rather than work on the streets. This law is enforced strictly with fines and, if unable to pay, jail time.

Of course, one might say that the vendor does not have a right to use a public sidewalk without a license—it has safety and hygienic implications— so there is a clear legal transgression. The public street is not a commodity that belongs to him. But, this is not an immutable reality. The government is an authority that regulates how public places are used, and it has the power to determine where and how people may establish their business and make an honest living in the city.

In this conclusion, we run through the frameworks of state-society synergy and apply it to Sao Paulo in Brazil, as well as cities in Southeast Asia such as Malaysia to see how it applies there.

The State

There is huge contention in the academic literature about the role of the government in economic development. One school of thought contends that the phenomenal growth of the Asian Tigers is the result of a neoliberal government that allowed market forces to reign 'freely'. A contending school of thought points out that it is specifically due to the proactive intervention of the government that these economies have flourished (Yu 1997).

The government in neo-classical economics is viewed as an external actor that best stay out of economic affairs unless it provides a correction to market externalities. Other scholars perceive the government as one of the "entrepreneurial actors" (Yu 1997) that play a crucial role in exploiting new opportunities for the nation's growth. These vastly contrasting positions are partially the result of different ideas of what constitutes government intervention, and another key consideration, *how* the government is involved, receives far less attention.

In this research, we did not enter the bipolar fray about whether government intervention is ubiquitously positive or negative. We started from the premise that the government is by default present in the economy, and acknowledged that there are instances when its impact is positive, and other instances when it is not, depending on the nature of intervention, with various repercussions on how private resources are mobilized. Using Singapore as a case study, we have focused the question on how state-society synergy is constructed and achieved, laying out the channels that flow between the macro, meso, and micro networks of society.

A Systemic Analysis

This study explored the interaction between the government and small business owners across three groups: no/low growth, growth-oriented, and high-growth businesses. The research uses a theoretical orientation that draws on the lens of state-society synergy, social network analysis, and new institutionalism. The synergy thesis considers two analytic parts of society: government structures and civic/social institutions, and the social network analysis enriches the synergy thesis with a focus on how business owners mobilize resources inhered within person-to-person ties, not just interpersonally, but through the institutions of power they represent, and this combines with the lens of new institutionalism to shine light on the protagonist of this research – the "meso" layer — which points out the bridging channels between the government (macro) and very small business owners (micro).

The narrative is organized along basic resource constraints that business owners confront – land, financial capital and labor – as these constraints provide a context for observing how entrepreneurs mobilize resources and the way institutional networks are reshaped to meet their needs more effectively.

I tackled the business ecosystem from the perspective of the entrepreneur aspiring to make their business survive and grow. With in-depth interviews, observations, and archival research, I traced their activities to the ecosystem of resources that they drew upon, observing the dynamic linkages.

From a macro perspective, it is demonstrated that the Singapore government has a strong interest in cooperating with businesses to meet national economic targets. In Singapore, this cooperation is largely expressed through different types of public-private partnerships. The role of the State is not cookie cutter across all types of entrepreneurs; it was fruitful to parse out their intervention more precisely for different groups and resources, as discussed in each chapter. The frameworks that were discussed in detail in each chapter are shown again here for a summary for spatial capital (Figure 20), labor (Figure 21), and financial capital (Figure 22):

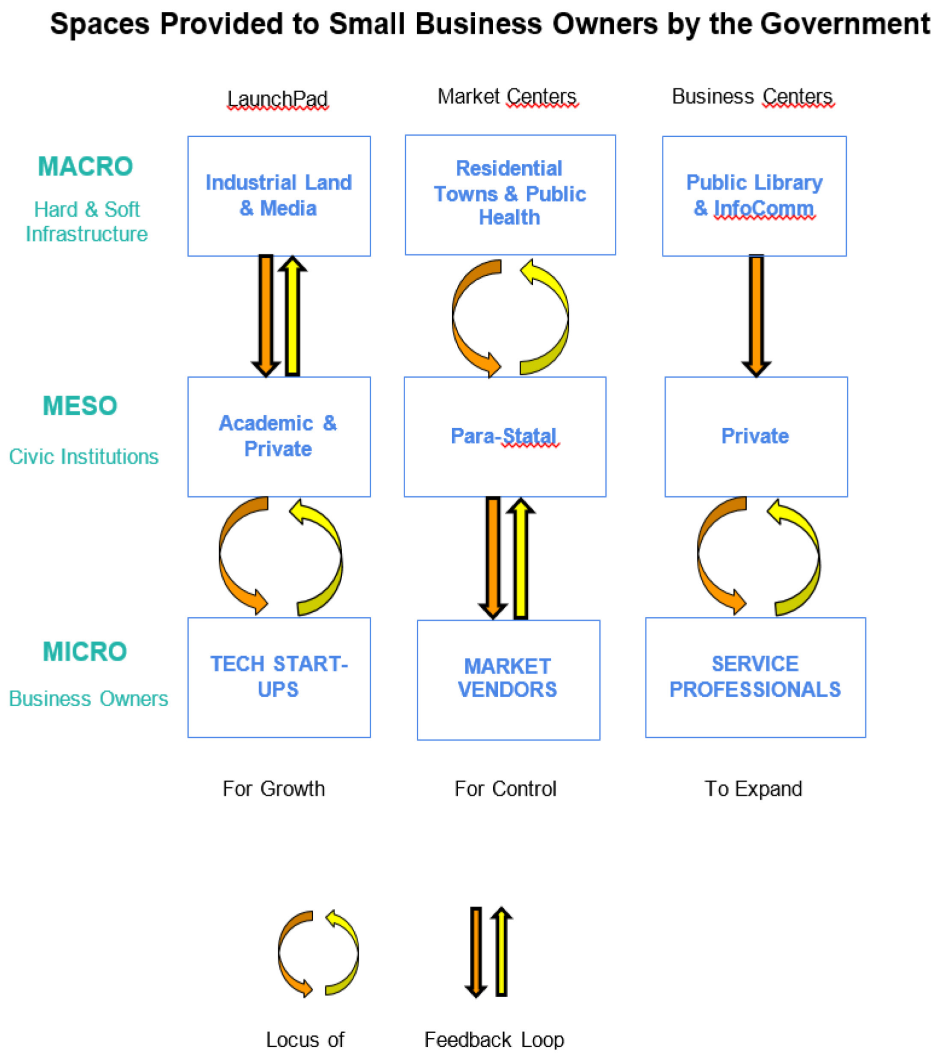


Figure 20 Spaces provides to small businesses by the government

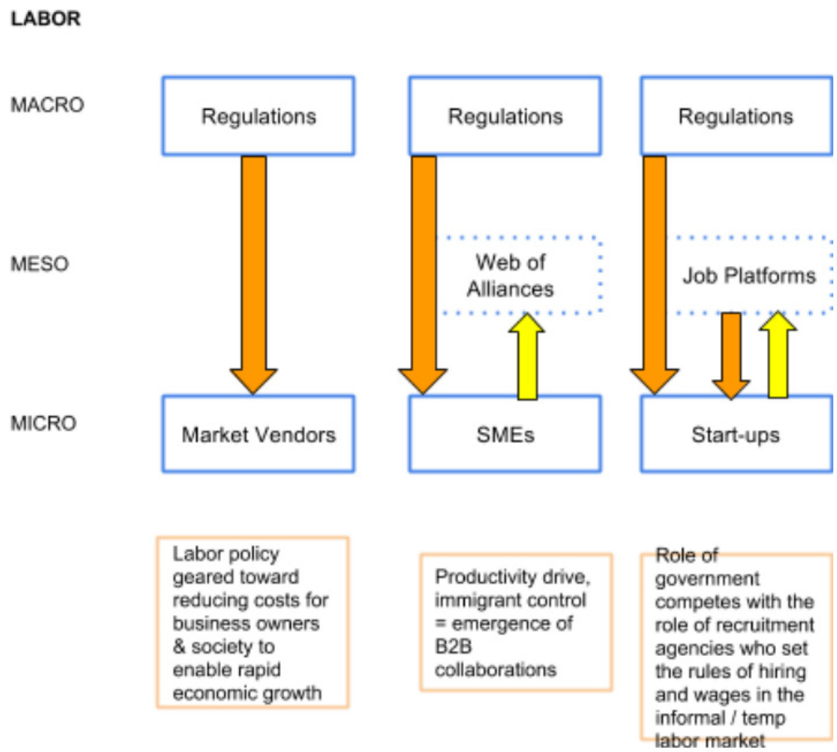


Figure 6 State-society interaction on labor policies

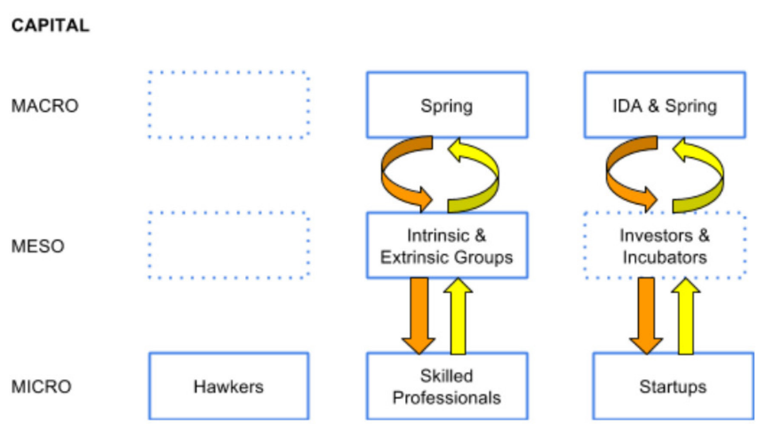


Figure 22 State-society interaction with capital

Notably, land and financial capital are the kind of resources that the government can possess and distribute, while labor is not a resource in the hands of the government—people still choose by themselves where they want to work, so at best the government affects the market supply of this resource through regulations and incentives. This intervention results in a direct macro-micro link between the government and entrepreneurs – setting policies that affect the business owners directly on the ground – but, nonetheless, we see secondary parties emerge from this setup to fill the meso-sphere and act as a bridge to the business owners to meet their needs. Consequently, we note an interest from the government in responding to these emerging players in the system that are taking on an informal regulatory force of their own. Meanwhile, for capital and land, I observed a strong tendency for the government to interact with business owners through non-governmental partners. These bridging entities provide a filter for blending interests from the macro and micro, hence diffusing the potential of a crowding-out effect, and giving a context for synergistic relations.

The following analytic insights surfaced about the bridging processes at the meso level. It is through these processes whereby the state-society synergy emerges.

The Bridging Meso Mechanisms

Substantial evidence from my fieldwork suggests that bridges between the government and business owners are formed and maintained via a number of mechanisms.

The bridge can be **appointed**: the government appoints an existing network or institution as a civic partner to funnel resources and get information. For example, the merchant association at the microenterprise markets is appointed as an informal liaison to manage affairs on the ground. The government does not leave room for other parties to step in as official partners; all resources and feedback are funneled through this appointed entity.

The bridge can be **invited**: this means the government releases a 'call for proposals' to the public and appoints an entity (or a group of entities) as a partnering decision-maker. This is the case with investments for startups where, in some schemes, credible investor firms are chosen as intermediaries to allocate joint resources instead of the government allocating it directly.

The bridge can be **cultivated**: the institution could be initiated by the government to fill a gap in their public outreach, as we see with the launch of SME Centres where business advisers reach out individually to 30 business owners a month, or the institution may emerge spontaneously among entrepreneurs to organize resources efficiently, as we see with the 'super-firm' among growth-oriented businesses where they link together to scale their operation. While the super-firm is not a bridge *per se* when it starts, we notice attempts from the government to incentivize this model of cooperation through grants to optimize scarce resources.

Together, these meso-networks mitigate the unidirectional power of the government over society by providing social input over the design and execution of state policies. Likewise, government officials have a chance to be in tune with complexities on the ground through dialogue sessions with entrepreneurs and industry leaders that feed into their national policymaking.

Notably, where this bridge does not exist, we see the emergence of networks to fill this gap, such as hiring platforms that meet the desperation for affordable workers among businesses and the unsatisfying response from the State to respond to this need, and we note an emergence of government action to link up with these emerged intermediary forces so that they are not entirely disconnected from the State with untethered autonomy over the scene.

For example, the rise of contractual hiring through third party recruitment agencies has provoked a government response to adjust its policies to support subsidies for training workers hired indirectly, and this is in line with the government's aim to cultivate a nation-wide skilled and competent workforce (which is a factor in making Singapore one of the most business-friendly countries in the world). In another example of the government linking with preexisting conditions, venture capitalists were already active in the city in small numbers before the government stepped up to make a call for proposals and invited them to be formal partners, hence encouraging more investors to step into the game and strengthening the interaction between the macro and meso spheres of the system to cultivate resources.

Exclusive / Multi-channel

I found this a worthwhile point of differentiation. How accessible is the government in the system—can they only be accessed through one appointed channel, or in many different ways?

For microenterprises and their space, and even startups and capital, the only channel for synergy with the government is through a single line that they establish, whether it is the merchant association or a crew of investors whom they endorse. Outside this line, the intermingling of resources is not possible.

In other models, there are numerous channels to synergize with the government, whether the channels are appointed by the government or cultivated among entrepreneurs such as the case with growth-oriented businesses. The “meso-sphere” is not an exclusive space—other entities can join in and be part of the synergy.

Locus of agency

Even when we notice synergy between the government and business owners, we recognize that the power of synergy is distributed in various ways. Locus of agency refers to the autonomy of decisions and influence. Who is calling the shots? We cannot assume egalitarian relations in the same way that a marriage does not mean that both partners call the shots equally. Is the locus of control situated at the top with the State, located in the middle with the secondary institutions, or below with the networks of entrepreneurs?

I am introducing a framework with three broad types of synergy that I have called: **coordinating synergy** (agency is concentrated with the State), **steering synergy** (agency is strong in the macro-meso interaction), and **delegating synergy** (agency is strongest in the meso-micro interaction). These possibilities of synergy emerged from assessing the relationships between business owners and the government.

I will recap instances where we see each synergy:

Coordinating synergy is mostly observed with microenterprises where the relationship is top-down (macro-micro); it is a synergy with the aim of State control and coordination. Even when third parties are appointed to serve as a bridge, their role is mostly symbolic to manually enforce the policies. The government is coordinating or orchestrating their will from above.

Steering synergy puts the locus of control with actors in the middle— in the meso-sphere, and the government plays an enabling role. For example, the government provides matching funds to investors to facilitate their interests in startups as it harmonizes with the nation's economic goals. Another concrete example of this enabling action is an innovation conference that is organized every year by the local university with a private sector company to execute it and, in 2016, a government agency decided to be a sponsoring partner to steer the theme toward national goals such as the "Smart Nation" initiative. They could leverage on their State power to invite other governmental officials from Guangzhou and Israel to speak about opportunities in their cities. We consider this collaboration a steering synergy as it steers the agenda to the government's interests while adding value to the agenda of the entrepreneurs.

Delegating synergy is where the locus of agency is located lower down in the interaction between business owners and trade associations (meso-micro). With growth-oriented businesses, the government sends grants and policy information to these business groups to utilize, interpret, and distribute in a way that makes sense for their trades, and it is fed with responses from the bottom-up for further iterations of the policies. With space and startups, the government similarly allows the thrust of decisions to be spearheaded by self-organization of the entrepreneurs.

Singapore Small Business in a Global Context

This research project has bitten off a lot to chew on – small business owners examined across three tiers of growth and across three resource constraints: land, labor, capital. While I begin the study with these three resource constraints, I show how these constraints are overcome through a network of relationships, interpersonally and institutionally. For example, one solution to the land constraint is to reimagine this resource as "space" and expand its value with the creation of "spatial capital" that can be achieved through a synergy of interests.

The thesis challenges the school of thought that government intervention has a stifling impact on economic growth, crowding out private resources. Instead, I illustrate through these cases that we need to pay attention to distinct types of partnerships that are possible across the public-private divide, while staying cautious by being discerning about the distribution of autonomy among the institutional actors in mobilizing resources

This framework has import in analyzing government intervention in other nations. As a shadow cast study, we first cast light on Sao Paulo, a city in southeastern Brazil in Latin America. Why Sao Paulo? Singapore and Sao Paulo are both "global cities" (Sassen 2001) with advanced economies that serve as central sites for the flow of international transactions. At the same time, both cities are located in "semi-peripheral" countries (Wallerstein 1976; Cunha 2002), meaning that they are theoretically classified somewhere between advanced and developing nations outside the 'Western' construct. Their cosmopolitan urban environments enjoy a dynamic culture of small businesses that complement the work of other firms (business-to-business) and serve the needs of a highly diverse urban populations (business-to-customer). These two cities – at opposite ends of the world – anchor our discussion in the academic literature of development models in East Asia and Latin America, and the role of the government in this effort.

Before proceeding, we acknowledge that despite the structurally similar functions of these two cities in the global economy, there are notable differences that warrant recognition. First, Sao Paulo has more than double the population of Singapore (11 million versus 5 million), but, that said, the cities share similar population *densities* (about 19,000 people per square mile) which is a relevant factor in business opportunity. Their ethnic makeup differs dramatically: Sao Paulo has an Italian-based majority while Singapore has a Chinese majority. Yet, both cities developed as immigrant-based societies in the 19th century and the business sector is peppered with heterogeneous groups.

To take analytical stock of support for small businesses in Brazil, we use a similar approach of breaking up the concept of “small businesses” into three major tiers: subsistence-based microenterprises, growth-oriented small businesses, and fast-growth potential startups. This division adds clarity to the population and policies. An in-depth analysis and comparative will warrant producing a second dissertation, so this discussion merely opens up the framework and suggests points of potential analysis.

We start with a look at SEBRAE (Service of Support to Micro and Small Enterprises) that was created as a government agency in 1970 to assist small enterprises. At first, it was run by the government, and then in 1990 it was handed over to the private sector to run as a non-profit (Puin 2012), hence transferring the operation from the “macro” to the “meso” sphere.

This organization is a hybrid entity, what we might call parastatal: funded by government taxes on employers, but run privately through a network of subsidiaries (trade organizations and non-governmental organizations), and this structure technically gives the body more agility to respond to local needs. SEBRAE liaises with the government to construct policies, as well as works with all the municipalities to implement the laws locally (Timm 2011).

In my theoretical orientation, the bridge, SEBRAE, is *cultivated* by the government in its role as intermediary to fill a gap between the State and Society. It was neither appointed nor invited from existing organizations. To put it plainly, it was the birthchild of the government, not grassroots. The government has the power to instigate the creation of social institutions to further an agenda, and the structure of this institution can be negotiated with the private sector. SEBRAE is *extrinsic* to the system which means it was introduced into the structure (versus, for example, an institution that is cultivated but intrinsic to the system, such as a local trade association). This structure is similar to the SME Centres in Singapore that were conceptualized by the government to reach out to individual small business owners located within and outside the existing grid of support. This structure provides a way for the government to insert itself into the everyday interactions and conversations with business groups and owners with an army of people from the "grassroots" running operations under the paymaster of the State.

Yet, these cultivated entities have limitations. In my conversations with small shop owners in Sao Paulo, I gathered that they did not have any direct interaction with the SEBRAE institution or its agents, much like the detachment of microbusiness owners in Singapore from the chambers of commerce that seemed to be more relevant to professional growth-oriented businesses rather than microenterprises. Moreover, the relevance of these programs might be skewed more strongly toward businesses most likely to help them easily meet their annual or quarterly quota in their reports, i.e. ripe and low-hanging businesses already in the radar, rather than making an effort to go beyond these circles. This is a problem when small businesses are not classified with nuance, making it easy to overlook the marginal players.

When exploring models of government intervention, it is critical to ask where the locus of agency is centered. Through my research, I have uncovered that having a bridge alone is not sufficient as a frame of reference. We need to probe into the softer allocation of power between these spheres of influence. Who calls the shots? In this specific case of SEBRAE, the *locus of agency* appears to be situated in nexus of meso and micro, i.e. between SEBRAE and its network of groups and business owners, with the government (macro) simply providing funds and national direction and leaving the details of the execution to the meso-sphere, so it is a *delegating* synergy. This partnership model acknowledges the limits of government bureaucracy and relies on institutional networks in the meso-sphere to interpret and implement the national agenda, likewise drawing on their signals from the bottom-up to tune policies. Further qualitative research and fieldwork will be needed to explore the numerous touchpoints of power between SEBRAE and business owners who interact with it.

Now, let us look at another tier of businesses, the high-growth potential businesses, i.e. tech startups. The Brazilian government recently initiated a program called *Startup Brasil*. Though it is *created* by the government, it is *led* by local entrepreneurs and investors, not government officials, in collaboration with another independent non-profit organization called Softex that was similarly created by the government to support the IT sector. The government is filtering its interaction on the ground through these cultivated parastatal entities in the meso-sphere that incorporate a mix of public officials and private sector entrepreneurs working together. Funds are gained from both public and private sources (the private sector gets equity, while the government merely supports the operational costs of running the organization), and startups are picked by both government officials and private incubators (Leme 2014, Bruha 2014, Start-Up Brasil 2013), representing a synergy of interests.

This model presents a hybrid of public-private interests that is steered from the government to inject innovative possibilities into its economy. It is not an exclusive government project, neither is it entirely private. Yet, it appears that the programs Startup Brasil and Softex are embedded within the governmental system, so the government remains the formal touchpoint for businesses—this status can change, just as SEBRAE was once embedded with the government and then handed off to the non-profit sector. While the steering wheel is shared, the exact locus of agency in driving the process needs further study to determine the nature of synergy—is the Softex and Startup Brasil program primarily steered by the government or external, private forces? Capturing these interpersonal relationships will fill out the model.

This question matters insofar as it can reveal the extent of government power penetrating business policies and opportunities. In both Singapore and Brazil, these models are not absent of lag-time and inefficiencies that crop up through bureaucratic participation from the top-down, especially when deliberations are required from more than one party, versus a model that is entirely driven by a quick monetary bottomline.

Variations of public-private partnerships are increasingly common worldwide with governments pouring funds into programs to attract entrepreneurs around the world to set-up their companies in their country and network with local entrepreneurs eg. Startup Chile provides a one-year incubator for entrepreneurs from around the world and has inspired variations of its model elsewhere such as MaGIC in Malaysia in 2014, and a recent program in France called the French Tech Ticket that piloted in 2015. Governments have the clout to galvanize national resources toward specified public missions. With innovation and intellectual property as the current frontier of economic development, these governments seek to incentivize the participation of stakeholders by playing the role of connector and cultivator. Broadly speaking, the government adopts the role of "incubator of incubators" hoping to spawn independent and self-sustaining clusters of support—but whether these independent clusters emerge, or remain weaned to the government, will depend on the model of partnership, and where the autonomy of support is centered.

Singapore case offers some insight. Several incubators that acted as the bridge to select and invest in early stage startups ended up closing their doors after the government discontinued this grant. They had been depending entirely on government funding to stay viable. As one incubator founder said: "…as iJAM [the grant] came to an end, so did AGA's [the incubator's] ability to sustain itself operationally. It was through the administration fees we received, no matter how small, that kept the company sustainable." (Quek 2016) This reflects a lack of ambition to operate independently of the government, although in this case the founder runs another accelerator for startups that is sustainable on its own source of private funds. Despite some closures, numerous private incubators meanwhile entered the game upon noting the burgeoning startups that emerged through this early funding. The concrete outcome of synergy in this case is thus possibly measured by analyzing the net number of incubators and investments at different stages, accounting for government intervention as the 'treatment' among other variables.

Just as we cannot discuss small businesses in a broad brushstroke, neither can we sweep these public-private partnerships into a single framework lest we lose the actual mechanism of synergy. We need to ask questions about the emergence of the bridge and where the locus of agency is situated between the institutions, specifically between the State and Society. For this global perspective, I will probe one more government intervention, this time in Malaysia, focusing on high-growth startups, as the startup sector is a more recent and experimental phenomenon popping up across numerous countries in Southeast Asia and globally.

MaGic (Malaysian Global Innovation & Creativity Centre) is an agency created by the Malaysian government's Ministry of Finance in 2014. They invited a Malaysian entrepreneur to head the initiative with the mandate to build the 'startup ecosystem' in Malaysia and make it a hub in Southeast Asia (Yeoh 2016). The agency is funded by the government, but led by staff plucked from the private sector. They launched a startup accelerator called the MaGIC Accelerator Program (MAP) where the government does not invest directly in the startups, but provides for living costs during the time of incubation, and connects the founders to mentors, investors, and market partners (Balea 2015). This varies from the model in Singapore where both the government and private investors sink money into the startup. We can consider MaGIC *extrinsic* to the system – not a ground-up initiative – and *cultivated* by the government, but it does not appear to be interlaced or steered together with other independent organizations within society (contrasting, for example, with Startup Brasil that is steered by another hybrid agency called Softex, and the interlacing of government agencies in Singapore with privately-run incubators and academic institutions, creating a tripartite effort). On a superficial level, we note the government in Malaysia intervening to catalyze high-growth startups, yet its model of intervention varies widely from Singapore, which varies from Brazil. An in-depth study of the models of government intervention in other nations is needed to yield insights on the type of synergy and its mechanisms.

To speak of government intervention is meaningless without exploring the nuance of institutional relationships along the spheres of macro, meso, and micro. A quick case example of this distinction is the Borneo744 project in Malaysia which is a township dedicated to startup entrepreneurs. The Treasury Secretary-General said: "The government would inject RM20 million to refurbish a 10-hectare old Public Works Department warehouse into a vibrant and attractive township dedicated for the young and youth entrepreneurs." (Malay Mail 2016) It will be outfitted with cafes, sports facilities, and offices. This sounds similar to Blk71 in Singapore, which was an outfitted manufacturing district, and begs many questions: who are the managing operators for the town—a government agency, private company, university, or a collaboration? How are the companies within the town linked internally, and externally? Are there aspects of the 'social infrastructure' that might yield spatial capital for the businesses?

Singapore has inspired variations in the region. A government representative from Taiwan told an audience at a panel discussion held in Singapore that their model of "Taiwan Startup Stadium" was conceptualized to have the same catchy appeal of Blk71, in their case, they would transform an old sports stadium into a coworking site for startups. Unfortunately this concept fell through and they reverted to using a traditional office building. No matter where the government plans to provide this resource, whether it is the provision of space, or capital, or laws on labor, what we really need to look out for are the collaborations and relationships through which the resources are mobilized, institutionalized and circulated.

Nonetheless, there are numerous limitations and negative repercussions to synergy mentioned throughout this thesis. These synchronies of interest are not without negative collateral consequences. I shall briefly round-up some key points here: dependency, control, resource misallocation, inflation, fixation with meeting quotas, and the flip side to an egalitarian and robust criteria.

Dependency is a valid concern. When the government supplies funding without a monetary commitment from the private sector, institutions that act as bridges (like incubators) might emerge and exist only insofar as government cooperation exists rather than the vision of sparking the pollination of independent institutions of support. The meso-sphere might be artificially propped up. I noted in this thesis that the majority of incubators supported by the government were only launched or amplified in the past five years to link with government funding. So, despite the synergies, the test is what happens to the meso-sphere when this public sector funding is withdrawn. It is possible in future research to explore what kinds of bridges have more endurance post-support based on whether their structure is extrinsic or intrinsic to the system, and so on.

A valid criticism is control. State support can simultaneously serves as a source of soft supremacy to sustain the schemes and strategies of national development. Support is typically steered with rules, regulation, and oversight, and this brings government officials into the everyday lives of the people from personally checking the cleanliness of hawker centers to visiting and vetting the appropriate use of incubators since they operate on State land. There is potential inefficiency of bureaucratic oversight (including reporting and filling out forms) as well as expanding the State's presence in society in the microsphere.

Moreover, it can be argued that this massive embrace of government support breeds unhealthy companies that might not stay afloat without public anchors. Criticisms are rife about how the startups in Singapore are not adequately innovative since it is “easy” to get SGD $50,000 here and there to start a business without considerable monetary loss, along with subsidized rents through the government-owned buildings. This is the negative consequence of the well-meaning intention to lower the initial capital expenditure of starting a fast-growth company. Entrepreneurs are coddled from above and around with university support system and public sector agencies. Notably, though, some of these ‘easy’ grants have been phased out in favor of more capital-intensive research in “deep tech” and, ultimately, it only takes a few years before the company has to hold its ground when the initial funding runs out. So, the market ultimately decides, but perhaps the market could decide even sooner, forcing entrepreneurs to evaluate their sustainability with more judiciousness. The counter to this argument is that this nature of synergy is necessary to give the ecosystem a jumpstart in its early phase to give rise to a trail of successful ventures and set the context for webs of support to grow.

The reality is also that government intervention interferes with the flow of demand and supply. For example, the attempt to provide legitimate and accessible sites for businesses to operate is paired with tight regulation over how these places are used, such as criteria for eligibility (e.g. who is eligible, what you sell/do, and what prices). This is the case at the market and hawker centres in Singapore, and for all the laudable gains of excellent public sanitation, the micromanagement is an interference in the market economy that is not necessarily advantageous to all small business owners, and motivates a suboptimal allocation of resources. So these are the trade-offs.

Moreover, a government ideally plays an important counterbalance to the private sector, and evolves into a bureaucracy, precisely because it strives to incorporate numerous checks and balances into its system. It has a duty to the public to be fair, inclusive, non-corrupt, and transparent. As a result, criteria to be eligible for various programs and grants are painfully outlined and specified so that the decision is not left entirely to the whims of the official in charge, but based upon requirements listed in black-and-white. The flip side is that these criteria are often not perfect. At lower values of funding, even with synergy with the private sector, public officials might not be intimately involved in filtering each case. So, businesses that do not necessarily need the funding will be accepted through the system, and other businesses that could benefit immensely are left out in the gutter because of some criteria that does not align. Delegating synergy, discussed in this thesis, helps to distribute the decision-making to the trade associations and other grassroots on the ground, but this outreach is not comprehensive and leads to resource inefficiencies.

Finally, synergy can be corrupted. My research in Singapore has demonstrated that government grants can lead to price inflation even when the meso-sphere exists to mediate. For example, in a huge push to make businesses more "productive" (and reduce labor-dependency), grants were gushing to promote business upgrading. Anecdotally, and raised in various policy talks that I attended, some B2B businesses use this opportunity to hike up their prices since the government would subsidize it for the customer. At the Chinese Chamber of Commerce in Singapore, a productivity consultant who was invited to speak at a seminar said he used to charge $5,000 for his services, but since the government was giving out $5,000 vouchers to businesses (bringing their cost down to zero), he has hiked up his price to $10,000 (and justified it by claiming he provides additional value). The government can enter with the best of intentions to support the health of small businesses, and yet we need to be cautious about ways that this support can be subverted and corrupted by actors in the private sector.

Final Thoughts

This study has presented a framework for analyzing the mode and mechanisms of government intervention in the small business economy. I have added clarity to the academic discourse by untangling the analysis along distinct tiers of small businesses (based on their growth orientation), and further distinguishing their mobilization of resources along land, labor, and capital. There are numerous ways to approach this segmentation, but this was most relevant in view of business needs expressed by the business owners and government policies.

The study was limited in not embedding the discourse in the ultimate success and failure of the businesses, rather, studying their survival from hindsight after 3-5 years of being in the market. Future research can also refine and expand these models in view of cross-national systems, hence evolving the theoretical development on state-society synergy, and providing a useful reference for governments wrestling with their role in the small business economy—small in size, but vast in numbers, and consequential in social and economic well-being.

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Biological Sketch

Nazish Zafar. Born 1984. Singapore.

a. Professional Preparation

BA, Sociology & Anthropology, Carleton College (2007)

MA, Sociology, Johns Hopkins University (2011)

b. Appointments

Research Assistant, Department of Sociology (Dr. Stefanie DeLuca), Johns Hopkins University (Summer 2012)

Research Assistant, Department of Sociology (Dr. Lingxin Hao), Johns Hopkins University (Spring 2010)

Research Assistant, Department of Sociology (Dr. Katrina McDonald), Johns Hopkins University (Spring 2009)

Teaching Assistant, Department of Sociology, Johns Hopkins University (2009-2014)

Researcher/Consultant, Singapore Government (2009 & 2010)

Research Assistant, Singapore Government (2008)

c. Publications

"Shopkeeper Stories: Singapore Edition." 2015. Book of photographic essays published with support from the SG50 Celebration Fund and Singapore Business Federation

"Empowering Women: The Role of Family Planning Incentives in Singapore." 2011. Policy Report to the Singapore government (subject to disclosure constraint).

"Evaluation Report on Community Service Order: Pilot Project Share." 2008. Policy Report to the Singapore government.

d. Synergistic Activities

Technology Fellowship Grant (2010) Awarded $4,000 - developed an interactive world map for the undergraduate course "Population, Health, and Development" to provide students with the tools to integrate and present their knowledge on global issues and to facilitate instruction.

David Projects for Peace (2007) - Awarded $10,000 to design and implement a project that leveraged on existent social capital of street vendor networks to educate the public on infant health and mortality in Fortaleza, Brazil.