

The Vulnerability and Strength Duality in Ethnic Business: A Model of Stakeholder Salience and Social Capital

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Received: 6 February 2013 / Accepted: 28 April 2014 / Published online: 28 May 2014
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Abstract Managers in ethnic businesses are confronted with ethical dilemmas when taking action based on ethnic ties; and often as a result, they increase the already vulnerable positions of these businesses and their stakeholders. Many of these dilemmas concern the capital that is generated (or the lack of it) through variations in the use of ethnic stakeholder social ties. The purpose of this paper is to suggest a stakeholder-based model of social capital formation, mediated by various forms of ethnic ties, to explore the duality of ethnicity: it can aid *and* hinder an ethnic business. Drawing upon the social capital/economic development, stakeholder salience, ethnic businesses literatures, and (to some extent) on social identity theory, we develop a cyclical model of relationships among ethnic business stakeholder attributes (ethnic kinship-based power, ethnic-moral legitimacy, and ethnic-critical urgency) and social capital, as mediated by three-way (triadic) Simmelian bonding and bridging ties, which then, in turn, affects the ethnic stakeholder attributes. We argue that the development of bridging

yet strong ties through this cyclical process is relevant for the improvement of the positions of ethnic businesses in terms of both economic success and social responsibility. Specifically, we suggest that, given the duality of ethnicity in business, managers can prioritize stakeholder relationships based upon how these stakeholder ties affect social capital.

Keywords Stakeholder salience · Ethnic business · Simmelian ties · Social capital · Ethnic-based social dilemmas

There is a growing interest in ethnic businesses across the globe by scholars and policy makers alike (e.g., Jones and Ram 2007; Zhou 2004, 2012) because of the pervasive influence of ethnic ties, which, in recent decades, have given rise to war (Fearon and Laitin 2003; Moynihan 1993; Oberschall 2000; Smith 1981), to peace (Aklaev 1999; Sambanis 2000), and to the conduct of business in both global and local contexts (Choi and Kim 2008; Janjuha-Jivraj 2003; Koning and Waistell 2012; Pires and Stanton 2002; Wallace and Cornelius 2010; Wijaya 2008; Worthington et al. 2006; Yong 2008). In particular, ethical dilemmas in business can arise from the duality produced by ethnic-tie-based social dynamics among ethnic-businesses and their stakeholders: in one sense a source of strength; and in another sense, a source of vulnerability and hence weakness. The concept of social capital (e.g., Adler and Kwon 2002; Dolfsma et al. 2009)—as a repository of social strengths and weaknesses—is useful here. On one hand, ethnicity, when seen as people’s beliefs, perceptions, and self-identifications (Brubaker et al. 2004), engenders cohesion, integration, and inclusion of stakeholders (c.f., Crane and Ruebottom 2011; Russo and Perrini 2010),

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which affect social capital in certain ways consequent to the dynamics of social strengths (e.g., Portes 1998; Portes and Vickstrom 2011). On the other hand, ethnicity fosters partitioning into social groups which, with their attendant in-group/out-group dynamics such as discrimination, segregation, and exclusion (e.g., Barth 1998; Davies 2009; Pires and Stanton 2002), affect social capital in ways consequent to social vulnerabilities (e.g., Portes 1998).

Thus, the resulting social capital effects of ethnicity on business and ethics are not always apparent to managers when making decisions. Therefore, an examination of the ethical implications of the interplay among ethnicity, social capital, and business ethics is important—especially as it applies to managers' decisions regarding interrelationships with stakeholders. While at first glance this combination of social factors may seem specialized and somewhat unusual—with many dynamic contextual parts: e.g., ethnic and stakeholder focused social context, business-focused economic context, ethically permeable institutional context—we argue in this paper that actually, when explained in terms of mixed embeddedness (Jones and Ram 2007; Kloosterman 2010; Kloosterman et al. 1999), this interplay among contexts is relatively common and occurs quite frequently—with the ethnic business case serving simply (but well, as we shall argue) as a useful theory-building case in point.

The purpose of this paper is thus twofold. First, to capture theoretical relationships among key constructs leading to social capital, we propose a stakeholder-based model of social capital formation mediated by various forms of ethnic ties. Second, based upon the theoretical model, we then explore how managers can resolve possible ethnic social, economic, and ethical dilemmas. To accomplish this task, we integrate and extend two theoretical frameworks: social capital/economic development theory (Woolcock 1998; Woolcock and Narayan 2000; Warren et al. 2001), and stakeholder salience theory (e.g., Mitchell et al. 1997, 2011; Neville et al. 2011) as informed and (we hope) made more general by use of the mixed embeddedness notion (Jones and Ram 2007; Kloosterman 2010; Kloosterman et al. 1999).

As a beginning point for developing these conceptual connections, we introduce the concept of ethnic-business network salience—*the degree to which a manager gives priority to ethnic ties in a business*—to focus attention on individual-level socio-cognitive explanations as to why managers in ethnic businesses guide their organizations to form stakeholder networks based on ethnic and cultural factors. We then theorize concerning the connection between stakeholder attributes and the social capital available to ethnic businesses from these networks given variations in stakeholder attributes. Throughout, we attempt to show how the application of the stakeholder

salience idea to what heretofore has been considered to be certain specific contexts (e.g., Mitchell et al. 2011, 2013), can now be seen to be applicable in many such stakeholder contexts, according to an underlying logic rooted in the notion of mixed embeddedness.

The intended contributions of this paper are fourfold. First, we intend to add to an understanding of stakeholders which belong to different social groups (cf., Crane and Ruebottom 2011). Ethnic groups are one example of such social groups; other possibilities being gender, religion, profession, and so on. Through an understanding of the case of ethnic-based stakeholders, we can thus shed light on why certain managerial decisions regarding stakeholder prioritization might advance or undermine an organization (Frooman 1999; den Hond and de Bakker 2007; Hendry 2005; Rowley 1997), thereby contributing to the development of normative stakeholder theory (e.g., Cohen 2010; Donaldson and Preston 1995; Elms et al. 2010; Freeman and Phillips 2002; Hasnas 2013; Hendry 2001; Jones and Felps 2013; Jones et al. 2007; Marcoux 2003; Neville et al. 2011; Phillips 2003a; Purnell and Freeman 2012; van Buren 2001). Second, as our analysis identifies and explains the operation of various types of social ties (in particular Simmelian ties (Krackhardt 1998, 1999; Simmel 1950, 1971)), we provide explanations as to why developing bridging yet strong connections across social divides increases businesses' social capital in the long run, thereby furthering not only economic but also social stability. Also in providing a rationale for why some ties and not others lead to longer-term stability, we thereby participate in answering one of the key questions in stakeholder theory (i.e., who or what really counts (Freeman 1994; Mitchell et al. 1997)). Third, while our propositions are developed at the individual stakeholder level, we note that these arguments have broader societal implications (c.f., Lepoutre and Heene 2006) because the social-tie linking mechanisms we introduce within the ethnic business context (e.g., Simmelian¹ bridging ties) represent stable phenomena which, without changing the process, can be recomposed across levels of analysis (Chan 1998). We therefore introduce the possibility for additional frameworks to be constructed to contribute, for example, guidance in public policy or other macro-circumstances. Fourth, from a corporate social responsibility perspective, we suggest that development of bridging yet strong ties (through the cyclical process presented in our model), is normatively relevant (given the strengthening/weakening duality of ethnicity in business). We thereby also enable managers to prioritize stakeholder relationships to meet the expectations

¹ Named after a concept developed by Georg Simmel (Krackhardt 1999), Simmelian ties are social linkages that encompass both the strength *and* the structure of a relationship (e.g., triads vs. dyads).

of society (Carroll 1979, p. 500) based upon how the attributes of these stakeholder ties affect social capital.

Ethnic-Business Network Salience

Ethnic businesses are unique in some respects: distinguished from other businesses by a set of particular patterns of social structures (e.g., individual behaviors, social relations, and economic transactions) that are *shared* by the members of a common ethnic group and are also *shaped* by ethnic group membership (Aldrich and Waldinger 1990; Zhou 2004). Although highly related in empirical contexts, immigrant, minority and ethnic businesses are conceptually distinct. According to Chaganti and Greene (2002), immigrant business owners or managers are individuals who have recently arrived in a country and started a business as a means of economic survival. In contrast, minority business owners are individuals who are not of the majority population (Chaganti and Greene 2002). These definitions, however, are not mutually exclusive (c.f., Zhou 2004); nor are they particularly relevant to our theorizing, which focuses on ethnic groups in general. Ethnic groups are defined as segments or reference groups from a large society whose members are thought, by themselves and/or others, to have some awareness of group membership, and a common origin and culture as well as to share important activities in which the common origin and culture are significant ingredients (Shibutani 1955; Yinger 1985). Ethnic businesses are therefore those businesses that show particular social and economic patterns of interaction among people sharing common origins and cultural backgrounds.

Scholars have developed different approaches to studying phenomena related to the field of ethnicity-based businesses. Dominant sociological approaches to the study of ethnic businesses have argued that the survival of these businesses depends on their individual features, business opportunity characteristics, and macro-level structural dimensions (e.g., Aldrich and Waldinger 1990; Kloosterman et al. 1999; Ndofor and Priem 2011; Portes and Sensenbrenner 1993; Waldinger et al. 1990). To capture the complexity of different factors affecting the development and survival of ethnic businesses, Kloosterman and colleagues (c.f., Jones and Ram 2007; Kloosterman 2010; Kloosterman et al. 1999; Rath and Kloosterman 2002) advanced the idea of ‘mixed embeddedness’, which emphasizes the interplay of social, economic, and institutional contexts, and minimizes the potential research tendency to conceptually isolate ethnic businesses from the contexts within which they operate (Jones and Ram 2007). Thus, the idea of mixed embeddedness recognizes not only the social embeddedness of an ethnic business owner, but

also the embeddedness in the socio-economic and politico-institutional environment of the country in which the business is established.

Our analysis is consonant with a mixed-embeddedness approach toward understanding the relationship between contextual characteristics and individual ethnic business owners’ actions (such as prioritization of business stakeholders). We justify this analysis, in part, by explaining the ‘strengthening/weakening’ duality that ethnicity invokes, not only when, with co-ethnic ties, it encourages the interaction, but also when it might prevent the interactions with individuals from other ethnic groups. In this paper, following an approach that is more sensitive to the inherent social issues and ethical dilemmas in business, we use stakeholder theory to explain some of the behaviors that managers in ethnic businesses might demonstrate. While these behaviors might be partially a product of specific mixed-embeddedness characteristics, they are not well explained by extant theory. We believe that with this approach we provide an alternative argument regarding when and how ethnic claims can affect social capital. More specifically, we use the concept of stakeholder salience to address the ethical phenomenon of managers’ relative attention to different stakeholders in ethnic businesses as a key link to social capital.

Stakeholder Theory and Stakeholder Salience

Stakeholder salience theory addresses “to whom (or to what) managers (should) pay attention” (Mitchell et al. 1997, p. 853). Mitchell et al. (1997) argued that managers’ attention to stakeholders—stakeholder salience—depends, at least, on stakeholders possessing one or more of three-relationship attributes: power, legitimacy, and/or urgency. Managers, therefore, are expected to pay attention to stakeholders who have power in relation to the organization (i.e., have resources to exercise power), and are deemed to be legitimate (i.e., are socially accepted and desirable), and can generate urgency (i.e., demand for immediate attention to a critical claim) (Laplume et al. 2008; Mitchell et al. 1997). The relationship of these attributes to stakeholder salience has received reasonable empirical support in subsequent research (Agle et al. 1999; Eesley and Lenox 2006; Knox and Gruar 2007; Winn 2001). Neville et al. (2011) have proposed updates to stakeholder salience theoretical underpinnings, especially with respect to better-defining the construct of stakeholder legitimacy. In addition, Mitchell et al. (2011) argue that when different institutional logics intersect, a unique stakeholder salience setting will result; and they illustrate the theory using the case of family business. We incorporate these additions to theory in the development of our theoretical model.

Similar to the arguments put forth by Mitchell et al. (2011) in the case of family businesses, ethnic businesses can also be seen as occupying spaces in which different institutional logics—ethnicity and business logics—intersect. We take note, however, of criticisms suggesting that the uniqueness of the space occupied by ethnic business and other types of business may not be substantial given, for example, the importance of family members as valuable resources to the survival of a business in general (Jones and Ram 2007; Mulholland 1997). Driscoll and Starik (2004), in introducing the concept of stakeholder proximity, also argue that entities sharing the same physical space affect each other, implying that stakeholder salience in the case of ethnic businesses might be dependent as well, upon proximity among members within the same ethnic group. Both of these arguments may tend to qualify our assertion that stakeholder attribute uniqueness may exist distinctly at the intersection of ethnicity and business. However, mixed embeddedness arguments (Kloosterman 2010; Kloosterman et al. 1999) support the idea that ethnic businesses are affected by all kinds of institutions that together with economic and social forces, have the capacity to influence the three subcomponents of stakeholder salience—power, legitimacy, and urgency—on managers; and we do not see how one or another specific institutional factor should endanger the assertion that the *combination* of institutional elements at the intersection of ethnicity and business are substantially distinct.

In this section, we therefore rely on the logic of stakeholder salience theory (Mitchell et al. 1997; Neville et al. 2011) as extended to specialized institution-intersection contexts (Mitchell et al. 2011), to help develop an explanation as to why managers in ethnic businesses may choose to pay more attention to some stakeholder relationships than they do to others. In particular, we underscore that the relevant aspect in considering ethnic-business network salience is the notion of “social ties” as the mechanism that motivates linkages in relationships (e.g., Vissa 2011)—and specifically we focus on the question: why do managers in ethnic businesses pay more attention to some ethnic ties than other ties in their stakeholder networks?

Stakeholder Salience and Ethnic Business

Stakeholder salience is defined to be “the degree to which managers give priority to competing stakeholder claims” (Mitchell et al. 1997, p. 854). Extending this concept to the case of ethnic businesses, we have (again, as noted previously and repeated here for convenience only) defined ethnic-business network salience to be *the degree to which a manager gives priority to ethnic ties in connection with a business*. Thus, a high level of ethnic-business network salience means that a group of stakeholders which belongs

to a particular ethnic group will have a large influence on a manager’s perceptions and behaviors toward that group. We use extensions of the three original stakeholder attributes of stakeholder salience theory—power, legitimacy, and urgency as further defined in the following paragraphs (Mitchell et al. 1997, 2011)—to help to elaborate the phenomenon of ethnic-business network salience. As it is conceived in the early application of the stakeholder salience framework to empirical investigation (e.g., Agle et al. 1999), salience-based prioritization, as we employ the concept in our theorizing, follows the human attention processes that social cognition theory suggests, such as stimulus domination, influence of prior knowledge or expectations, and the propensity of being selective regarding information processing (cf., Fiske and Taylor 1984, pp. 184–187). As such, managers’ prioritization of ties is thought to occur under the restrictive attention-prescribed socio-cognitive conditions of incomplete availability of information about the stakeholder, time constraints, and a (relatively) short managerial attention span.

Ethnic Kinship-Based Normative Power in Ethnic-Business Network Salience

Most current definitions of power derive, at least in part, from the early Weberian idea that power is “the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance” (Weber 1947). Pfeffer (1981) rephrases Dahl’s (1957) definition of power as “a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not otherwise have done.” In elaborating the bases of power, Mitchell et al. (1997) use Etzioni’s (1964) three types of power: coercive power, based on the physical resources of force, violence, or restraint; utilitarian power, based on material or financial resources; and normative power, based on symbolic resources (e.g., that can offer/deliver fame, or threaten/deliver shame).

We argue that the operation of ethnic ties is influenced by the institutional logic of ethnicity, which depends upon rather stable norms and patterns of interactions and behaviors that characterize and differentiate a group of people who share a common cultural origin (e.g., Nagel 1994; Yinger 1985). These patterns of interactions and behaviors include language, religious practices, appearance, values, and habits, among other elements. In other words, ethnicity, and in particular ethnic identity, most closely concerns the issue of boundaries and stereotypical norms that define an ethnic group, and in some respects define how power use occurs therein. Therefore, according to these arguments, ethnic identity not only determines who

is a member and who is not a member of the group (normative-power-based distinction) but also designates sanctions and rewards (coercive, utilitarian, and/or normative) within the group (Nagel 1994; Waldinger 1995). Among many possible sources of power evident in ethnic ties, kinship based on ethnicity is one source of power which is potentially most important and theoretically interesting. In general, anthropologists define kinship to be “the network of genealogical relationships and social ties modeled on the relations of genealogical parenthood” (Holy 1996, pp. 166–167). Good (1996) notes that most anthropologists add the qualification “biological kinship, as culturally defined by the society concerned (312).” As Scheffler (2001) adds, kinship in this sense is a “universal and often-extensive [factor]...in the constitution of human societies (ix).” A loose usage of the term “kinship” also includes marriage and affinity (i.e., relationships derived from marriage).

Combining notions of kinship with enterprises, Peredo (2003) explores three kin-based enterprise types: blood and marriage kin-based business, spiritual kin-based business, and community-based business. Extending this discussion, we explore the importance of kinship in ethnic businesses. In ethnic kinship-based businesses, ethnicity becomes a mode of affiliation as do rituals in spiritual kin-based business (c.f., Peredo 2003). In this case, the concept of kinship expands beyond genealogical relationships, or the biological family. That is, people within the same ethnic group are not always genealogically related, but they tend to view one another as brothers and sisters, especially when they are differentiated from members of other ethnic groups, as reference groups would suggest (Shibutani 1955). Further, ethnic kinship is strengthened by the process of ethnic solidarity, in which individuals tend to organize themselves on the basis of common characteristics that are important in terms of their fate and lifestyle (Nielsen 1985). Given that the logic of ethnicity is based on the categorization of kinship-based group membership and hence, the inclusion/exclusion of people (i.e., behaviors that correspond to the stereotypical norms and actions that define the ethnic group), we therefore argue that the distinctive source of power in ethnic ties is predominantly normative. Thus, we define ethnic kinship-based normative power to be *power that is based on granting exclusion/inclusion in the network of social ties modeled on the bases of common cultural heritage or origin*.

Ethnic-Moral Legitimacy in Ethnic-Business Network Salience

Stakeholder legitimacy has been variously defined as vague, problematic, malleable, and multifaceted (Banerjee 2001; Driscoll and Starik 2004; Hybels 1995; Neville et al.

2011; Phillips 2003a, b; Suchman 1995). Neville et al. (2011) argue that a composite definition of legitimacy (Suchman 1995) encompasses three forms of legitimacy: moral, pragmatic, and cognitive, out of which the role of stakeholder legitimacy should be restricted to moral legitimacy. Neville et al. (2011) define the moral legitimacy of a stakeholder’s claim as “assessment by managers of the degree to which a claim exceeds a threshold of desirability or appropriateness within some personally, organizationally, and socially constructed system of ethical norms, values, beliefs, and definitions (p. 369).” Moreover, there has been acknowledgment of differences among legitimacy of the stakeholder as an entity, legitimacy of the stakeholder’s claim, and legitimacy of the stakeholder’s behavior (Neville et al. 2011; Santana 2012). We utilize the above mentioned definition of moral legitimacy in terms of the claimant’s behaviors and current advances in “the new sociology of morality” (Abend 2008; Hitlin and Vaisey 2013) as the bases for the construct in our model, which we label ethnic-moral legitimacy.

Moral legitimacy is treated here as an apparent consensus among actors about the acceptance of an object as right or wrong (e.g., Johnson et al. 2006). Applying the concept of moral legitimacy in the case of ethnic businesses, we draw attention to two ethical concepts: collectivism, and in-group/loyalty, as theoretical underpinnings of ethnic-moral legitimacy. First, the source of moral legitimacy derives from collectivism pervasive in ethnic businesses (c.f., Hayek 1994). Collectivism represents a preference for a tightly knit framework in society in which individuals can expect their relatives or members of a participant in-group to look after them in exchange for unquestioning loyalty (Hofstede 1984). Another lens to analyze moral legitimacy in ethnic businesses is through the concept of in-group/loyalty proposed by Haidt and colleagues (Graham et al. 2009; Haidt 2007; Haidt and Graham 2007; Haidt and Kesebir 2010). Haidt and Graham (2007) argue that the long history of living in kin-based groups of a few dozen individuals has led to special social-cognitive abilities backed up by strong social emotions, related to recognizing, trusting, and cooperating with members of one’s co-residing in-group while being distant from and distrustful of members of other groups. According to in-group-based moralities, dissent is not patriotic; rather, criticizing one’s in-group while it is engaged in an armed conflict with another group is betrayal or even treason (Haidt and Graham 2007).

New sociological approaches to morality also underscore the relevance of social groups in the understanding of good and bad, right and wrong, worthy and unworthy (Hitlin and Vaisey 2013). Also, perceptions of good and bad, right and wrong might vary according to ethnic groups (c.f., Pires and Stanton 2002). Concepts such as in-group

and loyalty can be applied to ethnic businesses, where actors engage in morally justified behaviors such as favoring their group members over others. We therefore argue that in the case of ethnic-business network salience, ethnic-moral legitimacy will likely also be based on a consensus about the acceptance of ethnic group loyalty. We therefore define ethnic-moral legitimacy to be *the extent to which individuals within an ethnicity-constructed system of expectations, perceive that loyalty based on ethnic ties is morally desirable, proper, or appropriate.*

Ethnic-Critical Urgency in Ethnic-Business Network Salience

One of the primary questions surrounding the use of the urgency construct in reference to any organization that combines two institutional logics, is whether criticality (i.e., the importance of a stakeholder's claim) and temporality (i.e., the time sensitivity or the extent to which it is necessary to respond immediately to a stakeholder's claim) are independent (Mitchell et al. 2011). In the following paragraphs, we explain why we argue that in the case of ethnicity, ethnic urgency is influenced more by criticality than by temporality. We do so by describing the environments in which ethnic businesses are embedded and how the actions managers in these businesses pursue in such environments are criticality-focused.

Scholars in the research tradition of ethnic businesses acknowledge three factors that affect ethnic business development (Aldrich and Waldinger 1990). These three factors are: opportunity structures, group characteristics, and ethnic strategies. Along these lines, using the mixed-embeddedness notion in ethnic businesses to conceptualize the interplay among these three factors, such scholars suggest that managers in ethnic businesses might face disadvantageous opportunity structures such as high barriers to entry and social exclusion based on ethnicity-based group characteristics and strategies (e.g., Kloosterman 2010; Zhou 2004, 2012). Moreover, managers in these businesses have access to specific human and economic resources in different degrees (Ndofor and Priem 2011). Having these two broad forces (i.e., environmental conditions and individual resources) in mind, Kloosterman (2010) developed a typology of different market conditions with respect to access to individual resources. In circumstances in which businesses face a tougher environment (i.e., discrimination, stagnation, high barriers to entry) and in which businesses do not have much access to a plethora of diverse resources such as human, financial, and social capital; ethnic resources will be highly important. Ndofor and Priem (2011) found that the more economic and human capital managers in ethnic businesses have, the less likely they are to develop an ethnicity-based strategy. These authors (2011) also found that

the business owners that followed strategies based on ethnicity were those that were highly dependent on their ethnic resources. Consequently, we argue that ethnic ties might be perceived as highly important resources to an organization which possesses weak economic and human capital or in which the environments are characterized by imposing tougher conditions. In circumstances in which environmental conditions are hard and disadvantageous for managers in ethnic businesses, ethnic ties might be one of the few alternatives available to managers, thus suggesting criticality as being of primary importance in the urgency definition calculus.

Research on ethnicity and economics has also found that the urgency of ethnic ties is partially driven by economic results, implying that ethnic ties might also be critical for the survival of ethnic businesses in those cases in which the businesses have limited access to additional resources or the environmental conditions are not favorable (e.g., Leonard and Tibrewal 1993; Light et al. 1993a, b). Moreover, ethnic-economic environments, once formed, create "ethnic niche markets" that sometimes act as entry barriers to outsider competition (Barrett et al. 2002, p. 17). It is then likely that managers in ethnic businesses perceive their ethnic ties as critical when access to both resources and conditions in the environment is limited and constraining. According to this logic, we therefore define ethnic-critical urgency to be: *the extent to which an ethnic manager depends on ethnic ties under resource or environmental constraints.* In contrast, we expect that ethnic ties are less likely to produce strong time-sensitive claims on a manager for at least two reasons. One reason is that the manager embedded in a network of ethnic ties tends to believe that those ethnic ties are available regardless of time sensitivity (e.g., Granovetter 1983). Another reason is that the manager tends to believe that those ethnic ties are easily and frequently accessible, because ethnicity is an enduring aspect of individual identity (Nagel 1994).

Stakeholder Salience and Ethnic Stakeholder Attributes

In this section we have relied on the logic of stakeholder salience theory (Mitchell et al. 1997; Neville et al. 2011) as extended to specialized institution-intersection contexts (Mitchell et al. 2011), to explain why managers in ethnic businesses may choose to pay more attention to some stakeholder relationships than they do to others. In summary, we argue that ethnic-business network salience is distinct in that power is normative due to kinship-based ethnic expectations, legitimacy is based on ethnic morality, and ethnic stakeholders' claims can be urgent when managers depend on their resources for the success of a business (See Fig. 2). Accordingly, we suggest:

Proposition 1 Ethnic-business network salience will be positively associated with the cumulative number and degree of ethnic-tie attributes—ethnic kinship-based power, ethnic-moral legitimacy, and ethnic-critical urgency—perceived by managers to be present.

Herein we have thus proposed the association of ethnic-business network salience with its antecedents, as a way to explain why, within the mixed embeddedness social, economic, and institutional context of ethnic business, managers in ethnic businesses are expected to pay more attention to some social ties than to other ties. In the following sections, we explore the relationship between ethnic-business network salience and social capital, whereby we argue that the relationship is theoretically tractable and explanatory by being mediated by the effects of Simmelian ties within which ethnic businesses are embedded. We therefore turn our attention next to the effects of the social structure implied by Simmelian ties.

Simmelian Ties

Social network analysis, of the structural aspects of relationships, is grounded in the notion that the patterning of social ties within which actors are embedded has important consequences for social actors (e.g., Freeman 2004; Scott 2000). Consequently, this core patterning notion has led scholars to: (1) propose the existence of various kinds of social patterns (e.g., Burt 1992; Granovetter 1983), (2) suggest the conditions under which those patterns arise (e.g., Moore 1990), and (3) attempt to discover the consequences of the existence of such a social structure (e.g., Burt 1992; Granovetter 1983; Simmel 1950). Some of the social patterns so identified include bonding versus bridging sources of social capital, which we will discuss next.

Bonding and Bridging Ties

Traditionally, connections in networks are thought to facilitate the development of norms and trust, which in turn provide (for example) access to resources (Burt 1992; Coleman 1990). Scholars tend to classify such connections into two types. One type is internal or bonding ties (i.e., the structure of the relationships actors maintain within groups); and the other is external or bridging ties (i.e., the structure of the networks of relationships that develops between groups) (Adler and Kwon 2002; Gittel and Vidal 1998; Payne et al. 2011; Putnam 2000). Internal or bonding ties form connections among people within groups, and external ties form bridges across social divides between groups (Krackhardt and Stern 1988). The “bonding” idea captures the notion that people derive resources from the

internal forces within a given network of contacts as relationships among these contacts mature and thereby create strong connections (Coleman 1988). The “bridging” idea captures the notion that people access resources through reaching across structural holes (the space between tightly bonded groups, Burt (1992)), thus creating “weak” ties that make resource-providing connections across social divides. Actors connected through such bridging weak ties have access to information and resources beyond those available in their own social circles.

However, the conceptual distinction between bonding and bridging types of social connections is more complex than originally thought (Adler and Kwon 2002; Anthias 2007; Obstfeld 2005). As Adler and Kwon (2002) suggest, “this distinction between the external and internal views is, to a large extent, a matter of perspective and unit of analysis: the relations between an employee and colleagues within a firm are external to the employee but internal to the firm. Moreover, the internal and external views are not mutually exclusive” (Adler and Kwon 2002, p. 21). Similarly, other scholars have suggested that social networks encompass more complex phenomena in which multilevel (Payne et al. 2011) as well as both bonding and bridging aspects of the social resources should be taken into account (Woolcock and Narayan 2000). A conceptual scaffold has been needed to capture the simultaneous existence of both bonding and bridging ties.

Simmelian Ties: Simultaneous Bonding and Bridging

The idea that both bonding and bridging ties should be considered simultaneously can be traced back to the work of George Simmel, who wrote extensively on social boundaries separating “insiders” and “outsiders” (Simmel 1971; Woolcock and Narayan 2000; Woolcock 1998), and provided the first theoretical explanations as to how social triads, which are fundamentally different from social dyads, form the basis of a simultaneous bonding and bridging theory (Simmel 1950). In these arguments, Simmel suggested that the social impacts of Simmelian ties differ from those of dyads in three respects (Krackhardt 1998, 1999). First, Simmelian ties tend to decrease the possibility of individuals pursuing their individuality. This diminishment is argued to be attributable to the fact that individuals in a dyad preserve more of their individuality than do those in a triad, because any individual within a dyad cannot be outvoted by any single majority (Krackhardt 1998). Second, Simmelian ties tend to reduce the bargaining power of single individuals. Individuals in a dyad have much more bargaining power than those in a triad because a situation where one faces only one partner; the dyadic relationship can thus be dissolved if demands of either side are not met (Krackhardt 1998). However, this is

not the case for triads, in which an individual withdrawing from the triad has the most to lose because this means that by doing so, the individual isolates herself from the triad while the other two individuals keep each other's company. Third, due in part to the two previous reasons, Simmelian ties might facilitate cooperation and conflict resolution. Conflicts in a triadic relationship tend to be mitigated because: (1) actors tend to have less bargaining power, and (2) when facing conflict, actors in a triad tend to favor cooperation (Krackhardt 1998).

Empirical evidence suggests that Simmelian bridging ties are more strongly associated with cooperation and innovation than are non-Simmelian bridging ties (Tortoriello and Krackhardt 2010). Although potentially providing benefits such as affording access to non-redundant information, bridging ties alone do not generate positive and pro-social outcomes (Ahuja 2000). In most cases they do not enable the parties in a triad to share a common understanding; and they do not give them the motivation to provide reliable information and to cooperate. As such, bridging ties alone may not generate the highest positive outcomes (Ahuja 2000; Tortoriello and Krackhardt 2010). Instead, given the nature of relationships based on Simmelian ties (e.g., dyads embedded in a clique), social ties that are not only bridging but also Simmelian are more likely to provide two benefits simultaneously: (1) the willingness to provide more diverse information, which comes from bridging ties and (2) the willingness to cooperate in a less-selfish manner, which comes from being reciprocally connected to triadic relationship structure. We therefore note, and include in our argument that these two benefits combined have the potential to create economic and social opportunities for vulnerable groups and therefore strengthen their economic development.

Simmel's initial ideas on linkages within and between groups were further developed by him, and by subsequent researchers in social network analysis, to become widely known as Simmelian ties (Krackhardt 1998, 1999; Simmel 1950, 1971) and they are illustrated in Fig. 1a, b, c. As shown in Fig. 1a, in general, "two people are Simmelian-tied to one another if they are reciprocally and strongly tied to each other *and if* they are each reciprocally and strongly tied to at least one-third party in common" (Krackhardt 1998, p. 24). That is, Simmelian ties can be defined as dyads embedded in triads or cliques. Recent empirical evidence suggests that Simmelian ties are of two types (c.f., Tortoriello and Krackhardt 2010). One type (Simmelian single-group ties, Fig. 1b) does not bridge different social groups but connects actors within a single social group. The other type consists of Simmelian ties that create a bridge between/across different social groups (Simmelian-bridging ties, Fig. 1c) (c.f., Tortoriello and Krackhardt 2010). In accordance with definitions within the

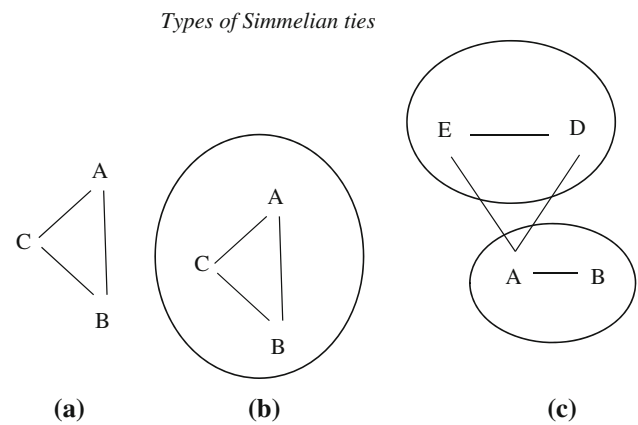


Fig. 1 a Simmelian ties. b Simmelian single-group ties. c Simmelian-bridging ties Between A, E, D

literature on Simmelian ties, we define Simmelian single-ethnicity (single-group) ties as *Simmelian ties that a manager forms with other actors in the same ethnic group.*² We define Simmelian-bridging ethnic ties as *Simmelian ties that a manager forms across different ethnic groups.*

Simmelian Ties, Ethnicity, and Network Salience

Scholars in the study of social networks tend to assume that actors have motivations to develop their networks and therefore these researchers pay less attention to issues of salience, i.e., why actors have motivations to make connections in the first place (Adler and Kwon 2002; Hallen and Eisenhardt 2012; Ozcan and Eisenhardt 2009; Vissa 2011). Thus, social network scholars seem to ignore at least one primary mechanism impacting social-tie formation: the prioritization of social ties: in our parlance, ethnic business network salience. Using social identity theory (Tajfel 1978; Tajfel and Turner 1979), we therefore further examine the relationship between ethnic-business network salience and the aforementioned two different types of Simmelian ties.

It has been argued that when actors share psychological identification with members of their ethnic group, they tend to be cohesive among themselves, show mutual attraction, and develop positive evaluation for in-group members (e.g., Aldrich and Zimmer 1986; Turner et al. 1987). Hence, managers who are higher in ethnic-business network salience are expected to have a large number of Simmelian ties embedded in single-ethnic groups when compared to those who are low in ethnic-business network salience. Thus, we argue that managers higher in ethnic-business network salience will be more likely to form more

² Because the focal actor of interest for this paper is the manager of an ethnic business, the definition of Simmelian ties is centered on the manager. However, we are aware that other types of social actors can form such ties.

ties with members within their ethnic group than with those from other ethnic groups.

While proposing a positive relationship between ethnic-business network salience and the number of Simmelian single-ethnicity ties, we encounter a different logic when examining Simmelian-bridging ethnic ties. This logic arises in part due to the relative scarcity of between-group connections when compared to within-group connections. According to social identity theory (Tajfel 1978; Tajfel and Turner 1979), it is only natural to expect that actors who are higher in ethnic-network salience will develop less identification with people in other ethnic groups, thereby forming a small number of Simmelian-bridging ethnic ties. And, according to the literature on social networks, because individuals do not have unlimited capacity for connecting to other individuals (i.e., because there is limited time, energy, and cognitive capacities), social actors cannot maintain strong ties with large numbers of other actors (e.g., Granovetter 1973). We therefore argue that actors higher in ethnic-network salience will tend to form a larger number of Simmelian single-ethnicity ties, but a smaller number of Simmelian-bridging ethnic ties. Hence we suggest:

Proposition 2 The number of Simmelian ties is associated with ethnic-network salience.

- 2a The number of Simmelian single-ethnicity ties is positively associated with ethnic-business network salience.
- 2b The number of Simmelian-bridging ties is negatively associated with ethnic-business network salience.

Thus, we suggest that stakeholder salience implicates the relationship choices made by managers in ethnic businesses. Earlier we argued that actors intentionally engage in constructing their social networks. Now we turn to an analysis of the relationship between managers' choices made with respect to developing Simmelian ties, and social capital.

Social Capital

Social Capital: Sources and Effects

The notion of social capital stems from the idea that individuals who engage in various kinds of exchanges form social relationships that have some degree of persistence over time. Such "stored" relationship experiences can then be used for different purposes (e.g., material and moral support, access to work and non-work information, etc.) (Coleman 1990). The importance of social capital was first acknowledged by philosophers and economists such as

David Hume (see McNally 1990) and Adam Smith (see Evensky 1993) (respectively), who argue that moral sensibilities about relationships in the social world would support new forms of economic activities (cf., Woolcock 1998). However, during the nineteenth and twentieth centuries, a conceptual divide emerged. The dominant approach in economics tended to overlook the impact of social relationships on economic exchanges; while alternatively, sociologists and political scientists took this phenomenon as a subject of research quite seriously (e.g., Bourdieu 1986; Coleman 1988, 1990; Etzioni 1993; Fukuyama 1995; Putnam 2000). In this paper, we thus follow in the latter research tradition in developing our arguments.

Social capital research can be classified into three different approaches identified as the: (1) Communitarian view, (2) Structural view, and (3) Institutional view (Woolcock and Narayan 2000). Briefly stated, in the communitarian view scholars equate social capital with local level organizations, namely associations, clubs, and civic groups among other collective forms (e.g., Etzioni 1993; Fukuyama 1995). The general expectations about the outcomes of social capital in the communitarian view are in the positive sense that social capital is implied to be inherently good and that more is better (Woolcock and Narayan 2000). In the structural view (e.g., Granovetter 1973; Burt 1992; Portes 1998; Portes and Sensenbrenner 1993; Uzzi 1997), the focus has been on an understanding of networks' properties. The structural approach does contemplate negative aspects of certain characteristics of networks (i.e., closure versus openness, segregation) (Coleman 1990; Lin 2001; Portes and Sensenbrenner 1993; Putnam 2000) and it does differentiate between sources of social capital and consequences derived from them (Lin 2001; Portes and Sensenbrenner 1993). In contrast, scholars adopting the institutional view conceive the community of networks and civil society to be the product of the political, legal, and institutional environments (Woolcock and Narayan 2000). The argument based on this view states that the capacity of social groups to act in their collective interests depends crucially on the quality of the formal institutions in which they reside (North 1990). In this way, the institutional view of social capital stresses the relevance of policies and governmental institutions as contextual drivers of social capital appropriability.

In this paper, we mainly adopt the structural approach, reflecting the importance to our theorizing of social network arrangements when studying phenomena that are expected to be related to social capital. However, we also acknowledge that the perspectives on social capital can, and sometimes ought to be combined as previously scholars have suggested (Woolcock and Narayan 2000). We will return to this point in the discussion session as

some of the nuances arising from our suggested model are further explored. Accordingly we note, for example, that in his work on trust, Fukuyama (1995) recognized the importance of network properties such as the sense of community, trust and reciprocity, among other characteristics of social capital, for a society to take advantage of economic opportunities. In a similar vein, Putnam's (1993) and Etzioni's (1993) ideas on communities as key drivers of economic opportunities complemented Fukuyama's ideas (1995). Bourdieu (1986), with his ideas on power relationships and class conflicts, noted that not everybody has the same social capital; some actors having more access to better sources of social capital than do others. Helpfully, Bourdieu (1986) links the structural approach to the institutional, suggesting that the properties of social capital are reproduced through a series of institutional rites, implying that a social order influences the properties of social capital—providing at least one normative view of the way the reproduction of social capital occurs. Social capital has therefore been suggested to influence a variety of phenomena, such as (non-exhaustively) impacting career success (Granovetter 1973, 1983), facilitating resource exchange and product innovation (Hansen 1999; Tsai and Ghoshal 1998), strengthening supplier relationships (Baker 1990; Uzzi 1997), applying to regional production networks (Romo and Schwartz 1995), and facilitating entrepreneurship (e.g., Chong and Gibbons 1997; Walker et al. 1997). In this paper we shall later argue that other important phenomenon influenced by social capital include ethnic stakeholder attributes. How, then, is social capital defined for purposes of our argument?

Social Capital: Definition

Due to the substantial volume of research on social capital, several reviews and theoretical syntheses on the concept and its definition have been presented in the literature (c.f., Adam and Roncevic 2003; Adler and Kwon 2002; Field 2003; Lin 2001; Payne et al. 2011; Portes 1998; Woolcock 1998). In one of the most recent reviews, Payne et al. (2011) have suggested that many of the studies on social capital converge on the resource-focused idea that social capital consists of all resources that people (individual or collective) obtain through the social structure (e.g., network, cultural norms) in which they are embedded. For purposes of our theorizing, however, we employ Adler and Kwon's (2002) somewhat broader notion, which defines social capital as “the goodwill available to individuals or groups (p. 23).” In using this definition we are thereby able to incorporate the extensions of social capital in business ethics research such as work done by Maak (2007) and Mele (2009), among others. Thus, the social capital we are referring to herein is expected to facilitate mutually beneficial and responsible

action (Maak, 2007), as a product of “virtuous networking” (Mele 2009). This definition thus conceives of a notion of social capital that tends to reflect a normative character (Maak 2007; Mele 2009). Because our level of analysis is the individual level, this definition of social capital is expected to apply to managers and their circles of connections. Thus, in the next section we proceed to examine Simmelian ties and their relationship with social capital. The logic behind Simmelian relationships connects both types of social capital, bonding and bridging. We shall also argue, these relationships are particularly relevant, for example, to the analysis of vulnerable groups, and their economic growth and development.

Simmelian Bonding and Bridging Social Capital

In his early writings, Simmel recognized that fragile communities would need to generate social ties extending beyond their primordial groups, if long-term developmental outcomes were to be achieved (Simmel 1950, 1971; Woolcock 1998; Woolcock and Narayan 2000). Researchers studying urban poverty therefore argue compellingly for the importance of both bonding and bridging social capital resources particularly for vulnerable groups (e.g., Moser 1998; Warren et al. 2001; Wilson 1996). By vulnerable groups scholars in this research stream mean those groups which face risks, hazards, shocks and stress, and difficulty in coping with contingencies (Moser 1998). Like Simmel (1950), these scholars continue to argue that vulnerable groups need to generate trustable connections beyond their primordial groups if long-term development outcomes are expected to be achieved (Wilson 1996). These scholars explain that although ties within the same group are important, these ties are less effective in promoting the long term welfare of the vulnerable group members in the society at large because ties within the same group tend to be less diversified and less conducive to promoting positive and collective social outcomes. Moreover, the bonding social capital created within fragile communities tends to be more defensive than proactive and less mutually beneficial (Wilson 1996; Woolcock and Narayan 2000). Bridging social capital, on the other hand, tends to generate proactive dynamics such as sharing of different opportunities, and participation in more formal institutions in an cooperative and mutually beneficial manner (Larsen et al. 2004; Woolcock and Narayan 2000).

Scholars in the ethnic business literature have previously acknowledged that ethnic businesses can be vulnerable (e.g., Auster and Aldrich 1984). This is partially due to their size (usually small and medium size enterprises: SMEs). But ethnic businesses also are vulnerable because of, for example, resource constraints, informality, dependency on personal relationships, and local (narrow)

focus, among others (e.g., Lepoutre and Heene 2006; Spence 1999). Moreover, ethnic businesses face tough conditions such as low barriers to entry and social exclusion based on ethnicity claims (Aldrich and Waldinger 1990; Kloosterman 2010). Therefore, we suggest that in such a mixed-embeddedness context, the utilization of differential social capital stores (i.e., *both* bonding and bridging ties) will be required for vulnerable-group businesses operating under the foregoing restrictions (e.g., some bonding but especially bridging-tie social capital utilization will be necessary).

We therefore use the logic supporting the notion of Simmelian ties to argue that these ties help to ensure the quality, dynamics, and stability of *both* bonding and bridging interactions among the parties in a triad (Garriga 2009; Krackhardt 1998, 1999; Obstfeld 2005; Phillips 2010; Tortoriello and Krackhardt 2010), and thereby affect social capital. When combining the research stream on vulnerable groups and social capital with research on Simmelian ties, we argue that in ethnic businesses the contrast of Simmelian-bridging ties with Simmelian *single-ethnicity* ties may help scholars to explain why a stakeholder, possessing ties exclusively within the same ethnic group, paradoxically suffers a decrease in available social capital (c.f., Coleman 1990; Lin 2001; Putnam 2000; Uzzi 1996, 1997). In similar ways as for vulnerable groups, survival and growth in ethnic businesses might be difficult to achieve. In this context, for ethnic businesses Simmelian-bridging ties have the capacity to offer new social assets in a manner in which it is possible to deploy them and get economic benefits such as additional human capital, technology access, and financial resources. These ties also have the potential to incentivize pro-social behaviors for most of their participants. On the other hand, combining ideas on bonding social capital and the Simmelian ties logic in ethnic businesses, Simmelian single-ethnic ties run the risk of becoming too similar, somewhat defensive and highly exclusionary. Scholars researching social capital such as Putnam (2000) with his ideas on race segregation, Lin (2001) with the discussion of homophilous interactions in networks, and Portes (1998) with his review on negative aspects of social capital, support the assertion that Simmelian single-ethnic ties could turn into mixed blessings (e.g., Waldinger 1995). We therefore propose that:

Proposition 3 The size of the proportion of the number of Simmelian-bridging ties (numerator) to the number of Simmelian single-ethnicity ties (denominator) is positively related to the level of social capital.

We caution that the above proposition does not suggest that Simmelian-bridging ties are necessarily superior, in absolute terms, to Simmelian single-ethnicity ties. Rather, we emphasize the connection between vulnerable groups

and ethnic businesses as well as the relativity that a ratio between these two types of Simmelian ties conveys. Hence, with the addition of Proposition 3, we have developed a theoretically substantive connection among the ethnic stakeholder attributes (ethnic kinship-based normative power, ethnic-moral legitimacy, and ethnic-critical urgency) and ethnic network salience (P1+); additionally, we have developed such a connection between ethnic-business network salience and two types of Simmelian ties (P2a+ ; P2b-); and also, we have connected the ratio of Simmelian bridging to single-ethnicity ties with the level of resultant social capital (P3) (See Fig. 2). However, consistent with the notion of cycles and feedback processes described in the social networks literature (e.g., Cohen and Prusak 2001; Payne et al. 2011; Powell et al. 1996), it is also important to examine the extent to which social capital (in turn) affects ethnic-business network salience. We advance this argument next.

Social Capital and Ethnic-Business Network Salience

Our theoretical framework acknowledges that ethnic businesses are surrounded by informal and formal social structures, which correspond to a mixed-embeddedness context (e.g., Kloosterman et al. 1999). In general terms, Propositions 2 and 3 suggest that social capital—arising from both Simmelian bridging ties and Simmelian single-ethnic ties—reflects specific kinds of elements of the mixed-embeddedness context within which ethnic businesses operate. In this section, we discuss how social capital has the capacity to influence subsequent degree levels of ethnic stakeholder attributes. In this way we develop a dynamic theory that can be applied to contexts beyond ethnic businesses, as we propose a more general stakeholder salience cycle: *from context-sensitive stakeholder attributes, to context-network salience, which influences the Simmelian-ties proportion (that represents simultaneity in bonding/bridging tie emphasis), leading to a social capital experiential repository, which (in turn) impacts context-sensitive stakeholder attributes* (Fig. 2).

It has been previously acknowledged that within social relationships, feedback and recursive interactions are to be expected (e.g., Lin 1999; Portes 1998). The existence of this feedback/recursivity phenomenon within social relationships suggests that elements of social capital serve as both cause and effect in explanations (Adam and Roncavec 2003; Cohen and Prusak 2001) as a given social cycle repeats. Hence, an assertion that logically follows is that outcomes of social relationships (in the form of social capital, for example) may also be expected to influence how people perceive those social relationships. We therefore suggest that feedback loops over succeeding time

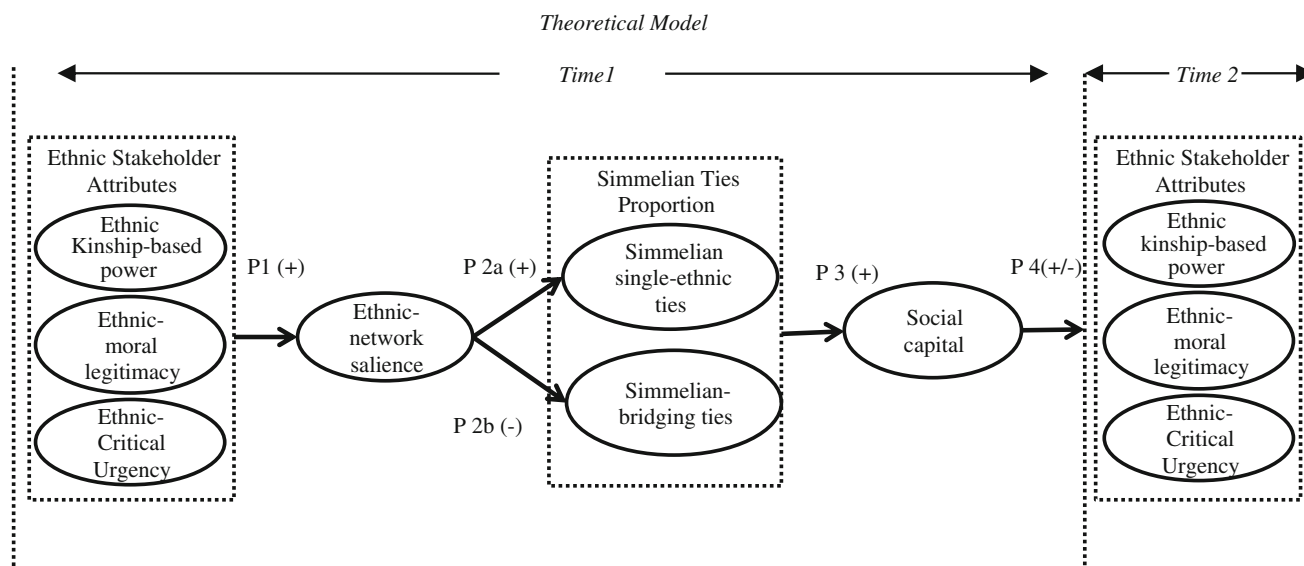


Fig. 2 Theoretical model

periods be included in models when researching phenomena related to key constructs in stakeholder salience/social capital-sensitive cycles that occur within mixed-embeddedness contexts.

To theorize about these feedback loops in our specific case, we rely on studies of economic development and social networks (e.g., DiMaggio and Garip 2012; Warren et al. 2001; Wilson 1996), where a cumulative effect of social networks has been found to persist and even intensify over time (DiMaggio and Garip 2012; Warren et al. 2001; Wilson 1996). That is, “advantages individuals obtain from initial endowments (e.g., financial, or cultural resources) may be compounded by network influences, exacerbating intergroup inequality in the adoption of rewarding practices relative to what we would expect based on individual differences alone” (DiMaggio and Garip 2012, p. 94). This reasoning suggests that in a hypothetical case of two ethnic businesses wanting to expand to new markets with rather similar products, the business with social connections that provide more diverse resources is more likely to achieve the expansion than the business without such connections. With the passing of time, the business with better connections starts accumulating experiences in the new market, which improve its position in comparison to the business without such connections.

Additionally, ethnographic studies on communities that rely mainly on strong bonding social ties suggest that these communities, which are in many cases isolated communities, tend to develop a survival-oriented (i.e., bonding/internal) social capital that also persists through time (e.g., Stack 1974); and social capital starts to decrease for these communities (Warren et al. 2001). In comparison, actors in

communities with social capital orientation toward advancement develop multiple ties with not only bonding social ties but also bridging ties (in our terminology Simmelian bridging ties) with mediating institutions (Saxenian and Hsu 2001; Warren et al. 2001), where mediating institutions (such as professional organizations, technical associations, religious congregations, etc.) play a crucial role in the individual advancement of community participants (Saxenian and Hsu 2001). For example, Saxenian and Hsu (2001) documented the crucial role that professional and technical associations organized by Silicon Valley’s Chinese and Indian immigrant engineers played in the development of these immigrants within a larger community. From these studies scholars tend to conclude that current stocks of social capital will influence the access to future advantages/disadvantages and, more generally, future behavior.

We apply these insights to our theorizing and therefore suggest that particular levels of social capital affect the degree of relevance that particular ethnic stakeholder attributes will have in the future. For example, in cases in which managers only have access to low levels of social capital, we would expect these managers to start depending more and more on the few available connections they have. According to our theoretical model, contexts in which managers have low levels of social capital are contexts in which the broader institutions are rather weak and do not complement themselves but instead substitute each other creating conflicting dynamics (c.f., Portes and Vickstrom 2011; Warren et al. 2001). We thus would expect that under these circumstances, a manager will pay more attention to his/her co-ethnic stakeholders in the near future, which suggests a

strengthening effect of the three stakeholder attributes (i.e., power, legitimacy, and urgency).

In contrast, for managers in ethnic business with access to high levels of social capital, we would expect these managers to be more aware of different types of stakeholders beyond their immediate social circle. We therefore expect these managers to rely less on their co-ethnic stakeholders and be more open to stakeholders that belong to other social groups (i.e., mainstream communities, other professions, other ethnicities, etc.). In other words, we expect managers in these businesses not to rely on their ethnic resources as a survival mechanism, but only when it strategically makes sense for the advancement of their business (c.f., Ndofor and Priem 2011; Portes and Sensenbrenner 1993; Saxenian and Hsu 2001), as in the case of, for example, the development of effective *Guanxi* in China, where stakeholder groups are included to develop mutual cooperation with the “right people” (Su et al. 2007, p. 306). Based on the foregoing argument, we therefore suggest:

Proposition 4 Social capital is likely to have a feedback effect on the cumulative degrees of ethnic-business network salience attributes as follows:

- 4a All else equal, lower social capital will positively affect the degrees of ethnic kinship-based power, ethnic-critical urgency, and ethnic-moral legitimacy.
- 4b All else equal, higher social capital will negatively affect the degrees of ethnic kinship-moral legitimacy, ethnic-critical urgency, and ethnic-moral legitimacy.

Discussion

We have developed this paper to explore a crucial duality in ethnic business. Specifically, we address how combining ethnicity with business leads to dilemmas arising from ethnic businesses being variously connected with their stakeholders through ethnic ties. We have sought to contribute to a better understanding of why ethnic businesses, ostensibly formed to draw upon the strength of ethnic ties, paradoxically are vulnerable because of these ties. We therefore have utilized theory from the social capital and stakeholder salience literatures, and to a lesser extent social identity theory to suggest the theoretical model previously proposed. We see at least two primary implications of our theorizing: first, our analysis of the ethnicity/business interplay using stakeholder salience analysis (e.g., in mixed embeddedness circumstances) may be applied more broadly to similar (i.e., distinct social group) settings. And second, we see the opportunities that the introduction of Simmelian ties (triads vs. dyads) into the stakeholder

calculus may open for business ethics research and for ethnic-business managers.

Stakeholder Salience Analysis and Distinct Social Groups

In this paper we have sought to develop theory to enable a better understanding of stakeholder salience in ethnic businesses; but we have also noted throughout this paper the potential for this theorizing to be expandable to address—more generally—theorizing in multiple, mixed-embeddedness contexts (where there is interplay, for example, among economic, social, institutional contexts)—where distinct social groups are relevant. In recent years, scholars have suggested that because some sets of stakeholders belong to identifiable and distinct social groups, and because these social groups have developed social rules, norms, and social “glue” that need to be taken into account when researching stakeholder salience (Crane and Ruebottom 2011, Mitchell et al. 2011, 2013; Roloff 2008a), that specialized stakeholder salience theorizing is warranted (Mitchell et al. 2011, 2013). For example, identifiable and distinct social groups may refer to grouping based (non-exhaustively) upon family, gender, religion, profession, nationality, school or university, etc. While in this paper we have focused on ethnic businesses, other scholars have also begun to develop stakeholder theories applied to specific social groups such as: family businesses (Bingham et al. 2011; Mitchell et al. 2011), Chinese businesses (Su et al. 2007; Warren et al. 2004), religion and spiritual belief-based groups (Mitchell et al. 2013; Werner 2008), and small and medium companies (Russo and Perini 2010).

Based upon the commonly existing element of mixed embeddedness in each such case, we make the argument that our theoretical model can be seen as a means for understanding stakeholder salience where connections exist among several social groups, and where there is contextual interpenetration (Jones and Ram 2007; Kloosterman 2010; Kloosterman et al. 1999). Thus, as we now attempt to translate our propositions into more practical implications for ethnic-business managers, and to identify questions that are in need of testing, we suggest first that to the extent that managers cannot or do not develop Simmelian-bridging ties with different social groups, these businesses are likely to lose important sources of capital and hence resources that potentially enhance their development. And second, following mixed-embeddedness arguments, we suggest that both formal and informal institutions play a crucial role in the stakeholder salience of businesses in which distinct and identifiable social groups are stakeholders. In contexts in which institutions tend to complement

and support each other, ethnic-business managers should consider developing Simmelian single-group ties, but also Simmelian bridging ties across social divides. However we caution that, as our theorizing suggests, in contexts in which institutions are rather weak and tend to substitute for each other, ethnic-business managers might not as easily develop Simmelian ties both within and across social divides. Hence the “mix” of the embeddedness (e.g., among economic, ethnic, and institutional contexts) matters, and is worthy both of ethnic-business managerial attention and further research to develop additional clarity concerning this latent structure.

Helpfully, scholars in stakeholder management have started to recognize that structural characteristics of contexts might impact the extent to which organizations engage in exchanges among themselves and/or with others in the community (Garriga 2009; Spence and Schmidpeter 2003; Spence et al. 2003). In situations where these structures are favorable and complement each other, organizations can create direct contact among unconnected stakeholders and therefore increase the level of cooperation among different stakeholders (Garriga 2009). In a qualitative study about how SMEs engage with the society, Spence and Schmidpeter (2003), for example, found preliminary evidence suggesting that the structural opportunity offered by the context might have affected the extent to which SMEs interacted with communal organizations. While these results were not conclusive (Spence and Schmidpeter 2003; Spence et al. 2003), they do provide a helpful point of departure for this type of research. We should therefore further examine how cooperation among different stakeholders in different social groups might not only be influenced by the position of the stakeholder in the network, but also by the structural opportunity of the contexts in which the different stakeholders are embedded (c.f., Garriga 2009; Spence and Schmidpeter 2003).

Regarding the continuing challenges in the development of a normative theory of stakeholder salience as it applies in the cases of different social groups; our arguments explore more deeply the vulnerability and strength duality of ethnicity, wherein strong social group ties can paradoxically harm the same businesses that draw upon this strength. For example, powerful social groups are likely to exert kinship-based power, demand a single-minded moral legitimacy, and represent almost the only way to obtain resources for these businesses. In such cases, ethnic-business managers, we argue, are less likely to develop Simmelian-bridging ties with other groups; yet these ties are decisive in promoting the economic and social development—and in many cases

the future—of these businesses. It has been suggested that, unhelpfully, these powerful groups might substitute as an alternative solution to the lack of more formal and stable institutions (Woolcock and Narayan 2000). Therefore, following a mixed-embeddedness logic (Kloosterman et al. 1999), we also suggest that the quality of institutional, legal, political, and other supportive contexts influences the very capacity of distinct social groups to co-exist and cooperate toward collective prosperity (c.f., Lepoutre and Heene 2006). Regarding ethnic businesses specifically, our arguments further indicate that in societies in which ethnic businesses are an important engine of social mobilization, the broader institutions and organizations that surround these businesses may be essential to the development of Simmelian bridging ties, suggesting another important direction for future research. In other words, it will be important to better understand the extent to which ethnic groups should act as an important stakeholder for ethnic businesses, while not functioning as the only stakeholder. Specifically, based upon our theorizing, we call for further research concerning the extent to which the political, legal, and institutional environment should play a more (or less) active and developmental role (e.g., similar to the question of “shared responsibility” idea discussed in the literature on small business (Lepoutre and Heene 2006). This normative question has direct implications for affecting and effecting the social responsibility of business because it can help unique-context business managers (in the general mixed-embeddedness sense, beyond ethnic business implications only) to better map, manage, and mold their stakeholder relationships and build high quality Simmelian type relationships that are conducive to meeting the expectations of society (cf., Carroll 1979, p. 500).

From Stakeholder Dyads to Stakeholder Triads: Ethical and Managerial Implications

Scholars within the business ethics field appear to be relying increasingly upon sociological frameworks such as social capital and social network theory to cast light on business ethics (e.g., Garriga 2009; Huse and Eide 1996; Phillips 2010; Rowley 1997; Spence and Schmidpeter 2003). These sociological frameworks offer the conceptual tools to better understand the influence of social behaviors such as cooperation, pro-social behavior, solidarity, and in general ethical and unethical social norms on ethics and business (e.g., Davies and Ryals 2010; Maak 2007; Spence and Rutherford 2003; Vaccaro et al. 2009). Two aspects of this research direction capture our attention as being related to, or having implications arising from, our theorizing. First, the introduction of social capital and social network

theories into stakeholder theory has shifted the focus away from a firm-centered approach to a multi-stakeholder network approach (Garriga 2009; Neville and Menguc 2006; Roloff 2008a, b). This change of focus provides a possible means whereby voice in the firm/stakeholder conversation can be more ably explored, and where social responsibility can be more precisely conceptualized. Second, there is preliminary empirical evidence that social ties in the form of networks impact individuals' ethical behaviors in stakeholder networks (e.g., Mele 2009; Phillips 2010; Vaccaro et al. 2009; Westerman et al. 2007). We believe that our paper also contributes toward a better understanding of pro-social behavior in networks of multi-stakeholders as we further discuss.

According to Roloff (2008a, b), most multi-stakeholder networks are tripartite—business, civil society, and state—which (we note) somewhat resemble the underlying structure giving rise to Simmelian social ties (i.e., triads). Under this interpretation, stakeholder scholars may be seen to have started to incorporate the insights surrounding triad versus dyad-focused relationships (e.g., such as those modeled/explained by Simmelian ties) and their effects on cooperation levels among previously theoretically unconnected stakeholders. Under the label of *tertius iungens*—the third who joins (Garriga 2009), or *tertius illuminans*—the third who enlightens (Phillips 2010), a more realistic and explanatory movement away from dyad-constrained stakeholder theorizing appears to be underway, opening multiple possibilities for investigating multi-party multi-context stakeholder questions. Although Simmelian ties have their theoretical limitations (for instance they are not meant to describe hierarchical relationships), they do convey a more realistic conceptualization that provides a rich source of research opportunity for business ethics scholars (i.e., to explore circumstances where managers not only engage in dyadic relationships but also in triadic or multiple relationships (c.f., Garriga 2009; Roloff 2008a, b). The introduction of triadic relational structures thereby invokes the ethical (e.g., social responsibility) issues surrounding multi-situational—i.e., particularistic—moral theory, and possibly multi-principled—i.e., pluralistic—moral theory as well (Arnold et al. 2010; Dancy 1983, 2005; Kekes 1996, 2000).

Further implications arise because, according to our arguments, there are two types of Simmelian ties: single-ethnic ties and bridging ties implicated in our theorizing. Although we have argued that both types of ties are important; we have also argued that Simmelian bridging ties among stakeholders are the ties that are highly important to the generation of social capital. Social capital which, as scholars in business ethics have pointed out, can be sustainable through time, is inclusive of distinct social groups, and is also self-reinforcing of

strong and mutually beneficial connections (c.f., Dolfma et al. 2009; Maak 2007). There is preliminary evidence that cooperation might be related to actors occupying positions in similar structures as the Simmelian bridging ties we have described here (Garriga 2009; Obstfeld 2005; Tortoriello and Krackhardt 2010), suggesting further research into possible links to the ethics of reciprocity (Phillips 2003a).

Business ethics scholars also have started to acknowledge the applications and implications that the study of social capital and social networks can have for the field. For example, our utilizing social capital- (and social network-) based theoretical frameworks reminds us that the “capital created through social exchanges is owned jointly by the parties to a relationship, with no exclusive ownership rights for individuals” (Nahapiet and Ghoshal 1998, p. 256); and, this has implications for property rights research and for questions concerning the morality of shareholder wealth management as the sole objective of the corporation—as compared, for example, to stakeholder happiness enhancement (Jensen 2002; Jones and Felps 2013). Moreover, the relational symmetry of resources inherent in social capital is also the reason why any attempt to “use” social capital in one-dimensional ways is doomed to fail (Maak 2007, p. 334). Questions concerning the use of social capital for individual gain without adequately investing in giving back (Davies and Ryals 2010; Dolfma et al. 2009; Maak 2007), also become relevant and ripe for further research.

Furthermore, there is empirical evidence and theoretical insight that suggest that an individual's ethical and unethical behaviors can be influenced by the networks to which s/he is subscribed (Brass et al. 1998; Mele 2009; Vaccaro et al. 2009; Westerman et al. 2007). Brass et al. (1998) have suggested that weak and temporary relationships can foster more unethical behaviors than other stronger and long-lasting relationships, whereas multiple and diverse relationships can also constrain unethical behaviors (Brass et al. 1998; Mele 2009). Our paper thus contributes toward an understanding of the increasingly important literature stream developing at the intersection of business ethics and social networks research. One of the primary assertions that we suggest to be in need of further research may be stated as follows: Simmelian bridging ties among stakeholders from different social circles might increase the likelihood that participants in these networks engage in pro-social behaviors. This possible increase in social capital suggests that examination of the impacts of such strong yet diverse relationships (i.e., Simmelian bridging ties) can become a fruitful avenue for further empirical examination into social groups, social capital, and stakeholder theory.

Conclusion

Drawing upon social network theory, stakeholder salience theory, the ethnic businesses literature, and identity theory, our objective in this paper has been to develop a better explanation for high levels of vulnerability among ethnic businesses where ethnicity brings both strength and weakness. Through the use of the concept of mixed embeddedness, we have then been enabled to suggest the outlines of a more general model of stakeholder salience that may arise within distinct and identifiable social contexts; a model that hopefully can enable the application of stakeholder salience notions to a broad array of theoretically and practically important contexts—especially those where the ethical implications of this intersection are relevant, e.g., where social responsibility with different social groups is at stake. We have also developed theory helpful to the construction of strategies for how to reduce ethnic-business vulnerability through the understanding and use of Simmelian-bridging ties, which extends the stakeholder research agenda beyond dyads into the examination of the more realistic world of multiplicity in social ties that stakeholder theory envisions. We now suggest this theorizing as the subject of additional empirical research attention.

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