

# The link between proximity, business support and ethnic entrepreneurship: **A Relational Perspective for Entrepreneurship Research?**

Dr. Drew Gertner, Professors Monder Ram and  
Kiran Trehan

# Relational Perspectives

- A relational perspective locates meaning not on actors but on interrelations between actors


## Sociology

- Relations between actors and structures (Emirbayer, 1997)


## Geography

- Relational economic geography (REG)
  - Interconnection of actors, actors and structures, **time**, and **space** (Sunley, 2008; Yeung, 2005, Massey, 1999)
  - **Proximity** (Boschma, 2005)

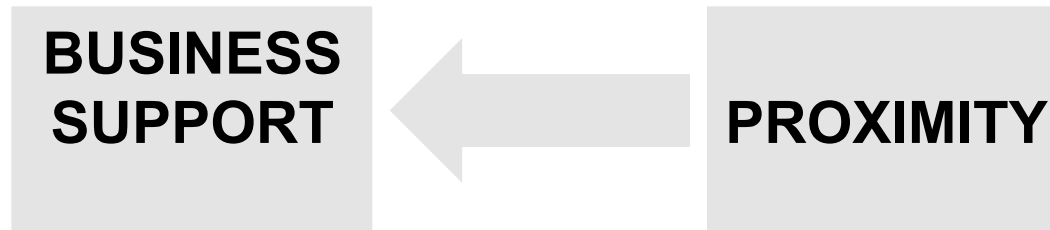
## Entrepreneurship

- Bourdieuan Relational Perspective (Tatli et al. 2014)
  - Mixed Embeddedness and REG (Gertner et al. 2014)
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# Relational Perspectives: Benefit for entrepreneurship:

- Takes emphasis off of the entrepreneur, places it on relations; entrepreneurship is not an individualistic pursuit (Hanlon and Saunders, 2007)
  - Able to examine different sets of relationships: actor + structures; actor + actor; spatial scales; time periods
  - Moves beyond “descriptive approach[es]” of networks (Sunley, 2008) to better conceptualise what ties entrepreneurs and other actors together
  - Ethnic entrepreneurship → does not essentialise ethnicity
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# Theoretical Framework: Proximity

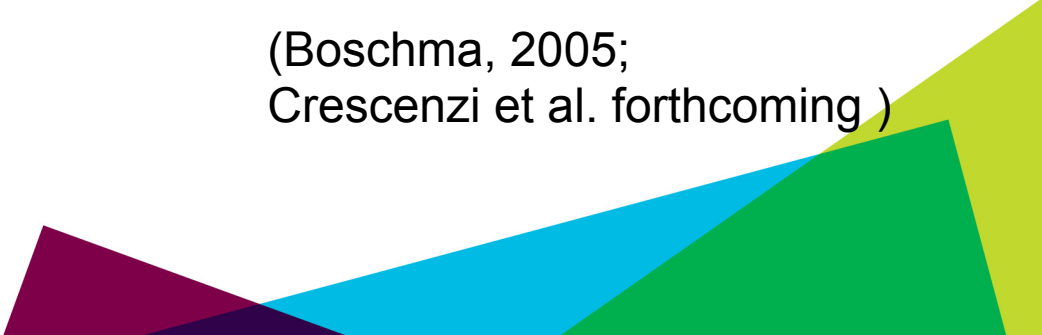


- Economic actors build on various dimensions to coordinate their actions
- Different forms of proximity reduce coordination costs in knowledge exchange (Boschma, 2005)
- ‘Proximity paradox’ – too much proximity can be harmful

# Theoretical Framework: Proximity

<b>Geographical proximity</b> Spatial distance between actors	<b>Social proximity</b> Extent to which relations are a result of friendship or kinship
<b>Cognitive Proximity</b> Extent to which actors share a similar knowledge base	<b>Institutional proximity</b> Extent to which actors share the rules of the game
<b>Organizational Proximity</b> Extent to which relations are shared in an organizational arrangement	<b>Ethnic proximity</b> Extent to which actors share a similar ethnic background

(Boschma, 2005;  
Crescenzi et al. forthcoming )




# Key research questions

**How does a relational approach help entrepreneurship research better understand contexts in which firms are embedded?**

(i) What dimensions of proximity facilitate relations between ethnic minority entrepreneurs and actors they engage with for business support?

(ii) Are there sectoral differences on the role of the dimensions of proximity in facilitating relations between ethnic entrepreneurs and actors they engage with for business support?



# Methods


Sector	Number of interviews	Ethnicity
<b>Low value-added sectors</b>		
Catering and restaurant	16	Indian, Greek, Bangladeshi, African-Caribbean, Kenyan, Ethiopian, Trinidadian, British, Scottish
Construction	16	Polish, African-Caribbean, Greek Cypriot, Indian, Slovakian, Hungarian, British, Scottish
<b>High value-added sectors</b>		
IT	16	African-Caribbean, Iranian, Polish, Russian, Indian, Pakistani, British, Scottish
Financial and Business Services	16	African-Caribbean, Pakistani, Malaysian, Indian, Tanzanian, Polish, Nigerian, Ethiopian, Nigerian, British, Scottish

# Methods

## **Who did you receive business support from?**

We define support much broader than just formal assistance provided by government or publicly funded sources but as:

*“the act of providing an entrepreneur with access to a value resource and a supporter as any individual who willingly performs such an act”* (Hanlon and Sander, 2007:620)





# Methods

Proximity dimension	Definition	Key questions asked
Ethnic/cultural proximity	the extent to which actors engage in co-ethnic and diaspora networks (Crescenzi et al., Forthcoming)	<ul style="list-style-type: none"> <li>• How do you think sharing a similar ethnic background affects the way you engage with actors for support?</li> <li>• How do you think sharing a similar culture affects the way you engage with actors for support?</li> <li>• How do you think sharing a similar language affects the way you engage with actors for support?</li> </ul>
Geographic proximity	the spatial separation or distance between two actors (Boschma, 2005b)	<ul style="list-style-type: none"> <li>• How do you think distance affects how you engage with actors for business support?</li> </ul>
Social proximity	the extent to which two actors share relations as a result of friendship, kinship and experience (Hansen, 2014)	<ul style="list-style-type: none"> <li>• To what extent did you previously collaborate or know the actor you engaged with?</li> <li>• How do you think previously collaborating or knowing the actor affects your ability to engage?</li> </ul>
Institutional proximity	the extent to which two actors share the same institutional rules of the game (Boschma, 2005b)	<ul style="list-style-type: none"> <li>• How do you think sharing a similar institutional framework affects the way you engage with actors?</li> </ul>
Organizational proximity	the extent to which relations are shared in an organizational arrangement, either within or between organizations (Boschma, 2005b)	<ul style="list-style-type: none"> <li>• Were you a member of the support provider and/or network you engaged with?</li> <li>• How do you think being a member affects the way you engage with them?</li> </ul>
Cognitive proximity	the extent to which two actors share the same knowledge base (Broekel and Boschma, 2012)	<ul style="list-style-type: none"> <li>• How do you think sharing similar levels of technological knowledge affects the way you engage with actors for support?</li> <li>• How do you think sharing similar levels of entrepreneurial experience affects the way you engage with actors for support?</li> <li>• How do you think sharing sectorial experience affects the way you engage with actors for support?</li> <li>• How do you think sharing a similar education level affects the way you engage with actors for support?</li> </ul>

# Findings

What dimensions of proximity facilitate relations between ethnic minority entrepreneurs and actors they engage with for business support?



# Findings

Type of proximity	Role in business support	How does the proximity dimension facilitate knowledge exchange?	
		Positive sides	Dark Sides
Ethnic/cultural proximity	Yes	<ul style="list-style-type: none"> <li>- Easier to engage as a result of shared language</li> <li>- Makes initial contact easier</li> <li>- Enables a shared empathy</li> </ul>	<ul style="list-style-type: none"> <li>- Creates lack of trust</li> <li>- Propagates negativity</li> <li>- Creates competition</li> </ul>
Geographical proximity	Yes	<ul style="list-style-type: none"> <li>- Facilitates trust through F2F contact leading to embedded relationships</li> <li>- Facilitates F2F contact for entrepreneurs with limited English language skills</li> </ul>	None found
Organizational proximity	Yes	<ul style="list-style-type: none"> <li>- Facilitates access to complementary sources of knowledge and access to events</li> <li>- Facilitates mutual understanding and trust</li> <li>- Reduces transaction costs</li> </ul>	None found
Cognitive proximity	Yes	<ul style="list-style-type: none"> <li>- Facilitates access to complementary but dissimilar levels of entrepreneurial experience, technological knowledge, sector knowledge</li> </ul>	<ul style="list-style-type: none"> <li>- Too similar bodies of knowledge negatively effects useful knowledge exchange</li> <li>- Increases risk of spillovers and competition</li> </ul>
Social proximity	Yes	<ul style="list-style-type: none"> <li>- Facilitates trust</li> <li>- Encourages a social and open attitude of engagement</li> <li>- Reduces risk of opportunistic behaviour</li> </ul>	<ul style="list-style-type: none"> <li>- Locks ethnic entrepreneurs into established ways of doing things</li> <li>- Loyalty leads to lack of trust to share information and knowledge</li> </ul>
Institutional proximity	Yes	<ul style="list-style-type: none"> <li>- Easier to engage and share knowledge with individuals based within the same country</li> </ul>	None found

# Findings

Are there sectoral differences on the role of the dimensions of proximity in facilitating relations between ethnic entrepreneurs and actors they engage with for business support?



# Findings

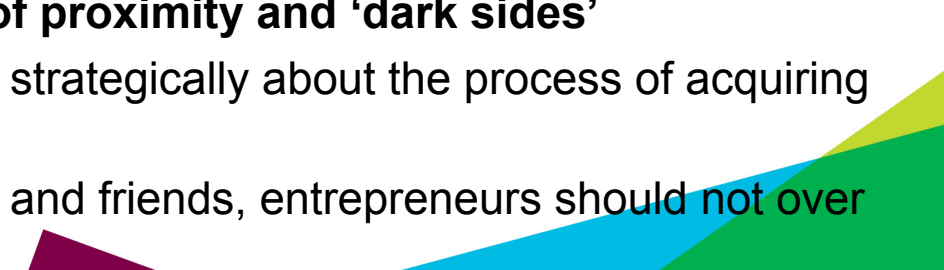
Sector	Proximity Dimension	Role in business support process
<b>Low value-added sectors</b>	Institutional proximity	<ul style="list-style-type: none"><li>▪ Facilitates knowledge exchange concerning laws and regulations which is essential for these highly regulated sectors</li></ul>
	Ethnic/Cultural proximity	<ul style="list-style-type: none"><li>▪ Facilitates knowledge exchange concerning sourcing and developing ethnic products for these sectors which typically rely on selling ethnic products to co-ethnic markets</li><li>▪ Engagement with actors in a native language facilitates knowledge exchange</li></ul>
	Geographical proximity	<ul style="list-style-type: none"><li>▪ Close proximity between actors more easily enables use of local actors for advice and support for these low knowledge-intensity sectors</li><li>▪ Enables F2F engagement for entrepreneurs that struggle with language fluency issues</li></ul>
	Social proximity	<ul style="list-style-type: none"><li>▪ Facilitates trust and informal relations which enables entrepreneurs to more easily to mobilize resources</li></ul>
<b>High value-added sectors</b>	Organizational proximity	<ul style="list-style-type: none"><li>▪ Facilitates exchange of complex knowledge which is necessary for knowledge-intensive, more professionalized sectors</li></ul>
	Cognitive proximity	<ul style="list-style-type: none"><li>▪ Facilitates exchange of complementary but dissimilar levels of knowledge which is essential for knowledge-intensive sectors</li></ul>



# Conclusions

- A relational approach helps us better understand contexts in which firms are embedded
- **EMEs build on various dimensions of proximity for business support**
  - entrepreneurial activity of EMBs *largely* explained by their capacity to access and mobilize group-specific ethnic resources (no!)
- **Positive influence of cognitive and organizational proximity demonstrate value of a sectoral approach**
  - Resource mobilisation process of ethnic entrepreneurs is more similar to non-ethnic entrepreneurs
- **Findings also confirm the ‘proximity paradox’ → positive and dark sides to proximity**
- **Differences between importance of proximity dimensions across high and low value-added sectors**
  - Based on knowledge intensity and regulatory environment of sector
  - Confirm context dependent nature of entrepreneurship → Sector is key for understanding business support relations of entrepreneurs

# Policy implications

- **Entrepreneurs in low value-added sectors have language fluency issues**
    - SPs should be proactive in arranging more F2F meetings with entrepreneurs
    - Translation provision or language courses incorporated into training and business development schemes
  - **Value of the provision of sectoral support over ethnic support**
    - Establish the needs of constituencies where support might be targeted
    - Replace ethnic support with support groups based on economic criteria such as sector or growth orientation
  - **Entrepreneurs in high value-added sectors draw from remote knowledge enhanced by organizational and cognitive proximity**
    - SPs may want to consider providing funding to attend international fairs and conferences
  - **Role of different dimensions of proximity and 'dark sides'**
    - Entrepreneurs should think strategically about the process of acquiring support
    - When engaging with family and friends, entrepreneurs should not over romanticise these relations
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