

Social Capital and its effects on Small-Scale Entrepreneurship

- A case study from Santa Elena, Ecuador



Master's Thesis

MSc. In Business, Language and Culture – Business and Development Studies

16th of May 2022

Authors

Francesco Antoldi (Student Number: 141947)

Mike Raimund Mönig (Student Number: 141801)

Supervisor: Thilde Langevang

Number of Characters: 246,478

Number of Pages: 96



Abstract

Due to the scarcity of entrepreneurs' means in developing countries, a crucial resource for them is Social Capital. The role of Social Capital in entrepreneurship has become an increasingly prominent topic in the literature. While early contributors highlight the positive effects on entrepreneurial ventures, recent approaches argue that it can impede entrepreneurship. Both contributions, however, are mostly restricted to the developed world's orbit. Adding to this debate, this thesis explores both the positive and negative effects of Social Capital on entrepreneurship. Particularly the topic of rural small-scale entrepreneurs in the Global South has been under-researched to date. This thesis attempts to complement the combined literature streams with empirical findings and recommend approaches for future research and interventions in the project area.

Based on Woolcock and Narayan's (2000) definition of Social Capital and Dudwick et al.'s (2006) approach to assess it, a conceptual framework was developed. It aims to identify which form of Social Capital entrepreneurs use and examine its impact on the five dimensions of entrepreneurial effects outlined by Kebede (2018). The data collection was conducted in form of a case study in the rural Santa Elena province, Ecuador, using qualitative data. The analysis is based on the findings from 20 semi-structured interviews with Ecuadorian small-scale entrepreneurs in combination with field observations.

The empirical findings identify four main networks harnessed by the entrepreneurs to draw resources from. They confirm the current research by outlining the importance of dense family networks. Moreover, the results show benefits resulting from membership in alternative networks which fosters collaboration among each other and with external actors such as NGOs and government entities. The findings further shed light on negative effects affecting certain entrepreneurs due to strong norms, obligations, and the lack of ties outside their main networks.

By providing unique, context-specific insights about the effects of Social Capital on entrepreneurship, this thesis contributes to the existing literature with empirical data, which further advances the combined literature stream in developing countries. Future research should mainly investigate two issues. First, more research shall be conducted about the negative effects that can result from the usage of Social Capital with an emphasis on marginalized group. Second, future studies shall address which channels can be built or supported for the entrepreneurs to enhance access to ties outside their typically used networks.

Acknowledgments

When you travel to the other side of the ocean, there must be indeed something to thank to!

We would like first to thank the NGO *UBU* and especially Carlos Arregui, who inspired the researchers to engage in the process of a civil society intervention in rural Ecuador which would consequently lay the foundation for this thesis. By facilitating contacts with the NGO *UBU* and the NGO *Futuro Valdivia*, this project could be carried out and enabled us to go to the research area, live there with familiars of Carlos and draw on his network there.

We would also like to thank the people who contributed to making this dissertation a possibility. The entrepreneurs invited us in their homes, workshops, or businesses, and enabled us to get unique insight into their culture, families, and businesses. They took the time to show us their workshops and products, while sharing their personal thoughts and concerns about their businesses and relationships. They gave us memories we will never forget. Without these individuals this thesis would not have been possible. We would further like to express our gratitude to the people who supported our field trip in Ecuador. Thanks to Jan who introduced us to many places and individuals in the research area and gave us good advice about many things to consider in this specific context. Also, a big thanks goes to Pablo who gave us affordable housing, valuable advice and how genuinely just wants the best for his people in the research area.

We would also like to mention the support from our families, friends, and study colleagues for providing moral support and feedback whenever needed. In particular, we would like to thank Isabella, Luis, Jan and Noah for their support.

Finally, the biggest appreciation belongs to Thilde Langevang, our supervisor. Along the way, she gave direct, concrete and especially invaluable feedback which significantly improved our thesis journey. Her frequent guidance and engagement throughout the whole research process is not taken for granted and we are very thankful for it.

Francesco Antoldi and Mike Mönig

Rio de Janeiro/Copenhagen, 16th of May 2022

Table of content

Abstract	1
Acknowledgments	2
1. Introduction.....	4
1.1 Research field	4
1.2 Theoretical and methodological frameworks	5
1.3 Delimitations	6
1.4 Justification.....	6
1.5 Structure of the dissertation	7
2. Theoretical background.....	9
2.1 Entrepreneurship.....	9
2.1.2 Definition and approaches	9
2.1.1 The origin of the term.....	12
2.1.3. Entrepreneurship as an independent research field.....	13
2.1.4 Forms of entrepreneurship	13
2.1.5 Entrepreneurship in emerging markets	14
2.2 Social Capital.....	16
2.2.1 Source of Social Capital	17
2.2.2 Social Capital in development literature	19
2.3 Social Capital and entrepreneurship	26
2.3.1 Social Capital and Entrepreneurship in the Ecuadorian context.....	28
3. Conceptual Framework	31
4. Methodology	35
4.1 Philosophy of science	35
4.2 Research approach	35
4.3 Research design.....	36
4.3.1 Case study.....	37
4.4 Data collection.....	38
4.4.1 Semi-structured interviews	40
4.4.2 Secondary data collection	42
4.5 Ethical concerns.....	42

4.6 Limitations	43
5. Case study: Ecuador.....	44
6. Analysis	49
6.1 Analysis structure & approach	49
6.2 Family network	50
6.2.1 Family network description	50
6.2.2 Family membership Implications.....	51
6.2.3 Quality of the relationships: trust, obligations, and norms	53
6.2.4 Family beliefs, values, and goals.....	55
6.3 Community network.....	56
6.3.1 Community network description.....	56
6.3.2 Community membership Implications	58
6.3.3 Quality of the relationships: trust, obligations, and norms	60
6.3.4 Community beliefs, values, and goals	62
6.4 Association network	63
6.4.1 Association Network Description	63
6.4.2 Association membership Implications.....	65
6.4.3 Quality of the relationships: trust, obligations, and norms	68
6.4.4 Association beliefs, values, and goals.....	70
6.5 Business-related network.....	71
6.5.1 Business Network Description.....	71
6.5.2 Implications of Business relationships.....	72
6.5.3 Quality of the relationships: trust, obligations, and norms	74
6.5.4 Shared Beliefs, values, and goals.....	75
6.6 Entrepreneurial effects.....	76
6.6.1 Access to market information	76
6.6.2 Risk sharing.....	77
6.6.3 Quality of market relations with suppliers or customers.....	78
6.6.4 Access to capital	79
6.6.5 Earnings and value creation	80
6.7 Sub - Conclusion	80
7. Discussion	83

7.1 Empirical findings	83
7.2 Discussion of the applied theory and the conceptual framework	87
7.3 Critical examination of used methods.....	88
7.4 Implications for future research.....	91
8. Conclusion	92
8.1 Future Recommendations	94
9. Bibliography.....	96
10. Appendix.....	102

1. Introduction

“Dime con quién andas y te diré quién eres”. This is the Spanish saying for what in English would be “You will be judged by the company you keep”. Both of us used to hear this sentence a lot while growing up, no matter if it was in different cities, no matter if it was in different countries. Beyond being such a common expression in everyday language, this sentence also partially represents the purpose of our study.

Social Capital (SC) can be considered as a relatively new term, largely unheard before the early 1990s, despite having been used for the first time more than a hundred years ago. When the SC literature started to enter conceptual and empirical debates, it captured the imagination of development researchers and practitioners as a particularly promising tool for alleviating poverty. Especially in any type of environment characterized by a weak presence of the state, SC is often considered the most valuable asset the lowest classes are having access to. Development programs that build on it have rapidly become a priority for donors and governments. In addition to that, entrepreneurship is perceived by many scholars as a means for economic development in developing countries (World Bank, 2021).

SC, or actual and potential resources embedded in social ties, are often positively associated with venture outcomes, and especially considered as beneficial for entrepreneurs (Woolcock and Narayan, 2000). However, scholars increasingly disagree with this view and are calling for a more contextual understanding of SC. They question whether the existing frameworks also apply in developing country contexts, where social and cultural traits might hinder leveraging SC (Mair et al., 2012).

The present study focuses on a unique context – Ecuadorian rural micro entrepreneurs - where social, cultural and gender issues affect social capital in entrepreneurial activities. More specifically, the focus lies on the understanding of SC, the use that small-scale entrepreneurs make of it and how it ultimately affects their business. The overall aim of this study is to deepen the understanding of the combined literature streams of SC and entrepreneurship by contributing empirical findings gathered from individual entrepreneurs.

1.1 Research field

Ecuador is the fourth smaller country in Latin America, and, despite the economy had been significantly growing between 2005 and 2015, fluctuation in oil prices and the COVID-19 pandemic triggered an economic recession

and a raise in poverty(World Bank, 2021). The Santa Elena province is in the West part of Ecuador, on the coast. According to the last national census (2010) more than 67% of the province of Santa Elena population lives in poverty, compared to 32,4% at national level. Overall, instability and income inequality have created an underlying atmosphere of mistrust in each other. Therefore, the environment is non-conducive for business, coupled with weak transparency and poor accountability in the country's institutions. At the same time, the region of interest, developing around the Comuna of Valdivia, relates to one of the most ancient civilizations in the continent.

The combination of richness of cultural traits and an evident need of development interventions within the research area led the researchers to consider a type of study that would assess social and cultural factors. In addition to this, statistics shows that in Ecuador one out of every three adults takes steps to create a business or owned one that was no older than 42 months (Bosma et al., 2021). Due to this reason, an investigation about factors affecting entrepreneurs was deemed the ideal target. Furthermore, global interest towards the potential of the private sector as a driver of growth is also a growing field of research, both in- and outside the academic world.

Information such as a high family involvement suggest that SC might play a significant role for these entrepreneurs. The main objectives of this dissertation are to identify whether there are existing networks entrepreneurs use and determine what is their involvement in these and what are the implications of it.

According to these objectives, the research question is then framed as follows:

How does the entrepreneurs' usage of SC impact their businesses?

1.2 Theoretical and methodological frameworks

The dissertation starts by adopting key concepts from research in Entrepreneurship, choosing Venkataraman's definition of an entrepreneur, to then also contextualizing it with the environment of the case. A thorough review of the SC literature guides the adoption of Woolcock and Narayan's definition of the construct (1998). Moreover, the conceptual framework used has been derived from an integrated approach by two authors designed primarily for developing countries. The dimensions of SC within this approach are based on the integrated questionnaire (Grootaert et al., 2004) using quantitative methods to assess the impact of SC on development. Dudwick et al. (2006) suggest several qualitative methods to explore these dimensions to examine how different types of networks help and/or hinder access to key resources. While both scholars draw from the

same conceptual understanding of SC, the tools and strategies adopted in our conceptual framework are derived from the qualitative study. Furthermore, to accurately describe the usage entrepreneurs make of SC, this research defined five key entrepreneurial dimensions from the combined work of Berrou & Combarous (2012) with Kebede's analysis in Ethiopia (2018).

Through the application of a deductive approach during the process, this study allowed us to quickly adapt to findings encountered along the way, with a continuous process of refinement and improvement of the framework. The analysis is mainly based on the recordings and field notes collected through the semi-structured interviews with the entrepreneurs, taking into account also additional observations that have been gathered in-field, before or after these interactions.

1.3 Delimitations

The research question has been delimited to utterly focus on SC-related factors concerning the entrepreneurs' businesses and neither investigates aspects such as the role of institutions, nor applies perspectives such as the resource-based view. Aligned with the interpretivist approach applied in the study, the perspectives of small-scale entrepreneurs have been gathered through semi-structured interviews with the entrepreneurs themselves, without involving other family members or employees of the same business. Furthermore, the respondents have not been identified on individual basis before the fieldtrip but selected once we were introduced to the area and the possibilities, relying ourselves on the network of our local partner organization. This might have limited the diversity of the network, especially in terms of professions, or geographical origin of the subjects. Time boundaries of the field trip also limited the number of respondents, to a maximum of 20, and the geographical area to be covered. Nevertheless, the choice of granting relevance to artisans and farmers had been made before the trip, since it was representative of the province, and the target group of the project in collaboration with the Danish NGO & Partner, UBU (Danish Organization for Sustainable Development).

1.4 Justification

For this master thesis, we are working in collaboration with UBU (Danish NGO) and Futuro Valdivia (FVV), an Ecuadorian-based NGO, as volunteers of the former one, strengthening the partnership between the two and helping UBU to launch its first project in South America. The overall goal of the development intervention project is to understand the regional context and to identify the corresponding challenges that hinder economic and social development. Therefore, our objective is to determine ways that have the potential to foster civic

engagement and economic performance. Our fieldtrip in fact, has been of extreme importance for the organization as well, as it allows for the definition of tailor-made intervention, based on locals needs.

During initial interviews with the NGO executives and local stakeholders, a prevalent lack of trust, corruption and the abuse of power positions were mentioned as main drivers for the missing economic activity. We do however know that meaningful conclusions can be drawn mainly from direct contact with locals. By investigating the firms from a SC perspective, the study provides understandings of what the most common networks are and how they might be able to strengthen their entrepreneurial activities. In this way, the study provides new knowledge and concept to the field of SC and entrepreneurship, especially within its implications and obstacles in a developing country context, where case studies are not that rich and common.

Acknowledging the potential of entrepreneurship to foster economic development and being aware of the poor conditions of the inhabitants within the research area, the study aims to be useful for the academic world, but also for any type of third party interested in development-oriented investments in the area.

1.5 Structure of the dissertation

The study is structured as follows; chapter one has been presenting the research focus, introducing first the research field and the literature which composes the theoretical base of the work, to then acknowledge delimitations and state the justification behind the choice of this topic. Chapter two will present in detail the theoretical study conducted prior to the field research, by introducing first the concept of entrepreneurship and its definition, forms, and application in a developing country context. Second, SC will be defined, outlining the focus used, its different dimensions and which aspects they entail, which will lead the research. Lastly, the two theoretical constructs will be combined, presenting how they have been previously interacting in the literature and defining the five key dimensions of entrepreneurial effects related to SC implications. Before entering chapter three, some notions will be also provided on the literature and research regarding the specific case, i.e., SC and Entrepreneurship in Ecuador.

In chapter three, the conceptual framework will be presented, explained, and illustrated, since it has served as the guideline of the interview guide, and the subsequent analysis. Chapter four presents the methodology applied, starting with the philosophy of science, to then elaborate on its approach, design, methods of data collection, ethical concerns, and limitations. Subsequently, chapter five will make sure the case study context is properly presented, from the national to the local level, before presenting the analysis in chapter six. This chapter

will start by introducing the structure of the section, introduce the four main networks identified, and then analyze the empirical data within them while also referring to the dimensions of SC explored. Approaching the end of the work, chapter seven will discuss the empirical findings, outlining the limitations of the theory or the methods used. Finally, chapter eight will present the conclusion of the research, with the identified recommendations.

2. Theoretical background

The following chapter reviews the literature relevant to development outcomes and poverty alleviation focusing on entrepreneurship and SC as source and catalyzer to foster regional economic and social development. The first section 2.1.1 will provide a basic understanding of entrepreneurship with focus on its theoretical background, the evolution of the concept over time and the different approaches applied to its conceptualization. After reviewing the foundations of entrepreneurship, the following section 2.1.2 will introduce the emergence of entrepreneurship as an individual research field, with its related forms that can be identified in our society. Subsequently, the effects entrepreneurship has on value creation will be explored, analyzing which are the existing challenges in developing countries. This is followed by a review in section 2.1.4 of SC literature, examining the concept's foundations and applications in development. This section also illustrates the various definitions of SC, its dimensions, forms, levels of analysis and various approaches of how to measure it. The chapter will conclude with section 2.1.5 examining existing studies that combine the two previously conducted reviews of the literature and illustrate the existing findings of the effects of SC on entrepreneurship.

2.1 Entrepreneurship

Despite the common use of the term “entrepreneurship”, a universal definition itself can be quite complex, especially since the research within the field has been carried out by scholars of various fields, above all economics, social anthropology, and organizational theory (Naudé, 2008). To understand the different approaches, first a brief historical review of its conceptualization is provided in the following section.

2.1.2 Definition and approaches

Market and political entrepreneurship

Due to its origin across different disciplines, a variety of forms and approaches of entrepreneurship can be observed throughout our society. The first distinction to point out is between market - and political entrepreneurship. According to Campbell & Mitchell (2012, p. 5), market entrepreneurship displays the “*deliberate introduction of novelty, innovation, or arbitrage into the production and exchange processes*”. This definition clearly builds on Schumpeter's conceptualization of the entrepreneur, which we do not consider

sufficiently comprehensive for this type of analysis. However, the same authors more generally assert how market entrepreneurship just *“reflects the choices of market entrepreneurs”*(Campbell & Mitchell, 2012).

Despite of the key role the entrepreneur has within it, these choices are often depending on external incentives, which favor or hinder entrepreneurial action. Several of these incentives derive from policies, defined, and implemented by public institutions, whose effect is studied within the field of political entrepreneurship. At the base of this field stands the belief that the state intervention in the economy is needed to correct market failures, due to the existence of external costs and benefits, affording the provision of public goods (Audretsch et al., 2006). Public policies influence the general perception of public support, which then affects entrepreneurs’ willingness to pursue opportunities (Campbell & Mitchell, 2012).

Despite the focus on individual entrepreneurs and market opportunities, a goal of this thesis is to combine direct and indirect variables that can influence entrepreneurship, or the factors that hinder or promote its development. No space can be entirely dedicated to the role or influence of institutions, but at the same time context related factors urge us to take it into consideration, for instance to which extent the state’s presence can support entrepreneurial efforts.

As part of this study, we will go beyond the mere association of entrepreneurship with innovation. Instead, we are presenting the multi-disciplinary nature of the entrepreneurial field and the different approaches to the discipline in the following section.

Different approaches to entrepreneurship

The overview of the academic literature presented above already gave a glimpse of the definition of entrepreneurs and their undeniable link to the economic sector. However, the understanding of the definition, depends, most of the times, on which type of approach is used to outline its conceptualization. Deakins and Freel (2009), outline three different types of approaches:

- a) an economic approach, focused on the contribution of the entrepreneur to economic development and based on definitions identified by economic theorists
- b) a psychological trait approach, carefully examining the personality characteristics of the entrepreneur
- c) a socio-behavioral approach, which combines the psychological trait approach with the influence of the social environment

The first approach refers to the academic literature presented in section 2.1, especially on the previously mentioned connotations of the entrepreneur according to Knight, Schumpeter or Kirzner (Knight, 1921; Schumpeter, 1934; Kirzner, 1973). Despite the traditional representation of the entrepreneur as an individual “*risk-taker*”, oriented towards personal reward (i.e., profit), majority of the economists agree in acknowledging a positive relationship between entrepreneurial activities and economic growth (Deakins & Freel, 2009).

The second approach strongly believes in the possibility of identifying common personality traits among successful entrepreneurs, such as proactivity, vision, creativity, ability of calculating risks, flexibility, and self-confidence (Meredith et al., 1982). Despite some of them, such as self-confidence, have been recognized as important for a business owner to start off, the practice of grouping characteristics still appears as a generalization, ignoring the role of external factors and the possibility of learning, hence changing over time (Deakins & Freel, 2009). Moreover, in terms of policy, this interpretation has several implications, since it assumes that no matter the type of measures implemented, only some part of the population owns the characteristics necessary to stimulate growth, by investing or starting new businesses.

The second approach lacks a contextualization, criticized by the third approach which is the socio-behavioral school. As individuals are born and live in societies, they are shaped by cultural inheritance and adapting to a specific environment. In many cases, these characteristics generate barriers that cannot be described just by an individual lack of predisposition for entrepreneurship. Among different factors identified by Deakins and Feel (2009), it can for example be measured how entrepreneurial participation rates vary from region to region, depending on gender and active inter-firm networks. Inter-firm factors refer to the value and role of SC, an “*umbrella term covering a potential multitude of relationships between entrepreneurs, their families, their friends and their community*” (Deakins & Feel, p.16, 2009). As furtherly addressed in section 2.3, this role can be complex and diverse, with a variable impact depending on a variety of factors and case-specific characteristics.

As often when different approaches are presented, none of them is mutually exclusive. Singularly, they all show a partial view over the phenomenon, but each of them combined contributes to meaningful insights to understand its broadness. This study draws from a combination of the above-mentioned views, based on a strong belief in the potential that entrepreneurship has for economic growth. At the same time, the research acknowledges the difficulties in stimulating it, due to present barriers, which are heritage of the surrounding cultural and social environment. Among the different definitions, outlined, we would like to refer to entrepreneurs as “those individuals who crucially engage in a process of discovery, evaluation, and exploitation

of arbitrage opportunities” (Venkataraman, 1997). According to the Global Entrepreneurship Monitor¹ (GEM), entrepreneurship is defined as “the act of starting and running a new business” (Bosma et al., 2021). Starting a business is hence a product of the interaction between a person identifying an opportunity and his or her ability to act upon it. Among the factors influencing the success of it, certainly, skills owned, and self-confidence play a role. However, these skills or personality traits need to be measured with the response to the local environments’ challenges, in terms of mix of social values, economic resources and ecosystem support (Bosma et al., 2021).

2.1.1 The origin of the term

The word “entrepreneur” comes from the French language, more precisely from a thirteenth-century verb, “*entreprendre*”, with the meaning of “to do something” or to “undertake” (Russell, 2021). In the 16th century, the word started to be used to describe someone who was attempting to start a new venture; the first academic use in this connotation is attributed to Richard Cantillon, in 1730, for labelling the “willingness to bear the financial risk of a venture” as a key quality of the entrepreneur. In the beginning of the 19th century, the French economist Jean-Baptiste Say qualified entrepreneurs as value creators, due to their ability of moving resources from less- to more productive areas (Steiner, 1997). Moreover, the English political economist John Stuart Mill referred to the entrepreneur as an individual assuming both the risk and the management of a business, building on Cantillon’s definition but pointing out the difference between an entrepreneur and a business owner (Mill, 1848 in Russell, 2021). The strictly business-related connotation was strengthened in 1921, when Frank H. Knight described the entrepreneur as an individual bearing uninsurable risk in an uncertain environment, therefore rewarded by profit in successful cases (Steiner, 1997). Parallely to Knight, in Europe the academic understanding of entrepreneurship was shaped by the so-called Austrian School, with Joseph Schumpeter and Franz Kirzner characterizing the two biggest streams of the field. On the one hand, for Schumpeter the entrepreneur is an “innovator”, i.e., a “*disruptive force implementing changes in the economy, by introducing new goods or methods*” (Schumpeter, 1934). On the other hand, Kirzner (1974) sees the entrepreneur as a “*middleman, able to spot opportunity and take advantage of existing technologies*”. For Kirzner, it is about the ability to spot that something has changed or has been previously unnoticed, not the specific introduction of a method or a new good. In this way, everybody has the potential to be an entrepreneur, but some additional knowledge is needed, prompting “*alertness to yet unexploited opportunities*” (Baumol & Strom, 2007).

¹ world’s largest, and longest-running, study of entrepreneurs and entrepreneurial perceptions

2.1.3. Entrepreneurship as an independent research field

Despite the origin of the term is dated back to the 16th century, until the early 1990s, the entrepreneurship field was a comparatively small area of research, which then started to emerge independently within the social science literature (Meyer et al., 2014). Since the 1980s and 1990s, across the United States local governments shifted their economic development policy from the attraction of large manufacturing firms to promoting entrepreneurship (Russell, 2021). Consequently, the number of empirical research in the field started to increase, studying all different factors that might stimulate or hinder the phenomenon, from demography, to the socioeconomic context or even taxation. A first broad identity to the research field is given by Shane and Venkataraman (2000), defining it “the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (Shane & Venkataraman, 2000, p. 218). This perspective can be considered comprehensive for two reasons. First, it outlines a vision of entrepreneurship that goes beyond its mere focus on its economic motivation; second, it acknowledges a dependence between individuals and the context surrounding them. This second aspect reflects the socio-behavioral approach, underlining the limits of recognizing common personality traits among entrepreneurs, when the external environment they need to operate in is not taken into consideration (Campbell & Mitchell, 2012). In terms of vastity of research hence, the field is gradually acknowledging the need of a multi-variables’ perspective since individuals’ actions are influenced through the challenges surrounding them. Furthermore, despite the discipline it is acquiring growing importance within modern economies, our understanding of the very essence of entrepreneurship and how entrepreneurs operate still presents limitations (Cope et al., 2007).

2.1.4 Forms of entrepreneurship

As mentioned in section 2.1.2, many scholars agree that entrepreneurial activity prompts economic growth. For many, entrepreneurship brings jobs, income and value-added to society, three essential ingredients in what the GEM defines as “*the economic development mix*” (Bosma et al., 2021). At the same time, however, proving that the phenomenon can lead to tangible benefits does not mean concluding that any form of entrepreneurship will be beneficial to the economy or to the society, even when it enriches the single entrepreneur. More specifically, we define as productive the type of entrepreneurship that increases net wealth in society, while unproductive when it simply transfers wealth from one person to another; and, finally, some entrepreneurship is destructive and destroys wealth in the process of transferring wealth from one person to another (Baumol, 1996). Despite

that instinctively we might be tempted to assume productive entrepreneurship is what individuals seek, research suggests that people tend to strive for maximization of their personal benefits. This means that in certain contexts, the fallacies of the legal systems or the absence or unreliability of social institutions results in indirect encouragement more of detrimental entrepreneurship. Those societies might have just as many entrepreneurs, but many of the entrepreneurs focus on transferring wealth instead of creating it. According to Schleifer and Vishny (1993) for example, corruption encourages destructive entrepreneurship, hence exacerbating economic conditions of a country (Campbell & Mitchell, 2012, p. 4) . For many scholars, the key to avoid the spread of destructive entrepreneurship should be to build societies in which value creation rather than transferring value is rewarded. This stream of literature hence focuses on institutions, recognized as “*rule makers*” (Buchanan and Tullock, 1962; Brennan and Buchanan, 1977). Other scholars such as Weber (1920) or Fukuyama (1995) explore the role of trust within the society, on how it encourages a “*virtuous circle*” of good behaviors, among whom productive entrepreneurship emerges as predominant phenomenon.

Despite there will not be a specific focus on institutions within the study, it is important to acknowledge that not every form of entrepreneurship is beneficial to society. As it will be furtherly explored, trust and social connections are important factors for entrepreneurs, which then foster a certain form of entrepreneurship (productive, unproductive, or destructive). It will be a key part of this study to understand the link, if any, of this relation between (un)productivity and SC.

2.1.5 Entrepreneurship in emerging markets

It is not within the scope of this paper to position itself within the global disputes about clustering countries based on development indexes such as it could be GDP. For clarity, the research would refer to the context mentioned in this section as one of emerging markets, however aware that classification differs depending on the entity publishing it. Furthermore, any specific information will be directly presented in the case section (chapter five). As a reference, the definition identified by Tracey & al. (2011, p. 25), of “*low-income, rapid-growth countries using economic liberalization as their primary engine of growth*” will be adopted in this section.

As of today, entrepreneurship is believed to play a key role in the economic development field, with relevance for rural areas, however the literature has mainly been focused on more developed economies (Freire et al, 2019). The first effort that moved scholars closer to understanding the differences among entrepreneurs located in different societal contexts has been analyzing the motivation behind the business venture. The general distinction that is made, is between positive and negative factors. The former “*pull*” people to become

entrepreneurs, like desire to seek independence, the latter “*push*” people into entrepreneurship, such as unemployment or family pressures (van der Zwan et al., 2016) On the one hand, entrepreneurs driven mainly by “pull” motivations, are usually seeking a business opportunity, hence earn the definition of “opportunity Entrepreneurs”. On the other, “necessity entrepreneurs” when there are “no better choices for work” (Reynolds et al. 2005, p. 217 in van der Zwan et al., 2016). According to the International Development Bank, necessity entrepreneurship is widespread in South America. Since people don’t succeed in finding a job in the formal sector, they choose to engage independently, more as a sort of coping mechanism rather than a rational choice among different opportunities (Inter-American Development Bank & World Bank, 2013).

According to Imas et al., (2012), the per-se traditional and mainstream view of the entrepreneur tends to be focused on wealth generation and business success. However, this narrative often neglects people who live in communities at the margins of society, identified as “*barefoot entrepreneurs*” (Max-Neef, 1992). Despite contributing to a new conceptualization of entrepreneurship, entrepreneurial activities of this kind struggle to improve their consideration within the literature. The general trend in fact, tends to praise white men contributing to progress via “*creative destruction*” or “*business innovation*” (Imas et al., 2012). The claim is that when describing marginalized communities, entrepreneurial acts can be identified in the creativity of the ways to make a living. The condition to sustain their existence is both their strength and vulnerable point, since the lack of protection or freedom generates coping mechanisms driven by the necessity to survive. This identifies them as *barefoot entrepreneurs*. Differently from the traditional view moreover, individuals acquire a community or family- based attitude, combined with a mindset which prefers solidarity to competition (Imas et al., 2012).

A general shift in the view of who can be defined entrepreneur is subject to current research endeavors especially since the international development sector gradually recognized the potential of the contribution of the private sector to poverty reduction (World Bank, 2012). Overall, scholars and practitioners increasingly support the claim that entrepreneurship can play a critical role as a mean of extreme poverty alleviation (Sutter et al., 2019). Combining different definitions, this claim originates from a belief in a form of entrepreneurship relying on efforts to prompt changes that aim at influencing positively the lives of the marginalized groups, with strategies targeting the improvement of economic and non-economic welfare at both the individual and community level (Narayan-Parker and Patel, 2000 in Sutter et al., 2019). Based on different conceptualizations of poverty, Sutter et al. (2019) identify three different perspectives regulating the relationship between entrepreneurship and poverty reduction:

1. The first one assumes that poverty is a result of scarcity of resources, whose provision will then allow entrepreneurship to flourish. Such of a vision is known as the remediation perspective, exploring the role of non-governmental organizations (NGOs) or international organizations (IOs) within the entrepreneurial process.
2. The second perspective is known as reform perspective, and relies on a different assumption, i.e., that poverty is a result of social exclusion, and entrepreneurship plays a key role in driving social change.
3. Last, the revolution perspective is indeed the most radical one due to its direct criticism at capitalism, for being based on individualism and oriented on economic outcomes only. For supporters of this perspective, the only way to alleviate poverty is by identifying and exploiting “*alternative models of economic organization*”. (Sutter et al., 2019).

The differentiation among the perspectives mainly reflects different assumption of the source of poverty, to then outline different opportunity identified, hence different focus on how these opportunities can be exploited to alleviate poverty. Overall, it documents the progress scholars have been doing in the field but at the same time its fragmentation, due to the wide variety of perspectives and theoretical domains. Fostering entrepreneurship, if it is done in the right way, grants high margins of growth, however it is indeed a process including a combination of different variables. As outlined by Deakins and Feel (2009), among others, business development interventions need to acknowledge this comprehensive view, for example avoiding the risk of limiting the scope to developing specific skills or tasks or filling specific gaps.

Since a single source of poverty can hardly be identified, a combination of different factors reflects reality more accurately. Due to the scarcity of resources of marginalized groups, opportunities are limited, and external actors need to intervene as investors. At the same time however, to promote change at the social level, a high degree of attention needs to be directed towards to formal and informal social structures and how they influence identification and exploitation of opportunities. Due to the acknowledgement of the importance of these structures, the next sub-chapters will focus on one of them: Social Capital.

2.2 Social Capital

To assess the possibilities and challenges of entrepreneurs more accurately, entrepreneurship scholars started to consider entrepreneurs as part of a network of individuals instead of viewing them as isolated individuals. According to Granovetter (1985), individual behavior is highly dependent of their networks of interpersonal

relations. Through these relationships, the individuals gain access to different resources from the other actors that form part of the network. In this context, it is important to distinguish between two types of analysis, namely SC, and social networks. The theory of the latter focuses on the connections between several agents who are either directly or indirectly connected with each other and the characteristics of these connections. Therefore, the social network theory sheds light on emergent and complex structures of relationships while SC refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. SC is not just the norm and values inherited within a society – it is *the glue that holds them together*. In other words, SC is the resources available to people through their social interactions (Lin, 2001). Our analysis focuses on SC as a resource available to entrepreneurs from a developing country context. The following section will review the foundations of SC literature and detail its application in development.

2.2.1 Source of Social Capital

SC has a long and complex conceptual history encompassing different scholars and different literature fields, as several seminal works have contributed to the development of the theory with a variety of different definitions. To produce a working definition for this study, this section will briefly review the historical development and the most common definitions of the concept.

The term SC was first used by Lyda Judson Hanifan (1916), who introduced it as community values accumulated by individuals, which can improve the living conditions for an entire community. However, it took more than 50 years for the concept to gain momentum, as Mark Granovetter's "*strength of weak ties*" thesis, formulated in 1973, is an idea associated with SC. Granovetter posited that individuals' strength of weak ties, from acquaintances or other informal relationships, allow them to gain access to information or other benefits of networks. Many scholars attribute following literature on SC to Granovetter's idea of analyzing strong and weak social ties. However, his scientific contributions were mostly in the foundation of network theory (Fulkerson & Thompson, 2008).

While Hanifan is credited using the term first, the first contemporary systematic analysis of SC with a refined theoretical definition was conducted by Pierre Bourdieu in 1986 (Fulkerson & Thompson, 2008). Bourdieu defines SC as "*the aggregate of the actual or potential resources which are linked to [...] membership in a group—which provides each of its members with the backing of the collectively-owned capital*" (Bourdieu, 1986 in Fulkerson & Thompson, 2008, p.16). According to him, SC refers to investments of individuals in their networks of

relationships with the expectation to get some sort of future return. With his contribution, he aimed for an explanation for the distribution of power and privilege between individuals (Fulkerson & Thompson, 2008)

In line with Bourdieu's view, Coleman describes SC as an intangible asset which makes the attainment of other forms of tangible assets possible. However, Coleman emphasizes the importance of normative social structural arrangement that leads to collective actions from a community to bring them mutual benefit. Therefore, Coleman's definition of SC focuses less on the idea of individual development and inequality and more on the idea of facilitating collective actions imposed by norms and obligations (Coleman, 1988).

While Robert Putnam shares the view of SC as a collective good, he understands SC as aspects of social organization instead of social structures (Fulkerson & Thompson, 2008). In his seminal work *Making Democracy Work*, which drastically increased attention of SC research, he highlights the role of social organization in form of mutual trust, norms of reciprocity, and networks of civic engagement, which make coordinated action easier. Furthermore, he argues that these collective goods improve the efficiency of institutions and societies, which adds an ultimate outcome of SC to his vision (Putnam, 1993). In 1995, with Fukuyama, the focus on SC shift towards a representation of it as a producer and facilitator of trust, hence allowing for more efficiency at a lower cost, building on North's (1990) theory of transaction costs (Torres Vitolas, 2011).

As shown above, the concept of SC has been applied in diverse contexts, as it has been shaped over several decades, therefore entailing a broad range of definitions. The term was initially used by Hanifan to describe the intangible advantages that come along with membership of a community or family. Granovetter highlights the importance of weak ties regarding individuals gaining access to information and other resources in their networks. Bourdieu argues that SC is the membership of individuals in a group that provides access to actual or potential resources. Coleman argues that SC refers to aspects of social structures that facilitate actions between actors, while Putnam understands SC as aspects of social organization that support coordinated action, and in turn make societies and institutions more efficient. Finally, Fukuyama introduces what he sees as a clear connection to economic growth, paving the way in the development field.

Due to wide spread of definitions, the concept of SC entails all social interactions among all economic agents, ranging the family to the state. Therefore, the concept is criticized by Portes (1998) for being vague and creating several contradictions.

With respect to the debate about the role of SC for 'development', Putnam's seminal work (1993) increased the attention significantly as he argued that strong '*networks of civic engagement*' are the principal determinant of socio-economic development. After that, several field studies have followed, inspired by Putnam's work, demonstrating the value of SC. For example, Pritchett and Narayan's study measures the density and quality of social networks and forms of reciprocity in 1300 households in Kenya. Their findings show that higher levels of SC within a given village correspond with higher levels of economic development (Abom, 2004). The following section first establishes a working definition for this study and, next, reviews which conceptualizations and approaches have been commonly used in the discourses of development literature.

2.2.2 Social Capital in development literature

The concept "SC" is widely used in research and policy circles and has matured into a whole field of research with a variety of different interpretations. Definitions of SC are broadly similar but vary in significant nuances. First, they vary depending on their focus on the substance, the origin, or the outcomes of SC. Second, they vary depending on whether they focus on (1) the relations between actors or (2) the structure of relations among actors within a network, or (3) both type of linkages (Adler and Kwon, 2002). According to Adler and Kwon (2002), the focus on either internal or external linkages disregards the fact that they are not mutually exclusive. For instance, a small firm's actions are influenced by both, its ties external ties to other collectives such as firms and states, and by the accumulation of internal ties. Therefore, the definition of SC as "the information, trust, and norms of reciprocity inhering in one's social networks" suggested by Woolcock and Narayan (1998) is chosen for this study. This stance will be clarified by presenting units of analysis and multiple dimensions of SC within the development literature. The different conceptualizations range between different levels of analysis or describe SC as a multi-dimensional concept (Woolcock and Narayan, 2000).

Levels of analysis

The level of analysis when observing SC ranges from micro- to macro-level. On the micro-level, the focus is centered on individuals, their relationships, and networks, seeing SC as individual and organizational resource (Bourdieu, 1986). Based on Bourdieu's work, Portes (1998) defines SC as resources that can be attained through social relationships. Labelled by Fulkerson and Thompson (2008) as 'resource SCists', individuals get access to various types of resources through their relationships which are based on commitments of cooperation, reciprocity, and trust. This conceptualization has been applied by various development institutions and

international NGOs because of their use of the sustainable livelihoods approach (SLA) framework which analyses an individual's capacity to access and combine tangible and intangible resources to secure their livelihood (Torres Vitolas, 2011).

Several literature reviews point out that the SC debate in development discourses is mostly based on the work of Coleman and Putnam (Adam & Rončević, 2003; Fulkerson & Thompson, 2008; Swain et al., 2003). Their conceptualizations are at a meso-level as they understand SC as a collective good that originates from social cohesion and civic engagement, which supports the mobilization of collective action. The normative structures within an aggregate of people lead to collective action that brings mutual benefit. The proponents of the meso-level analysis study SC from a social organization perspective (Woolcock and Narayan, 2000). This categorization is labelled by Fulkerson and Thompson (2008) as 'normative SC', which measures SC at a group level.

Within the macro-level analysis, SC is examined through the political system that shapes norms and social structures, such as the rule of law and the capacity of a state to rule (Woolcock and Narayan, 2000). Development agencies like the World Bank or the OECD used this theoretical lens to suggest public policies and institutional reforms that aim to support communities and individuals (Torres Vitolas, 2011).

Overall, the distinction whether the analysis is at the individual, community or national level is important for the methodology selection for this study. In fact, we chose to focus on the micro level – that is, at the level of small firms and individual entrepreneurs. As supported by Bourdieu, we want to report on a form of SC as a private good. In the following sections the different dimensions and measurement of SC will be examined.

Dimensions of SC: Structural, Cognitive and Relational

Every dimension of SC that operates within the micro- to macro-scale can be categorized according to three key dimensions: structural, relational, and cognitive (Acquaah et al., 2014). This distinction builds on Granovetter (1992) and his discussion of structural and relational embeddedness. Within the literature, it is quite common to find reference to only two dimensions, namely the structural and cognitive dimension, incorporating relational elements of SC in the cognitive one (Krishna et al., 2000). Since 2004 approximately, the three-dimension distinction (cp. Figure 1) has become more and more common, to now be the most widely spread framework (Claridge, 2018). As in many conceptual frameworks, the interconnection among the three is quite strong, so that it can be hard to dissect them, however they can be depicted as mutually reinforcing each other.

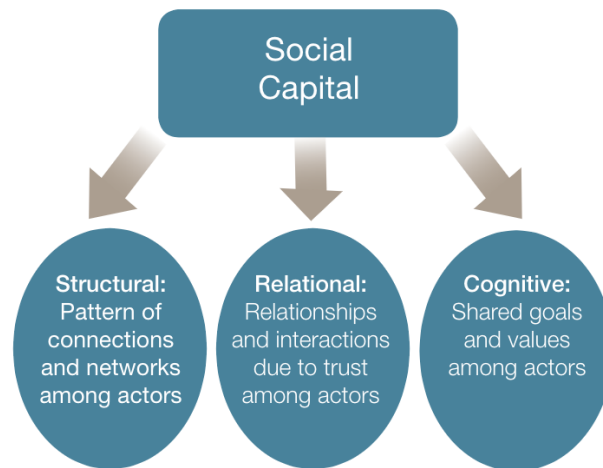


Figure 1: Dimensions of Social Capital (Claridge, 2018)

Structural SC includes the composition and practices of local level institutions, both formal and informal; this includes the network of people who an individual knows and “upon whom they can draw for benefits such as information and assistance” (Claridge, 2018). This reflects a relatively objective form of SC, facilitating mutually beneficial collective action. This dimension relates to the density, connectivity, hierarchy of this network of relationship, in any given context such as group, organization or community (Davenport and Daellenbach, 2011 in Acquah et al., 2014). In other words, the spotlight is on who do individuals reach, how and how often do they share resources or information with each other (Acquaah et al., 2014).

Relational SC refers as well to the personal and social networking relationships or connections that people develop by interacting with each other. However, the focus here is on the nature and quality of these relationships and the resources or information that can be leveraged through them (Acquaah et al., 2014). As a dimension, relational SC builds on behavioral attributes, such as shared group norms, trustworthiness, norms and sanctions, obligations and expectations, and identity and identification (Nahapiet and Ghoshal 1998 in Claridge, 2018).

Cognitive SC refers to shared norms, values, attitudes, beliefs that influence individuals’ perception of each other when they interact with one another as a collective, providing a common understanding of what are appropriate ways of acting (Claridge, 2018). Cognitive SC is rather subjective and internal as it influences people’s thoughts and feelings, and it represents the resources obtained from this shared language and codes, providing foundation for communication.

As mentioned at the beginning of the literature, there can be confusion or overlap between the cognitive and relational dimension. To draw an example, trust is typically seen as attribute of a relationship, hence relational, but trustworthiness could be seen as a shared value as well, so conceptualized as cognitive (Claridge, 2018). Both dimensions are intangible, stemming from perception, observation, and opinion, highly subjective and variable. Due to these similarities, many tend to stick to a two-dimensions model instead of three pillars one. Nevertheless, the importance of studying the quality of the relationships established prompts all the three dimensions model is at the core of this research.

Form of network ties of SC:

Based on Putnam's work in 2000, Woolcock and Narayan (2000) suggest a further classification of SC, namely bonding, bridging, and linking SC:

Bonding SC are homogeneous networks between friends and family members that help individuals to 'get by' on a day-to-day basis. This type of SC is built on a strong sense of identity, norms of trust and reciprocity.

Bridging SC are more open and heterogeneous networks that 'bridge' between different communities to somewhat distant friends and colleagues. This type of SC transcends social divides and allows individuals to tap into the respective tangible and intangible resources of members from other networks. Woolcock and Narayan (2000) argue that 'poor' entrepreneurs in developing countries use bonding SC to reduce risk and uncertainty by forming close ties with their neighbors and friends. However, these entrepreneurs would require further bridging networks when expanding their business to access more extensive product and factor markets.

In contrast to such horizontal ties, linking SC refers to vertical relations between different social classes such as communities with upper levels of administration or authority. Turner and Nguyen (2005) highlight the importance of such vertical ties to gain information, resources, and ideas from formal institutions to foster economic development.

Furthermore, Woolcock and Narayan (2000) categorize the existing research in relation to economic development into four distinctive perspectives: the communitarian view, the networks' view, the institutional view, and the synergy view.

The communitarian view emphasizes the positive effects of civic engagement in form of local organizations but disregards negative effects of SC. Within this categorization, proponents look at the density of such local

organizations to estimate their effect on a community's welfare. However, empirical evidence, especially from the developing world, suggests that high levels of civic engagement of rural communities does not necessarily lead to increased welfare (Woolcock and Narayan, 2000).

The networks view accounts for both the positive and the negative of effects of SC by examining the various effects of horizontal and vertical relationships. For instance, the authors highlight the initial importance of strong intracommunity ties (bonding SC) for entrepreneurs to start their business and the consequent need to access further extra-community networks (bridging SC) to expand their business.

In contrast to this perspective, the institutional view views SC as dependent variable of its political, legal, and institutional environment. This conceptualization highlights the role of formal institutions on the outcome of actions from civic groups. A context of a highly insecure formal institutions results into major impediments to economic development. This view is addressing macroeconomic policy matters but lacks microeconomic components to analyze SC.

Lastly, the synergy view tries to merge several components of the network and the institutional view. The authors prefer this perspective as it focuses on "professional alliances and relationships between and within state bureaucracies and various actors in civil society" (Woolcock & Narayan, 2000).

This conceptualization of SC suggested by Woolcock & Narayan (2000) is adopted because it incorporates the following three central components:

First, the differentiation between 'bonding', 'bridging' and 'linking' SC allows for a multi-dimensional approach examining the relation of personal relationships with structural dimensions, within the sphere of structural and relational SC (Torres Vitolas, 2011). In this way, the researchers can examine the effects of SC usage in a more multifaceted way.

Second, a common criticisms of other SC conceptualizations is that they only assume positive outcomes originating from SC. Research in this field shows that SC can come with costs and constraint economic development (Turner & Nguyen, 2005; Lindvert et al. 2017). The choice lies on the network perspective, since it focuses on bonding and bridging community ties and their developmental or regressive effects on economic activities, while also acknowledging that institutions can support or undermine these efforts. Social networks can

certainly exclude non-members or enrich themselves at the expense of others which emphasizes the importance of including positive and negative effects of SC in our analysis.

Third, this definition is particularly salient in the development literature which builds a solid basis of secondary sources for our research. Several authors argue that, in the context of entrepreneurship and poverty reduction, individuals rely on different social ties to progress in economic development (Granovetter, 1995; Woolcock & Narayan, 2000).

Measuring SC

A number of studies attempted to quantify SC and its effects on economic development. Due to the multidimensional nature of SC, the different levels of analysis and the changing forms and nature of SC over time, it is highly uncertain to obtain one true measure of SC (Woolcock and Narayan, 2000). There is a discrepancy between the theoretical understandings of SC and the approaches of it being measured which leads to empirical confusion about the meaning, measurement, and outcomes of SC (Zarra-Nezhad & Moazami-Goodarzi, 2007).

As a starting point, measurement of SC depends on its chosen conceptualization, dimension and level of analysis chosen. As a matter of fact, the disciplinary focus (e.g., economics, sociology, business), the dimensions (structural, relational, and cognitive) and the level of analysis (individual, group and organizational, community and national) determine which approach is used to quantify SC. Furthermore, the measurement of SC varies depending on the interests of researchers and “whether they focus on the substance, the sources, or the effects of SC” (Adler and Kwon 2002).

While measures of the structural dimension of SC emphasizes the pattern of connections between an individual and its network, the relational dimension of SC examines the nature and quality of relationships among individuals. Generally, the cognitive dimension is measured through shared norms, values, goals, and reciprocity. Additionally, many researchers have argued that the items used for measuring SC should be separated between sources or determinants and outcomes of SC (Acquaah et al., 2014). However, various authors argued that there are several problems to such a distinction as some of the proxies used to measure SC such as civic engagement, political stability and safety, and social cohesion are both determinants and outcomes of SC (Laursen et al., 2007; Stone and Hughes, 2002; Narayan and Cassidy, 2001 in Acquaah et al., 2014).

Individual researchers and a variety of international organizations such as the World Bank, the Organization for Economic Co-operation and Development (OECD) and the World Values Survey Association developed SC indexes that apply quantitative SC measures. These approaches range from using one single indicator to using complicated groups of indexes (Acquaah et al., 2014). For example, the Integrated Questionnaire for the measurement of SC proposed by Grootaert et al. (2004) assessed the following SC dimensions: (i) groups and networks, (ii) trust and solidarity, (iii) collective action and cooperation, (iv) information and communication, (v) social cohesion and inclusion, and (vi) empowerment and political action. The SC Assessment Tool from the World Bank (Krishna et al., 2000) is comprised of seven different SC indicators: (a) structural SC: (i) organizational density, (ii) networks and mutual support organizations, (iii) exclusion, and (iv) collective action; and (b) cognitive SC: (i) solidarity, (ii) trust and cooperation, and (iii) conflict resolution. Another example of SC measurement indicator is a conceptual framework introduced by Stone and Hughes (2002) that aims to offer various approaches for diverse evaluation and research settings. They constructed several key measures of SC that include network size, density, diversity, and quality. In addition to that, they emphasize the usefulness of this approach when the corresponding research question is concerned with a level of analysis within one social context. Due to the variety of SC indicators, the systematic review of SC measurements, Acquaah et al. (2014) summarize them into four broad categories:

1. Networks, relationships, and connections
2. Trust
3. Civic engagement and voluntary activities (including cooperation, political participation, social participation, associational memberships, community volunteerism, etc.)
4. Civic norms, shared norms, and values

However, a study from the SC Initiative reveals that SC indicators differ both geographically and by sector. For example, measures of membership in associations were found to be a relevant indicator in Kenya and in South America, but not in India and Russia, where informal networks are more important (Acquaah et al., 2014). Therefore, social science researchers acknowledge the importance of using a range of methods to assess given phenomena. To properly assess development issues and to draw appropriate research, project and policy recommendations, data that offers both context-specific “depth” (usually obtained via qualitative methods) and generalizable “breadth” (usually obtained via quantitative methods) is required (Rao et al., 2003)

In their literature review about conceptualization and measurement of SC, Zarra-Nezhad and Moazami-Goodarzi (2007) describe five quantitative and five qualitative methods to measure SC. With respect to research of SC in specific contexts, they highlight the qualitative case study method that can lead to a more in-depth understanding of a phenomenon. This view is supported by Grootaert et al. (2002), who suggest that the best approach of assessing SC in a qualitative manner is by conducting case studies. In their book, they conduct two case studies arguing that qualitative methods lead to a deeper understanding of what individuals and households regard as SC and further provide a more nuanced understanding of local institutional characteristics.

Finally, SC research in very specific settings suggest the use of qualitative methods because the respondents' views and experiences are unlikely to be captured in surveys that make use of random sampling. Qualitative tools are particularly effective in delving deeper into understanding impacts rather than just measuring them (Dudwick et al., 2006).

2.3 Social Capital and entrepreneurship

“Successful entrepreneurs are those who can build networks of trust, and this trust assist them in creating legitimacy within the market” (Welter & Smallbone, 2006).

This section aims at showing the connection between SC and entrepreneurship, combining the intersections between the two literature streams with evidence from case studies. Despite the literature tends to focus on the positive relationship between the two (Light and Dana, 2013), also negative effects need to be outlined when they manifest themselves.

In general, the influence of SC on entrepreneurial efforts is deeply rooted in the literature. Bourdieu and Putnam highlight the role of SC for entrepreneurial success. For instance, Putnam refers to the inherent trust within communities as a source that facilitates access to resources for entrepreneurs (Kwon et al., 2013). There are several studies at multiple levels that show how SC influences new ventures performance, corporate entrepreneurial efforts, and institutional transformation (Lindvert et al., 2017). Also, within the entrepreneurial literature, SC belongs to the category of inter-firm factors, external to the business, essentially regulating the individual's interactions with the actors across society (Dees et al., 2006). Within this spike of interest in the field, economists started to address the issue, recognizing its benefits for market efficiency, especially in the

development economics stream of the literature (Durlauf and Fafchamps 2004; van Staveren and Knorringa 2007; Woolcock 1998 in Berrou & Comb).

Nevertheless, a significant part of the literature is focused on developed economies, due to an institutional framework which can favor a SC analysis, and fewer country-specific elements. First, not every culture encourages entrepreneurial activity, which means that individuals struggle in finding support, encountering hostility within the members of society or the institutions leading it. These “pre-existing conditions” can be defined as cultural capital, acknowledging how benefits can be traced only among groups sharing a common cultural capital. Second, SC needs to be accessible to potential new entrepreneurs, overcoming differences in gender, religion, race, or social class. If division persists, who is outside of that specific network will be completely excluded (Light & Dana, 2013). For instance, Lindvert et al.’s (2017) analysis shows how marginalized individuals need to adopt coping strategies to engage in entrepreneurship, to overcome cultural barriers. The authors show both enabling and constraining components of SC, underlining the fallacies of a literature that has often neglected the latter ones. These findings are confirmed and complemented by a qualitative study of participants from rural Bangladesh that shows cultural and institutional factors that hinder microentrepreneurs to engage in market activities (Mair et al., 2012). As furtherly concluded by Kwon & Adler (2014), based on previous research at the macro level, any type of minority ends up benefiting far less from community-level SC, implying that horizontal networks can exacerbate differences and social inequality.

Basically, as concluded by a survey conducted by Field in 2003, by investing in connections with people whom they share values with, entrepreneurs can achieve more than they would have by staying on their own. At the same time, these communities of shared values and understanding already show the limits of such phenomenon, with the risk of it to be exclusive rather than inclusive (Cope et al., 2007). As mentioned, the empirical research in the field connecting the two is quite wide. For instance, in their study about small-scale entrepreneurs in Vietnam, Turner and Nguyen (2005) examine the different types of SC (bonding, bridging, and linking) deployed amongst entrepreneurs in an urban, developing country context. By using a micro-level approach, they show which type of SC is being used by entrepreneurs, the form and quality of these ties and what positive and negative effects result from their usage.

Since the approach of analyzing the value of bonding and bridging ties of entrepreneurs is quite spread within the literature, it will also have a guiding role in our analysis. To be able to assess the usage that entrepreneurs make of social capital, some dimensions of the entrepreneurial effects need to be identified.

To start with, we would like to clarify what capital means for entrepreneurs. As mentioned, among others, by Burt (1992 in Kebede, 2018), entrepreneurs are in need of three different kinds of capital to start a venture: financial, in form of funds or investors, human, in terms of employees and their skills and characteristics, and social. In informal economies however, SC is indeed the most critical one, since it needs to fill the gaps left by poor access and management of the financial and human one (Nordman, 2016 in Kebede 2018). Concerning many developing countries or emerging economies, scholars tend to agree on the potential of SC, mainly in the form of social networks, to substitute an inefficient regulatory framework and serve needs of local entrepreneurs. As stated by Kebede (2018), the extent of the contribution of SC in entrepreneurial outcomes is still debated, since the existing empirical studies reflect the differences among the diverse country contexts examined. However, building on a wide literature review, different dimensions of entrepreneurial effects need to be identified, to assess their linkage with different degrees of social relations. Without the ambition to quantify economic success, but just with the purpose of qualifying some economic dimensions, this work will mainly build on the five dimensions outlined by Berrou & Combarous (2012) combined with Kebede's analysis in Ethiopia (2018).

- 1) First, SC grants access and share of information, concerning markets, management, investment, partners, or opportunities.
- 2) Second, SC establishes a system of risk sharing and risk reduction, especially where institutions are weak, enforcing a sort of social insurance which penalizes and limits any opportunistic behavior.
- 3) Third, SCs facilitate market relations with suppliers or customers, which speeds up decision making processes, driving transaction costs down and encouraging beneficial payment terms or credit formats.
- 4) Fourth, SC grants access to capital, mainly in its financial form, but could be for example in the form of material or advice.
- 5) Last, despite the direct correlation might be hard to track down to a single factor, SC indeed impacts earnings and value added, in different forms such as profit, growth in sales, acquisition of assets, or employment growth (Kebede, 2018)

2.3.1 Social Capital and Entrepreneurship in the Ecuadorian context

SC has been predominantly studied in established democracies. However, research in young democracies is lacking. In this section, we would like to gather some of the existing research, directly relying on local literature as well. As first disclaimer, context is an important factor to consider, especially when studying SC and

entrepreneurship (Light and Dana, 2013). While many studies proved the advantages of SC for entrepreneurship in the developed world, Light and Dana (2013) highlight the diverse cultural norms found in less researched areas of the world that affect the effect of SC on entrepreneurship.

For example, Fornoni et al. (2012) analyze the impact of an entrepreneur's SC on their access to information and how that improves the venture's performance in Argentina. They highlight the role of the relational dimension which facilitates access to information while the structural dimension helps entrepreneurs to access markets.

Within the Ecuadorian context, Anzules-Falcones (2021) studied the contribution of SC to tourism business ventures in rural communities. He finds that the resources generated by small tourism ventures from SC are not sufficiently exploited, however increasing market pressure improves their SC by increasing cohesion and strong and diverse ties. Kyle (1999) examined the role of SC in the development of a transnational trade diaspora of Ecuadorian indigenous entrepreneurs. However, he found that the abundant SC of the indigenous was not the causal factor for their transnational entrepreneurship and that it was rather supported by political and cultural forces. In addition to that, Ordenana & Arteaga (2012) surveyed middle- and upper-class Ecuadorian entrepreneurs. As first observation, they noted a *"weakness in Ecuadorian institutions and specialized agencies"*, and their results also shown difficulties in establishing new contacts, prompting them to rely on kinship ties, hence significantly limiting their networks. Despite the low existing level among these entrepreneurs, their findings assed SC as positively affecting their possibilities of creating a new venture.

Fukuyama (2002) as well has conducted research in the region, which he found always illustrated the importance of norms and values that affect economic development. Among his different references to it, he mainly outlines two common findings, which he always encountered in his visits to South America. First, everywhere he went he found an audience deeply thinking that their society *"suffered from a severe crisis of trust"* (Fukuyama, 2002 p. 35). Second, in most South American countries the greater part of gross domestic product (GDP) is produced by family-owned businesses. Therefore, most businesses can be considered as *"familistic"*, which means that the strongest bonds of trust are among close friend and family members, which in turn affects the ventures performance. For example, if the business expands, then the owners will involve sons, daughters, cousins etc. for staffing (Fukuyama, 2002).

Although the studies above contributed to the question how SC affects entrepreneurship in distinct manners, a case study that examines the effects of SC on rural small-scale Ecuadorian entrepreneurs is not currently

available. Therefore, the following section outlines the conceptual framework used in this study that aims to investigate such a specific setting.

3. Conceptual Framework

Despite the research that explores the role of SC in entrepreneurship being labelled as quite new, this study proposes a conceptual framework which is tailored for carrying out a study within the development sector and emphasizes entrepreneurs' quality and structure of social relations. Entrepreneurs are individuals engaged in the process of discovery, evaluation, and exploitation of opportunities identified in the society (Venkataraman, 1997). Due to the correlation individuals' actions have with one another, entrepreneurs' opportunities are defined by the context surrounding them, that is why a socio-behavioral approach allows to study the influence among the different actors involved (Dees et al, 2006). Their main challenges to overcome consists of accessing the resources needed or accessing what is necessary to build on these resources (Sutter et al, 2019).

Among the different resources available, a significant importance lies on the role and nature of SC, identified as "the information, trust, and norms of reciprocity inhering in one's social networks" (Woolcock & Narayan, 1998). This resource is available to people through their social interactions, hence dependent on which type, and quality of connections are prevalent in their network. To assess on which type of interpersonal connections entrepreneurs rely on to advance their business, a conceptual framework is proposed in this chapter that analyses the effects of SC on entrepreneurship in a developing country context.

The conceptual framework (cp. Figure 2) used in this study is based on the integrated approach of analyzing SC proposed by Dudwick et al. (2006) which was specifically designed for applications in developing countries. The integrated approach consists of two papers, an integrated questionnaire (Grootaert et al., 2004) using quantitative methods to assess the impact of SC on development, and a further document which suggests a variety of qualitative methods that explore SC (Dudwick et al., 2006). While both papers draw from the same conceptual understanding of SC, the tools and strategies adopted in our conceptual framework are derived from the qualitative paper. In line with our arguments, the authors conceptualize SC as a multidimensional concept, which comprises groups, networks, trust and norms of reciprocity. Furthermore, their framework also emphasizes both the structure and quality of social networks. While they distinguish between 'structural' and 'cognitive' SC, the authors also acknowledge that their conceptualization of network types reflects the salient distinction between 'bonding', 'bridging' and 'linking' SC.

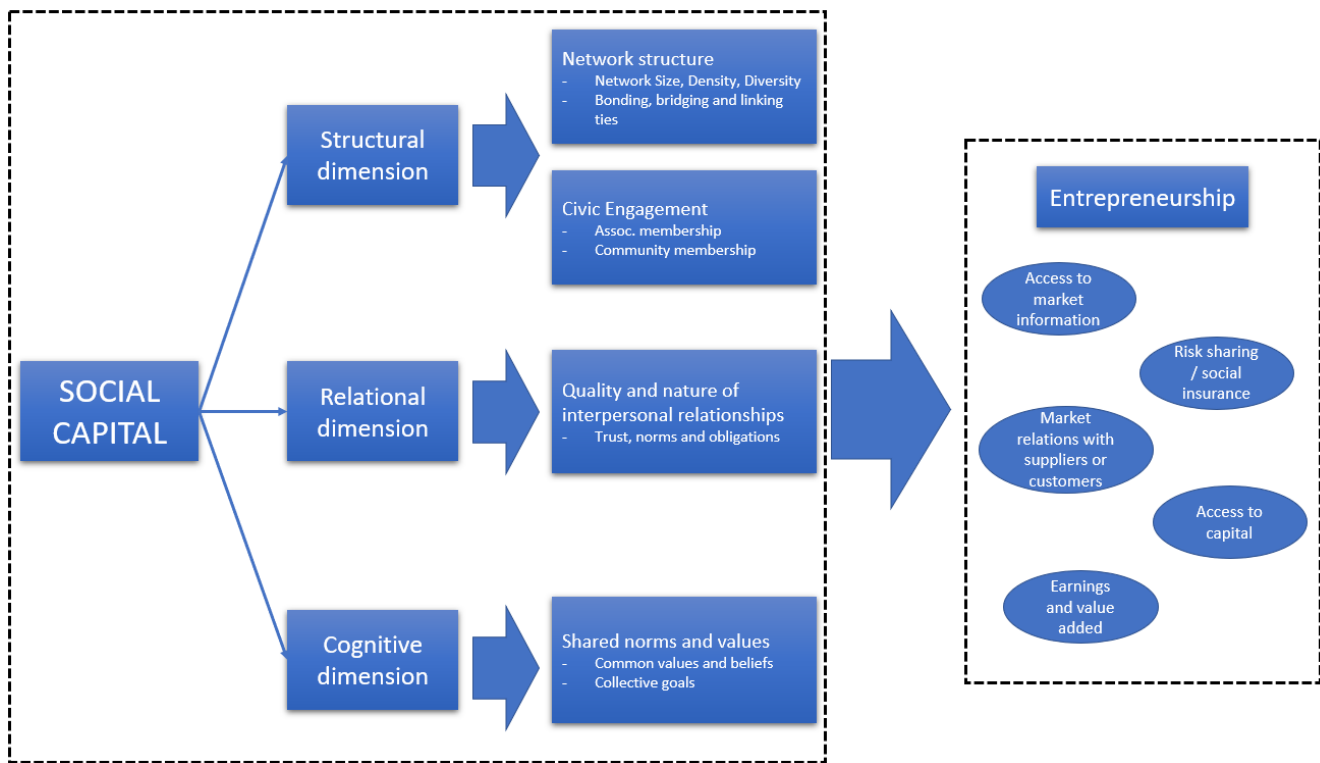


Figure 22: Conceptual framework - the effects of SC on entrepreneurship

‘Structural’ SC explores the types of groups and networks that poor people can access, what they contribute and what they receive from these formal or informal networks. The density, connectivity and hierarchy of networks are considered as well as the number of ties an individual has, with whom and how strong these ties are. When these ties are assessed, scholars distinguish between bonding, bridging and linking SC. This dimension is the most tangible and easiest observable (Claridge, 2018). In this study, the assessment of ‘structural’ SC is conducted by gathering information about network structures. Specifically, we are looking at the respondents’ number of links, the position they possess within their network (network centrality), the overall network size and network density. Despite some of these dimensions are typical of a quantitative analysis, we found space to apply them to the case as well. Overall, network centrality can be indicative on how much the network around the business depends on the figure of the entrepreneur itself, which, for example, can be different if the individual belongs to associations sharing and dividing tasks. Network diversity instead, tries to measure the variety of the ties, whether an individual has a predominant presence of one type of tie (i.e. binding, bridging and linking), or its connections are kind of equally distributed. Last, the network density describes the likelihood of two individuals being connected if they belong to the same network. The density of a network has implications of the frequency of interaction, the individuals’ sense of belongingness and the trust inheriting their relationships.

Additionally, we also examine the different network ties (bonding, bridging, & linking ties) and the respondents' civic engagement which is shown by their association membership and community engagement. Claridge (2018) claims that locals engage in mutually beneficial collective action and access to relevant peers with desired sets of resources or knowledge. 'Bonding' SC are horizontal ties to people with similar demographic characteristics such as kinship, close neighbors, friends, and work colleagues. Within such homogeneous groups, the people within help each other to 'get by' daily. 'Bridging' SC are also horizontal ties, but these relations with heterogeneous groups span across different communities which transcend social divides such as ethnicity, socioeconomic status, or economic activity. 'Linking' SC can be understood as vertical ties with formal institutions, to people in positions of authority within political or financial institutions. An important linking SC tie can for instance be local leaders and intermediaries who facilitate connections between poor communities and external development assistance or government programs (Grootaert et al., 2004).

'Cognitive' SC explores the overall level of trust between individuals, how institutions shape their lives and the norms and obligations that affect collective actions. It is described as interpretations of a shared reality. Though the common acting within society, this dimension of SC manifests itself by the use of shared language, narratives, goals and culture. 'Cognitive' SC is to be found within the wider social context of a society that allows a common understanding of how 'things are done' thereby providing a set of norms and social obligations (Claridge, 2018). The examination of 'cognitive' SC consists of generalized trust, meaning the extent to which one trusts people overall. Also, the cognitive dimension explores norms of reciprocity that surround attempts to work collectively towards a common goal, the overall feeling of safety and the degree of shared visions and shared culture (Acquaah et al., 2014). Within social groupings, such as families and associations, norms shape the interaction between the members and serve to maintain the social order of the grouping. Trust and norms of reciprocity are deeply interconnected. Norms shape interactions which are built on a foundation of trust. If an entrepreneur does not trust another individual to behave in a certain way or conform to specific norms, it is unlikely that the entrepreneur themselves will behave according to a norm. Social norms are reinforced by social sanctions if individuals fail to comply with certain norms (Claridge, 2018).

The distinction between the two dimensions 'cognitive' and 'relational' is that the characteristics of the relational dimension are embedded in, or relate specifically to, social relationships. The 'relational' dimension of SC describes the nature and quality of specific relationships that have developed throughout time which results in individual behavioral attributes such as trust, respect, obligations and identification (Claridge, 2018). 'Relational' SC examines a set of key aspects such as interpersonal trust among actors, the norms and obligations stemming

from the relationship, the existence of identification with other actors and associability – the willingness to subordinate individual goals to collective goals (Acquaah et al., 2014).

The conceptual framework intends to assess the three dimensions of SC in relation to its effects on the entrepreneurial venture. Therefore, it does not only examine the relationships themselves, but also try to understand the importance of the entrepreneurs' relations for their business and what the entrepreneurs get out of them. These effects are analyzed in accordance with the entrepreneurial dimensions outlined in the previous chapter based on Berrou & Combarous' (2012) findings combined with Kebede's analysis in Ethiopia (2018). The dimensions of entrepreneurial effects are (1) the access and share of market information, (2) risk sharing and risk reduction, (3) market relations with suppliers or customers, (4) access to capital, mainly in its financial form, but also in the form of material or workforce and (5) earnings and value added.

By focusing our analysis at the micro-level, the existing level of SC available for individuals can be assessed which enables us to understand its correlation to entrepreneurial efforts. The findings from our study aim to fill a gap in the combined literature streams of entrepreneurship and SC by assessing the dynamics between both concepts in a developing country context. Furthermore, this study seeks to investigate entrepreneur's use of SC and the assessment of whether the entrepreneurs experience positive and negative effects from SC. By applying this conceptual framework, this study further intends to discover which dimensions of entrepreneurial effects are affected by which dimension of SC.

4. Methodology

4.1 Philosophy of science

To reach a better understanding of how the authors of this study examine the research findings, it is important to unveil the assumptions underlying the authors' perception and reasonings. To ensure that research outcomes are appropriately and meaningfully interpreted, it is crucial to understand the philosophical basis of science. The philosophy of science examines methods and implications concerning the source, creation and development of knowledge (Creswell & Creswell, 2017). This master thesis is grounded on an interpretivist philosophy of science (Saunders et al., 2019).

This paper puts an emphasis on the subjective meanings of individuals' experiences, as we aim to reach an understanding that focuses on the study participants' opinions and depicts the social world from the perspective of the individuals involved. Therefore, we deem interpretivism to be the best fit as it understands humans as social actors, whose perceptions and consequent actions construct social reality (Kuada, 2012). This is in accordance with Saunders et al.'s (2019) view highlighting that interpretivist researchers have to recognize and acknowledge differences in the meanings that are created by humans as social actors. Therefore, the subjective meanings of individual experiences will be emphasized throughout this study to reach a deep understanding of the phenomena that is being studied.

Proponents of interpretivism argue that through putting the backgrounds and circumstances of individuals at the center of attention, and how this results in varying meanings, social sciences achieve the most significant outcomes. Therefore, the analysis in this study relies on the perceptions and experiences of the participants in order to develop a richer, context-specific understanding of entrepreneur's usage of SC to advance their business (Saunders et al., 2019). To summarize, an interpretivist philosophy of science approach has deeply influenced the interpretations, methodology and analysis of this study.

4.2 Research approach

After presenting the research philosophy, this section shows the research approach used in this study. The utilized theories determine the research approach and differentiates whether these theories are being tested or built (Saunders et al., 2019). Within scientific research, scholars normally differentiate between two approaches,

namely deductive and inductive approach (Morgan, 2007). The deductive approach usually involves the verification or falsification of general theories and normally utilizes quantitative methods. In contrast to that, inductive reasoning aims to develop theory and intends to unveil patterns by highlighting the importance of subjective interpretations (Saunders et al., 2019).

As outlined in the beginning, this study aims to utilize existing theories and develops a conceptual framework based on the literature to assess the usage from entrepreneurs of SC. It aspires to contribute empirical findings to improve the understanding of SC and entrepreneurship in developing countries which subsequently will be discussed in relation to the theories used. There is also a third approach to theory development, which is referred to as abductive approach (Saunders et al., 2019). Within this approach, observations are converted into theories and consequently these theories are assessed by a subsequent data collection (Morgan, 2007). This study contains clear deductive traits by analyzing the applicability of existing theory in a specific cultural and geographic context. By conducting a case study and discussing the empirical findings, they also inform the theoretical stance. While this approach seems to incorporate inductive reasoning, the findings are of an empirical nature rather than a conceptual one. Therefore, the used research approach ascribes to the deductive research approach (Saunders et al., 2019).

In accordance with this approach, this paper utilizes the case study method, focusing on a limited number of qualitative in-depth interviews that aim to inform on the complex nature of SC. It further examines its usage by entrepreneurs and the effects on their business. Moreover, two classifications can be used with respect to the time duration of a study, namely cross-sectional and longitudinal. This paper will be a cross-sectional study, as the phenomenon is studied in a specific point in time (Saunders et al., 2019).

4.3 Research design

Once a philosophy of science and a research approach has been selected, the research design, strategy and data collection method will be considered. Normally, particular approaches predefine the methodological choice in regard to possible designs, and hence, the data collection methods. Creswell and Creswell (2017) point out the advantages of qualitative research for the interpretivist philosophy by arguing that qualitative data is the most adequate for capturing the essence of human experience as it provides a deeper, more nuanced understanding of the meaning individuals attribute to complex problematics. Therefore, this thesis adopts a qualitative research method which is built on the data collection in form of semi-structured interviews, field observations and a

corresponding qualitative analytical procedure (Saunders et al. 2019). In addition to that, this study uses the case study strategy to understand the interaction between a phenomenon and its context, and to reduce bias in the analysis. By relying on interview sources and observations from the field area, the findings complement each other and therefore increase the quality of the following analysis and interpretation (Ibid.). To further inform and contrast the primary data, secondary data has been collected through archival and documentary research.

4.3.1 Case study

Case studies are one of the archetypical interpretivist research strategies (Scotland, 2012) and consist in rich, empirical descriptions of instances of a phenomenon (Eisenhardt & Graebner, 2007). They involve analyzing one or more cases to generate theoretical constructs from case-based, experiential evidence (Ibid.). Dubois and Gadde (2012) note that in-depth case studies constitute a uniquely useful tool to understand the interaction between a phenomenon and its context.

Thus, in order to understand SC more comprehensively, this thesis adopts a single case study approach, providing a rich narrative that results in the detailed description of the phenomenon (Eisenhardt & Graebner, 2007). According to (Adams & McNicholas, 2006), the type of case study is defined by the research question stated. The research question addressed in the case study: *How does the entrepreneurs' usage of SC impact their businesses?* could suggest that the case study is solely descriptive in nature. The aim of descriptive case studies is to find connections between the subject being studied and a theory (Adam et al, 2006). The *how* in the research question, however, embodied the implicit question in what manner the use of SC affects entrepreneurs' businesses. In consequence, while having a descriptive element, the case study also has explanatory traits, as it examines the dynamic at play. However, results of explanatory studies are normally considered definite. The generalizability of the results of this study is limited and conditioned to the specific research context, as the findings are always dependent on the idiosyncrasies of that specific environment (Scotland, 2012). In addition to that, it can be argued that this research is following an exploratory research design as it aims to gain insights and to create a better understanding of an under-researched topic (Saunders et al., 2019). Consequently, this case study combines several designs to examine the subject in question.

To dive deeper into the significance of SC for entrepreneurs and their business in settings of extreme poverty, this case has been chosen on the basis of the author's expectations about the relevance of its content, following an information-oriented selection strategy that aims to maximize the utility of the information that the case

provides (Flyvbjerg, 2006). In general, the use of single case studies has been deemed as an opportunity to explore a particular phenomenon under rare or extreme circumstances (Eisenhardt & Graebner, 2007).

4.4 Data collection

By using the qualitative data collection technique semi-structured interviews, complemented by field observations in combination with collected secondary data, the researchers expect to reduce the bias of this study and include a variety of narratives.

The primary qualitative data used in this thesis has been collected during a four-week field trip to the Ecuadorian coastal province Santa Elena in March 2022. Semi-structured interviews with 20 entrepreneurs took place in and around the Parroquia Manglaralto, which forms the lowest level of local authority. Willis (2006) argues that it is necessary to define selection criteria for the interviewees to get a comparable research population. The following selection criteria were applied to identify the entrepreneurs:

- They had to be entrepreneurs with a maximum of 5 employees to have comparable company sizes
- They had to be from the Parroquia Manglaralto or surrounding communities
- They had to work within the handicraft/agricultural/commercial sector because these are typical sectors for entrepreneurs to work in Ecuador. Some of the interviewees were engaged in several entrepreneurial activities, but if only one of the businesses was within the aforementioned sectors, they would comply with the selection criteria.

By focusing on entrepreneurs within that region and these sectors, it is easier to make comparisons because they are confronted with similar external business challenges (Willis, 2006). This is crucial for this study, which aims to show how rural small-scale entrepreneurs use SC to cope with the external challenges they are facing.

Sample description

As briefly mentioned above, the field research allowed us to interview 20 local entrepreneurs (cp. Table 1 below), 16 men and 4 women, all living in the region of Santa Elena, Ecuador, in a span of approx. 30 km, between the “Comunas” of Dos Mangas and Loma Alta. Among the respondents, 16 of them identified themselves as artisans, 3 as farmer, one as a shopkeeper and one as a baker. Within the artisan group, many of the respondents had another job as well, such as musician, touristic guide, farmer, beekeeper, or construction worker. The need of

doing two jobs was mainly motivated by two factors: first, the disappearance of a foundation in 2015, which many local entrepreneurs were dependent from, and the Covid-19 Pandemic.

For every case except for two (Interview 1, Interview 6), the interviewee was the main contributor of income for his or her family, which also implied a high involvement of the latter one in the business activities as well. As already mentioned in section 2.3.1, family is a core part of self-owned and managed businesses in Ecuador. For every single one of the respondents in fact, family members were composing the workforce entirely. One exception was respondent number 13, a baker who employs one individual from the same village but outside of the family circle.

Table 1: Description of Interview respondents

Respondent Number	Name	Age (years in the job)	Profession	Part of an Association
1	Elba	25	Artisan	Yes
2	Estevan	48 (30)	Artisan	No
3	Jose	54	Farmer	No
4	Oscar	51 (40)	Farmer	Yes (president)
5	Pascal	64 (40)	Farmer	Yes
6	Herlinda	55 (34)	Artisan	Yes
7	Leonor	42 (26)	Artisan/ bakery shop assistant	No
8	Vicente	54	Artisan / Guide	Yes
9	Fernando	62 (20)	Artisan/ musician	Yes
10	Antonio	48 (35)	Artisan	Yes
11	Victor	52 (35)	Artisan	Yes
12	Camilo	56 (35)	Artisan	Yes
13	Jerson	28	Baker	No
14	Fernando	46	Artisan/Construction worker	Yes
15	Mario	35	Farmer / Artisan	Yes
16	Bolivar	45	Beekeeper / Artisan	Yes
17	Javier	43	Sea biologist / shopkeeper	Yes
18	Cesar	48 (35)	Artisan	Yes (president)
19	Luis	35 (10)	Artisan/ construction worker	Yes
20	Nestor	38 (12)	Artisan/ construction worker	Yes(president)

4.4.1 Semi-structured interviews

Desai and Potter (2006) argue that interviews in qualitative research are particularly useful when examining underlying motivations, causes of success or failure and information that is not easily accessible from secondary data sources. In addition to that, given the complex nature of the context of the case, and the complexity of the relationships between entrepreneurs and other actors, semi-structured interviews were chosen as qualitative method as they can generate valuable insights to capture nuances, understandings, and personal meanings (Longhurst, 2003). The open-ended questions within semi-structured interviews enable the interviewees to express their reality in their own words and further allows them to emphasize or extend their responses in a manner that would not be possible through questionnaires, enabling the researchers to explore previously unnoticed issues that may surface during the interview (Longhurst, 2003). For example, the explanations of the respondents underscored the importance of certain networks in the research area, which prompted the restructuring of the analysis chapter to put an increased focus on the identified networks.

The interview guide (cp. Appendix No. 2) was designed to be able to identify all the dimensions outlined in the conceptual framework. By structuring the interview guide in accordance with SC dimensions, we are enabled to outline components of structural, relational, and cognitive SC and how they might affect the entrepreneurs' venture. In fact, starting by identifying the nature and size of the ties, we studied the quality of the existing relationships. Moreover, several questions examine the trust, norms, and sanctions, as well as obligations stemming from the relationships and how entrepreneurs make use of them.

The interviews were conducted in the home or the workplace of the entrepreneurs. Sometimes, the workshop of the entrepreneur was within their home, or the workplace was a shared workshop with other entrepreneurs or outside in open nature. The interviews lasted between 1 hour and 1.5 hours. The researchers recorded the conversations while they simultaneously took notes. In some instances, the audio quality of the voice recordings was diminished due to background noise which required the researchers to rely partly on their field notes.

The interviews were conducted in Spanish being the mother tongue of the participants. By conducting the interview in Spanish and thereby avoiding the use of an interpreter, the power distance between interviewer and interviewees was reduced. Yet, Spanish is not the maternal language of the researchers. When conducting interviews in a foreign language, the risk of misunderstandings and flawed interpretation of the responses may increase and therefore might affect the findings of the data collection (Saunders et al., 2019).

The interviewed entrepreneurs were identified and approached making use of the snowballing technique (Streeton, 2004). We had established contact with a local NGO named *Futuro Valdivia* prior to the field trip. The founder of the NGO has lived in the research area for 15 years and was well connected within the area. He introduced us to 5 locals, from which two were entrepreneurs and participants of the study. Through a process of referrals from these locals and one entrepreneur to the next, we were able to identify and contact key informants from the region. Due to the personal referrals from trusted individuals, it appears that the participating entrepreneurs in the study already had an initial degree of trust and interest in talking to the researchers. None of the entrepreneurs mentioned time constraints or other hurdles which could indicate their unwillingness of conducting an interview.

Data Analysis Procedure

The data collected from the interviews were first transcribed with the transcription software Konch, which covered over 30 different languages and enabled the researchers to modify and export the transcripts (cp. Appendix No. 3). To analyze the interviews, the thesis adopted thematic analysis, which is a “method for identifying, analyzing, and reporting patterns (themes) within data” (Braun & Clarke, 2006). A thematic analysis offers a flexible approach to answer the research question of this thesis as it is not bound to a certain theoretical framework. The thematic analysis approach used in this thesis can broadly be categorized as (1) identification of themes based on the combined literature stream of SC and entrepreneurship, (2) identification of themes based on the conceptual framework, and (3) identification of emerging themes that do not necessarily fit within the scope of neither the literature nor the conceptual framework. The latter approach was relevant because the data brought up other important topics such as the main networks on which entrepreneurs depend.

The coding process followed the six steps outlined by Braun & Clarke (2006) which are 1) familiarizing yourself with your data, 2) generating initial codes, 3) searching for themes, 4) reviewing themes, and 5) defining and naming themes, and 6) producing the report. Braun & Clarke (2006) describe this as a recursive process, with movement back and forth between the different steps. According to Braun & Clark (2006) a theme “captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set”. Thus, themes were identified by asking “what is the data saying about the research question?”. After the assignment of codes to the interview responses, the bundled information was analyzed to identify causal relationships between entrepreneur’s usage of SC and the corresponding implications for their business.

4.4.2 Secondary data collection

The secondary data used in the study primarily consists of academic literature on SC and entrepreneurship. It further includes the findings from previously conducted case studies in both fields. In addition to that, reports from development agencies, such as the World Bank and the Global Entrepreneurship Monitor, are used in order to understand the contextual background of the study. Since all businesses included in this study are small firms and many of them informal, no firm reports are available. Therefore, the findings of this study mostly depend on the empirical findings from field observations and interviews.

When secondary data were used, a special focus was placed on the quality of the retrieved data. To increase the quality of the research, this thesis has rested its secondary data collection in academic articles from top-ranked business journals, of the likes such as the 'Academy of Management Journal', the 'American Sociological Review' or the 'Academy of Management Review', as only high-quality articles are published in these journals. This focus helped to increase the general quality of our research (Saunders et al., 2019).

4.5 Ethical concerns

When conducting interviews and collecting qualitative data, researchers must always pay attention to ethical concerns towards the interviewees as well as the individuals in their surroundings. One of the most important issues when conducting a primary data collection is voluntariness of participation. Further core principles include the protection of the participants' privacy, and the responsibilities towards the research profession (Saunders et al., 2019). The interviews were carried with the consent of the involved entrepreneurs, i.e., all interviewees were from the beginning informed that the purpose of visiting their workshops/homes was to conduct interviews for this thesis. With respect to the different cultural context of the research area, we placed increased emphasis on the cultural sensitivity in accordance with Desai and Potter's (2006) argument that development researchers should be aware of the fact that they are from a diverse cultural background, and they don't portray their personal cultural values onto the interview respondents. Due to the upbringing in western society and the different cultural background from the researchers and the study participants, the researchers must critically reflect the findings and conclusions made in this study. As this study adopts an interpretivist research philosophy, the goal is to depict the world from the respondent's perspective and experiences instead of being shaped by the researchers' views, beliefs, and values.

4.6 Limitations

In the following, we address the main concerns considering our methodology and data-collection. Firstly, multiple-case study designs are often considered to be more compelling and robust than single-case designs. Additionally, criticisms of single-case studies often reflect fears of the potential for distinctiveness of the case selected (Yin, 2009). In contrast to that, Flyvberg (2006) argues that the single-case study is a necessary and sufficient method for certain important research tasks in the social sciences. Hence, the case study method is particularly appropriate in exemplar and revelatory contexts, when investigating “why” and “how” questions (Yin, 2009) and for enhancing the comprehension of complex phenomena in well-described specific situations (Eisenhardt & Graebner, 2007).

Secondly, when conducting qualitative interviews, the researchers need to follow certain bias-reducing strategies. To gain insightful and detailed responses to our questions and to allow for free-flowing conversations, we applied open-ended questions, as suggested by Saunders et al. (2019). However, it must be considered with qualitative data collection that no level of objectivity can be claimed in the interviewees’ answers. In response to that, Flyvbjerg (2006) argues that subjectivism can apply to all research methods and that qualitative methods do not have a greater bias towards verification. Scotland (2012) further supports that statement as long as the researchers are aware of the sources of potential bias and that this awareness can result in a major strength in their analysis. To further increase the quality of our findings, triangulation of the information obtained, which involves the use of multiple sources of data for confirmation, was carried out to the extent possible (Saunders et al., 2019). Despite the interviewers’ inherent bias, the qualitative research interviews conducted in the field trip can be considered to have achieved confirmability, as we have “acted in good faith all along in the research process [and did not] have any other interest in the research than to understand the reality that [we] set out to investigate” (Kuada, 2012: p. 101).

Lastly, due to the research methods chosen in this study, the degree of generalizability is limited. A reoccurring criticism of interpretivism is that due to high emphasis on subjective meaning negatively impact the transferability of the findings (Scotland, 2012). In response to the common criticism that generalization and scientific development is not possible on the basis of a single case study, Flyvbjerg (2006) argues that “[...] *formal generalization is overvalued as a source of scientific development, whereas ‘the force of example’ is underestimated.*” However, this study does not aim to achieve generalizable results, as the interpretivist approach intends to capture the uniqueness and rich complexity of social situations (Saunders et al, 2019).

5. Case study: Ecuador

As presented in the methodology section, this master's thesis examines a single case. The focal case context is the entrepreneur's usage of SC, and more specifically, the case of small-scale rural Ecuadorian entrepreneurs. However, as will be illustrated in this section, due to Ecuador's economy and institutions, the Ecuadorian entrepreneur's usage of SC cannot be examined without the incorporation of the country-specific context. Yet, the focus will lie upon the small-scale entrepreneurs as well as those general factors affecting them. Hence, this section will serve to introduce the case and the life of Ecuadorian entrepreneurs. This chapter will first introduce relevant notions on the country, followed by a deeper focus on the research area. Afterwards, an overview of Ecuador's entrepreneurial activities will be shown as well as SC in Ecuador.

Country Profile

Ecuador is the fourth smallest country in Latin America, with a population of 17.1m people, above 70% of whom identify themselves as mestizos². Despite the economy had been significantly growing between 2005 and 2015, fluctuation in oil prices and the COVID-19 pandemic triggered an economic recession (World Bank, 2021). As of today, 35% of the population lives in poverty, and a rapid population growth, coupled with a serious problem of malnutrition, does not encourage future expectations (United Nations, 2019)

The country has a quite recent history of democratization, since the transition from the military system took place only in 1979 (Bertelsmann Stiftung, 2022). Despite the establishment of a parliamentary system, the country's instability led it to be unfit for several economic crises. The turning point comes with the election of Rafael Correa, in 2007, through his program "Revolución Ciudadana", based on solid investments in infrastructure and socially oriented policies. From 2006 to 2016, poverty was significantly reduced, from 36.7% to 22.5% and GDP was growing 1.5% annually, after two decades steadily at 0.6 percent (Weisbrot et al., 2017). Correa's ten years in the office indeed marked the greatest period of economic prosperity Ecuador has seen, however unveiling deep rooted macroeconomic imbalances. His government left a state permeated by corruption and an environment non-conducive for businesses or any type of private investments (World Bank, 2021). Moreover, instability and income inequality have created an underlying atmosphere of mistrust in each

² Of a combined European and Indigenous Ancestry

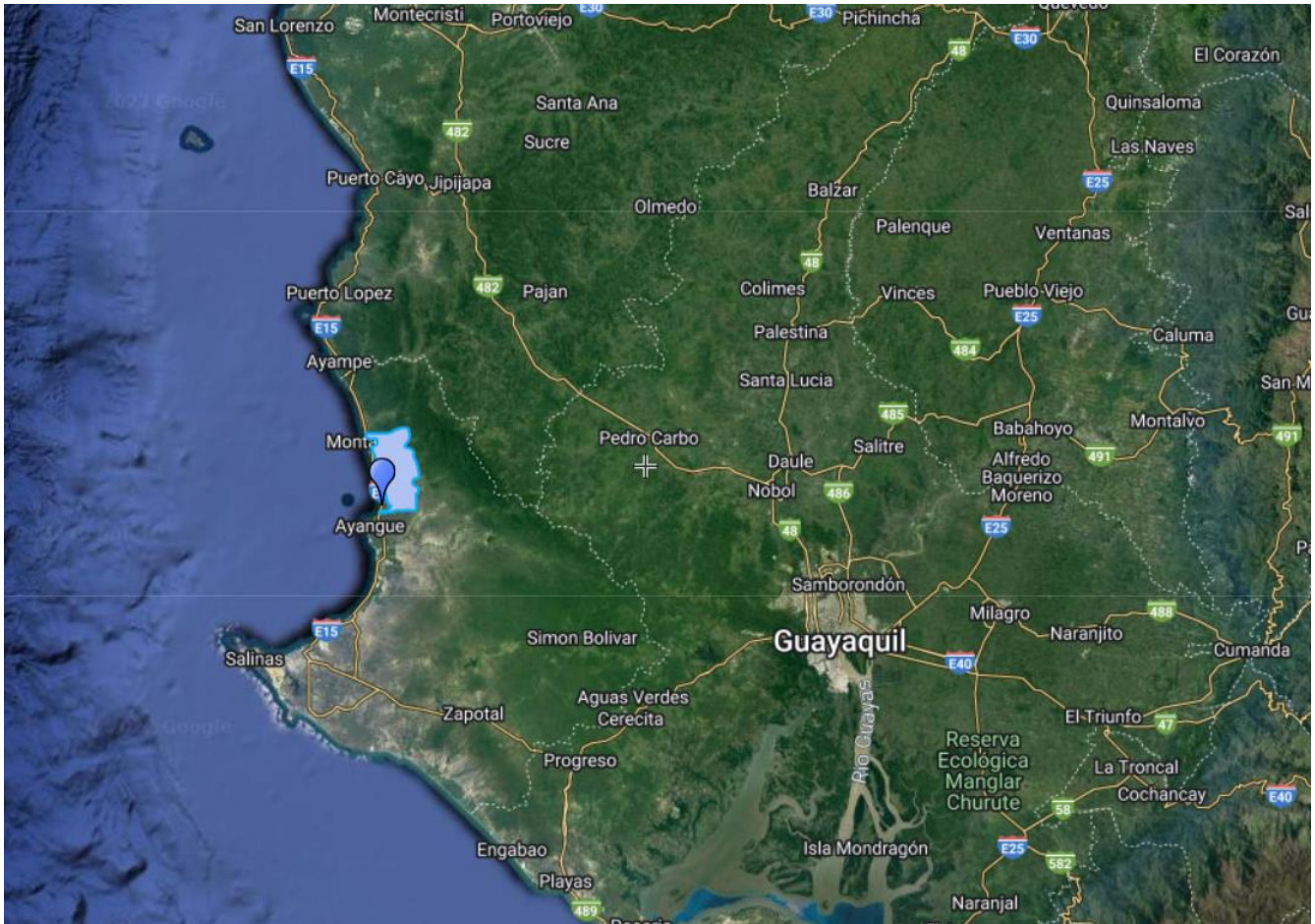
other, due to weak transparency and accountability (World Bank, 2021). Nevertheless, Correa's popularity can still be perceived nowadays, especially in the middle-lowest class; on several occasions in fact, our respondents describe his years at power as richer in opportunities, and more attentive to their needs.

Ecuador's economy has always been strong in production of primary goods, with agriculture that has traditionally employed a significant part of the population, based on families producing from their own farm. The main products exported are cacao, bananas, coffee and paja toquilla, the straw composing Panama Hats (Knapp et al., 2021) The economy is also quite dependent on oil, which contributes to two-fifths of export revenues and one-third of tax income, however it is the service sector that accounts for almost half of Ecuador's gross domestic product (GDP). About three-fifths of the Ecuadorian workforce works within the service industry, particularly in transportation, tourism, retail, and wholesale trade. Overall, industrial development is at an early stage (Knapp et al., 2021)

The research area: Valdivia, Province of Santa Elena

The Santa Elena province is in the West part of Ecuador, on the coast. According to the last national census (2010) more than 67% of the province of Santa Elena population lives in poverty, compared to 32,4% at national level (INEC, 2010)The whole province is highly dependent on agriculture, animal husbandry, fishing, craftsmanship and trade. The attractiveness of the coastal area and a serious problem of water scarcity have also increased involvement in tourism and related economic activities. The whole area, under the Parroquia of Manglaralto, counts 30,000 inhabitants. Apart from the main occupations mentioned beforehand, a lot of people locally work in provision of services for locals, small retail commerce, mainly in the provision of essential goods. In majority of the villages, workers have more than one job, with a tendency to be pluri-functional and adapt to new opportunities (Vega González & del Pezo Reyes, 2015)

Figure 3: Map of the research here, with pin at Valdivia



The area surrounding the Comuna of Valdivia (cp. Figure 3) is the cradle of the oldest ceramic civilization in America, descendants of the indigenous population “*Guancavilca*”, with one of the longest traditions of artisans in the country. The population of the area, who settled 5,000 years ago, have always been relying on exchange and “barter”, dedicated to fishing and agriculture mainly. The current socio-political structure in fact, with some level of independence granted from the State to local authorities, is deriving from old concessions to the local populations. As descendants of coastal indigenous, they experienced systematic marginalization and discriminatory practices causing to an exacerbation of the impoverishment of the rural communities. Widespread job instability leads men to drinking problems and poor attention to family life (Vega González & del Pezo Reyes, 2015)

Entrepreneurship in Ecuador

In Ecuador in 2019, the early-stage Entrepreneurial Activity Index (TEA) was 36.2%, meaning that approximately 1 out of every 3 adults had taken steps to create a business or owned one that was no older than 42 months. This rate has not presented significant variations in recent years, and throughout the last 10 years Ecuador has had the highest average value within Latin American countries (GEM Ecuador, 2019). Following the trend, both newly started and established businesses were mostly engaged in trade (76 % and 51 % respectively) and primarily oriented to the domestic market. The rate of necessity entrepreneurship, as in previous years, is above the average for Latin America and the Caribbean. In relation to entrepreneurs by opportunity, 26.6 % stated that they did it to increase their income, 28.8 % did it seeking to become independent and 44.6 % were motivated by necessity (GEM Ecuador, 2019).

The province of Santa Elena, where the study will take place, is eminently rural, with very few urban areas. Financial institutions such as the “Banco Nacional de Fomento” and the “Ministerio Coordinador de la Producción” (MIPRO), support the creation of companies with incentives, such as loans or tax deductions, however hardly feasible or appealing for small-scale entrepreneurs (Cruzaty, 2017) The government’s declared aim is to increase the population’s participation in entrepreneurship and reduce several “entry barriers”, such as: lack of education and professional training, missing information on market opportunities, lack of credit for business start-ups and poor infrastructure (Vasco, 2013). In the last years, efforts to sustain small- and medium size enterprises have been growing, especially within rural areas (Morales-Urritia et al., 2020).

The current level of financial struggles in these rural areas has led men into drinking problems and poor attention to family life. Overall, instability and income inequality have created an underlying atmosphere of mistrust in each other (Junta de Agua Regional Valdivia Junta de Agua Regional Olón et al., 2015). Therefore, the environment is non-conducive for business, coupled with weak transparency and poor accountability in the country’s institutions.

SC in Ecuador

1.6 million jobs in Ecuador are estimated to be generated by family businesses, composing more than 90% of formal employment, for an income representing 51% of the GDP (GEM Ecuador, 2019). Within the area of the

field research, previous reports of community-oriented projects underline the importance of the heritage of the indigenous populations, in terms of shared values and beliefs. More specifically, these would be: Great importance to the role of the family, and in reaching harmony within it; High level of care and respect for the nature surrounding you, also in terms of conserving biodiversity; Attachment to the local community, promoting mutual collaboration and support, and wish for common prosperity on a collective level (Junta de Agua Regional Valdivia Junta de Agua Regional Olón et al., 2015).

Drawing on the last aspect, rural Ecuador is characterized by significant civic engagement and mass mobilization activities most notably by indigenous leaders and environmental groups that raise their demands against neoliberal policies. For example, Schmitt (2010) identified a structure of networks in Ecuadorian rural communities such as assemblies where locals discuss topics that affect the community. Another collective effort is called Mingas which are community projects that manage public spaces, maintained by informal networks of reciprocity. Bebbington et al. (2008) support these findings by identifying Ecuadorian indigenous collective organizations that have emerged to secure property rights and improve access to land and other natural resources. This strategy has been used to increase incomes and to reduce financial and environment risks faced commonly by the rural poor. However, such Ecuador's indigenous movement and civic engagement is not as significant in other regions of Ecuador as it is in Cotopaxi and Cotacachi (Bebbington et al., 2008).

About two-fifths of Ecuadorian women are economically active, a value below the majority of South American countries. Within this group, 38.2% works independently, hence qualifying as entrepreneur. Micro entrepreneurs are strongly predominant within this group, mainly working in the informal sector. The majority of the women (62%) are engaged in trade, e.g. kiosks, street vendors or convenience stores. Furthermore, the presence of women in roles with high added value is still very low. Overall, Ecuador is a country where women experience a rooted level of sexism in society, which then leads to exclusion, discrimination, and exposure to the risk of domestic violence (Bredel & Maldonado, 2014).

6. Analysis

6.1 Analysis structure & approach

The analysis is based on the interviewees' experiences about their business and serves to answer to the research question identified in the first place: *"How does the entrepreneurs' usage of SC impact their businesses?"*. Through the research, we first aimed to find out who the entrepreneurs are interacting with, how is that relation and what or who helps or constraints them. After identifying the most important relationships, we then were able to understand what effects these relationships would lead to and how they relate to the business they are managing.

The interview guide was designed to enable us to identify all the dimensions outlined in the conceptual framework to investigate which relations were relevant to the individual, and whether they could fit the description of a bonding, bridging, or linking tie. Furthermore, once the structural dimension of SC had been identified, more specific questions were made to identify traits belonging to the more intangible dimensions of SC, such as trust, obligations, or norms. By comparing the content of the interviews, together with the field observations in the research are, the researcher tried to identify shared values or beliefs, which can influence the respondents' relations. Overall, the data indicates that every type of relationship described by the entrepreneurs could be categorized within four main networks: family, the community they are living in, associations they are or were part of and any type of business-related relation, such as the ones with suppliers and clients. To be able to compare real life examples with the SC dimensions described within the literature, this study presents the SC dimensions within each of the most recurring networks.

The following paragraphs will be structured as follows: a section will be dedicated to describing each of the four main networks. Each section is structured according to the three dimensions of SC, supported by the examples drawn from the respondents. Throughout the network sections, the different relationships surrounding the entrepreneurs will allow to deduce several implications for their businesses. To conclude, the findings on the previously mentioned networks will be related with the five dimensions of entrepreneurial effects identified in the conceptual framework: (1) access and sharing of information, (2) risk sharing and risk reduction, (3) facilitation of market relations with suppliers or customers, (4) access to capital, (5) impact on earnings and value added.

6.2 Family network

First, this section will start with a description of how family networks are structured in the research area and lay out some common family traits. Next, the implications of the family network for the entrepreneurs' businesses, the quality of their interpersonal relationships as well as shared beliefs and values will be described through the lens of the entrepreneurs' perception.

6.2.1 Family network description

From the respondents' perception, the network with the greatest significance to all entrepreneurs participating in this study is the family network. There are entrepreneurs, whose business is currently not depending on their family members, but either their business was previously depending on their family network, or they use their family ties outside mere business interactions to facilitate certain actions. This is in line with the case description in the previous chapter, where the importance and dependency of Ecuadorian on their family network is highlighted.

Family ties can normally be considered bonding links. Due to the size of Ecuadorian families, not every relation with family member leads to the same degree of trust and dependability. When the entrepreneurs talked about the involvement of family members, it included the core family consisting of their significant other, children and grandchildren, but also their uncles and aunts, their nephews, and nieces, and even the in-laws from their partner. This indicates the entrepreneurs' perception of family members as a broad group of relatives that share the same blood or are married into the family.

Furthermore, the business the entrepreneurs intend to launch is normally connected with the family heritage. Either the parents or other senior family members pursued the same profession previously, allowing them to pass production capacity or knowledge onto their family members. Many entrepreneurs described the cultural heritage of their profession, the importance of the craft for the family and that the legacy should be passed on. This is indeed more pronounced in professions like artisans, where they are aware of being essential contributors to not only family but also regional traditions, such as the Orrala family from Valdivia, who Estevan (Respondent No.2, in the following R#) and Antonio (R#10) belong to. They are cousins whose fathers initiated the business of

clay handcrafts which are based on ancient cultures that lived in the research area centuries ago. Regarding their heritage, Estevan (R#2) states:

“So, this is something very important, to continue with this tradition, not to let it get lost. In fact, what we are doing is rescuing it, so that it does not disappear easily. We are even teaching our children. It is like we are leaving a legacy. My father inherits it to me, and I want to give it to my children. So, in order to continue, so that the Orrala family in the future, continues with the work and does not let this die, because we do not want to let the tradition of our culture disappear.”

Vincente (R#8), a wood carving artisan and tourist guide from the rural Comuna Dos Mangas, as well describes his desire to pass on his knowledge:

“We have learned from our grandparents, about the medicinal herbs with which they cured themselves, because before there was no general medicine, just the medicinal herbs. So that is what our parents taught us, because they were taught by their grandparents and there is an ancestral knowledge and we have accumulated a lot of knowledge about these things, it would be a pity if that was lost”.

This shows that he would like to pass on the crucial knowledge that they possess within their family network. Additionally, the entrepreneurs do not consider the business outcome as their individual cause. Either the entrepreneurs are the head of the family and solely responsible for them to be fed or they consider the venture’s success correspondingly as the family’s success. The former can be illustrated by several examples, such as Jose (R#3), who is a father of five and whose earnings resulting from farming must produce enough to feed him, his wife and his children. The latter is also evidenced by Herlinda (R#6), another artisan from Dos Mangas who produces hats and purses from the natural fiber *paja toquilla*. She is proud that her success as an artisan enabled her daughters to study and pursue the professional careers they desire, as she states:

“I explain to you why the woman has to contribute economically to the family, especially if we have children. I give you and always give others the example of my family. I have three daughters who now work as professionals, they could study in the city because of what we achieved here, so now people can understand what this workshop has given to them.”

6.2.2 Family membership Implications

Positive aspects

The family could arguably be considered the strongest network for an entrepreneur in this setting, since all the businesses investigated depend on the time, commitment, and relationships of family members. Being a member of the same family network enables them to rely on this network in almost every scenario. This ranges from asking simple favors, such as an hour of their time, to significant support for the livelihoods of the entrepreneurs. Such significant support can materialize as a means to 'get-by' to continue to do their business or an 'enabler' to initially start of their business. They might lack physical resources, financial capital, work force or other means, both to start up their venture or to meet their customers' and suppliers' expectation. In these cases, the first network they reach out to are their closest ties, their family members. The following examples will illustrate this reliance.

A rather simple benefit resulting from family involvement in the business is merely one of cost efficiency. As remembered by Estevan (R#2) and Herlinda (R#6), supportive tasks come without a price when carried out by family members, while hiring externals would imply the need of a salary. Another instance of significant support is displayed when family members enable entrepreneurs to access tangible and intangible resources, such as economic capital, production capacity, business, and production knowledge. Jerson (R#13) from Manglaralto, who worked for several years for his brother-in-law in his bakery, borrowed money from his sister and an oven from his brother-in-law to establish his own bakery. As already mentioned, Estevan (R#2) received the knowledge of how to work clay and how to manage the artisanal business from his father. Farmers such as Oscar (R#4) and Jose (R#3), who both live in the rural Comuna Loma Alto can rent trucks from their cousins, to bring their product to the markets, which are approximately 1.5 hours away. Especially in terms of financial support, family is often the only possible source of providing it or serving as a guarantor, as in the case of beekeeper Bolivar (R#16), who needed a security for a loan to finance the construction of the beehives:

"For example, to get the loan, what you need is a way of finding support to confirm the loan. Of course, because they ask for guarantees and so for me it is necessary to look for the guarantor who already has the means of how to cover the loan. It can be anyone, really anyone and for me it was my cousin. A cousin, of course, because he is part of the family and other people wouldn't want to be part of it. Nobody wants to commit themselves like that."

Negative aspects

The negative side of an abundance of close ties relates to the limited possibilities of upgrading, for example in terms of defining new sales channels, or being able to engage in vertical relationships, such as the ones with

government or third-party organizations. Even when asked, none of the respondents provided examples of unfavorable situations generated by excessive trust or obligations towards family members, always underlining the benefits of it. It can be argued that individuals only have a limited number of resources to invest into interpersonal relationships and if many of these resources are tied to family obligations, other relationships do not have the same chance to develop more SC.

6.2.3 Quality of the relationships: trust, obligations, and norms

The entrepreneurs' combined experiences suggest that trust in business relationships is important for an Ecuadorian entrepreneur and the interview findings further indicate that the trust inherited in family relationships specifically is a crucial factor for the entrepreneurs to establish and grow an enterprise. As Claridge (2018) elaborates, that trust is built and shaped by the frequency and quality of interpersonal interactions, the trust between the entrepreneur and his family members can partly be explained by their lifelong experience of relying on their family ties. Their statements give the impression that the trust in the family is something natural. What is important to mention here is that these benefits, originating from a basis of trust, are mostly based on social norms of reciprocity which can be illustrated by the example of the baker Jerson (R#13):

“There is a sense of solidarity here. Not only has my family helped me out, but also the other way around when it was asked from me. For example, my brother-in-law did not have enough money to buy the raw material he needed, so I gave it to him, and I don't expect him to give it back as he helped me out to start this whole business.”

Regarding obligations within family structures, Ecuadorian entrepreneurs and their family members mutually help each other to navigate through difficult situations. To further elaborate, family obligations refer to contributing resources such as economic capital, materials, SC in form of connections, or time to the collective good of the family. The responses from the interviews revealed several scenarios where entrepreneurs relied on family members to start their business, cope with difficult circumstances or access resources that would otherwise be unavailable, as already displayed in the previous section about the implications of the family network. Most respondents further elaborated that within the family, help is given and received within their possibilities. However, there was one instance where two entrepreneurs mentioned family obligations as a limiting factor to build SC. Nestor and Luis (R#19 & R#20) had the vision to build an association with the clear mission of enhancing the livelihoods of local families by delivering qualitative handcrafts to customers and build a cooperative network of artisans. When being asked how they achieved the high level of trust, collaboration,

and excellence within the association, they explained it with the compromises and sacrifices each associate was ready to make. They further brought forward the selection criteria that none of the associates should have too many family obligations. They explained that individuals who have a family to care for, might not be able to prioritize the association and fulfil their obligations towards it. This is further supported by the fact that all associates have a regular job and take care of their associational duty after their workday. Individuals with kids might not be able to invest that much time after their regular workday into the building of an association. Nestor and Luis believe that, due to the limited family obligations, they were able to invest most of their available resources into building an association. The operational excellence, the processes in place, the trust among associates, the customer and supplier base and the association's reputation hint at the high level of SC the individuals within the association possess. If this assumption is accurate, a high degree of obligations towards family members can become a restraining factor to build SC outside this social grouping. Within the research area, family obligation did not entail the expectation of the entrepreneurs that their kids would overtake their business. Some of the entrepreneurs mentioned their wish that their kids would continue the family legacy if they wished to do so, but none framed it as obligatory.

As already pointed out in the conceptual framework, there are incentives to conform to social norms and disincentives which requires deviators from a certain social behavior to get sanctioned. According to the level of analysis chosen in this work, this section analyses the norms that entrepreneurs experience at a micro level within the social groupings they belong to, such as family in this case.

Several responses from a variety of interviews show strong norms of reciprocity and trust across family members. The positive aspect of these norms enables entrepreneurs to draw from resources that are embedded within the family network. This can be shown by the example of Jerson (R#13), the owner of a bakery whose family members also work in the same profession. By initially working for his brothers-in-law in their bakery, he gained access to production and business knowledge. He is also enabled by them to start his own bakery, as they give him physical resources in form of an oven and social resources in form of connections to their suppliers. In addition to that, his nieces helped him to attend clients while he was not able yet to employ somebody full-time for his bakery. When being asked about the people who are included in this network of solidarity and mutual help, his response supports the argument above:

"I think helping each other is more common in families, that is, among family members. Yes, I think that more than community help. And let's suppose that for the reason that a person from a certain domicile has some

inconvenience, then help is given, but I think that it will always be in the family, that is, in that part I think it is more of the family, but thank God, as I said, we have had mutual support, that is, when they need help they can help and they help you like that.”

This shows that norms of reciprocity and mutual aid amongst family members is common if it is not excessive or damaging for the one who is expected to help. When being asked about the attitude towards that norm, respondents said that it is important and good to have this support and that everybody is interested to find a solution for the common good. Like Jerson, many entrepreneurs received support by their family, and nobody would consider betraying its trust.

6.2.4 Family beliefs, values, and goals

Describing the values or beliefs that were perceived by the entrepreneurs within their family networks, it can be noticed how the strength of the bond or the perception on trust does not depend on the single village or profession of the respondents but can be considered a general factor across society. Furthermore, the perception was that as a family member, trust could be considered a sort of inherited quality, with no need to be earned; while outside of the family ties, this benefit needs to be earned for people to rely on you.

The respondents articulate the belief within family networks that the members have the responsibility to provide a source of income that feeds it. However, this criterion is not gender neutral. Overall, all the women entrepreneurs described their experience of how their society still neither, supports nor encourage them to contribute to family income. Elba (R#1), mother two and a husband who participates in the association “Mujeres Cambian” as artisans who produce handcrafts from recycled paper, tell how she managed to speak up to her husband only after receiving support from the American volunteer which helps the association with the sales of their product. She describes how their husbands would object to them working on the handcrafts while she was still carrying out the household tasks, because women should not work. Similarly, Herlinda (R#6), while telling the story of her business, always underlined the difficulties of being a woman doing that job, and how her husband needed years to finally accept it and support it. To add onto this, Leonor (R#7), a wood carving artisan working with the *tagua*, a nut that looks similar to ivory, also mentions that she stopped studying at primary school since in the family there was no support to her to pursue her studies or looking for jobs, as cooking, housekeeping, and looking after the children should have been her full-time job. These examples indicate that

there are prevalent societal norms and beliefs that constrain women to participate in the workforce in their ability to pursue an entrepreneurial path.

6.3 Community network

The initial, detailed description of the community network intends to give the reader an understanding of the perceived differences between the two types of Comunas found in the research area and the resulting implications of the SC that the entrepreneurs possess. Afterwards, the effects of the diverse aspects of SC found in community networks on the entrepreneurial venture will be elaborated in line with the structure of the conceptual framework.

6.3.1 Community network description

To be able to grasp the significance of a community network in rural Ecuador, the social and political background from the research area must be understood first. The Comunas from the research area belong to the Parroquia rural de Manglar Alto, in the Cantòn Santa Elena, located in the Santa Elena province. Parroquias are political administrative units in Latin-American countries or regions that usually form the lowest level of local government. However, rural communities are organized in Comunas divided in different settlements, called Recintos, each of them comprising several households. Comuneros --those who are members of a Comuna-- take decisions regarding their territory by vote in Comuna assemblies. The Comunas could be deemed a fractured socio-cultural unit unable to carry out its “civic duties”. Recinto-level associations in fact, end up bypassing locally elected governing bodies, for example in terms of support of candidates running to become Alcalde, majoring on the Cantòn level. This fragmentation constitutes indeed a challenge in terms of long-term planning, generating high instability as the elections of the local governing body happen every year (Rodriguez & Rodriguez, 2014).

What became apparent from the field observations is that there exist “touristic” Comunas such as Manglaralto, Valdivia and Montañita which have more inhabitants, have a higher standard of infrastructure and many more tourist visitors. In contrast to that, other “rural” Comunas, however, such as Sinchal, Barcelona, Sitio Nuevo, Loma Alta, San Antonio, Dos Mangas and Pajiza, show significantly lower levels of development. Most of them had no concrete roads, had a significantly lower number of businesses, were smaller in size, and their inhabitants were not used to having foreign visitors. What connects these rural Comunas is that they don’t lie along the Ruta del Spondylus, the main coastal highway connecting the two biggest cities of the province, La Libertad and Manta.

Sixteen of the entrepreneurs interviewed belong to the rural Comunas. When interview respondents were asked about their attitude towards the local administration and whether they received support, the entrepreneurs from the rural Comunas showed a more positive sentiment towards their administration and received more tangible benefits. Their responses show that they consider the Comuna as their own administration which represents its Comuneros as a legal institution. The entrepreneurs from the rural Comunas believe that it is different to live in these Comunas instead of the ones that are next to the highway. They argue that the people within their Comunas care for each other and that their leaders represent them in a manner that pursues their collective goals. These rural Comunas will also be referred to as dense communities, since members have a high probability of frequent interactions, as opposed to loose communities, hence sharing social spaces, deeper relationships and the pursuit of similar goals.

This dynamic was observed in a similar manner with respect to the type of ties found in the communities. Rural Comunas and their members have different relations to each other as compared to the less dense Comunas. First, this can be ascribed to several network characteristics. The size of these rural Comunas is relatively small and they are remote in comparison to the touristic ones. This seems to affect the density and diversity of the network. Due to cost of transportation, family obligations and their profession, most Comuneros stay within the rural Comunas. They have frequent interaction within the community and few outside relationships. For example, six of the respondents mentioned that they frequently attend community assemblies and all of them belonged to rural Comunas. Furthermore, the researchers observed that members from rural Comunas rarely leave the community and have few relationships with outsiders. The only common outsider relationships were with intermediary traders who came to the rural Comunas to purchase the entrepreneur's goods. This indicates that the network density is high and the diversity low. This inevitably affects the types of ties within the community. A high network density increases the probability of the formation of bonding relationships. Due to the frequent interactions, either through relations of reciprocity, professional relationship or community assemblies, ties are fortified, and the quality of relationships enhanced (Torres Vitolas, 2011). Therefore, it can be argued that bonding relationships are more common than bridging ties in such dense communities. Furthermore, active community membership increases the access for entrepreneurs to linking ties in governmental institutions. As the community is a legal institution that represents the needs of its members to other governmental institutions, community officials have existing ties to other individuals who possess administrative power. However, while access to linking ties can be facilitated by community officials, the typical Comunero does not possess linking ties and is therefore dependent on entities that can facilitate connections to

institutions. This can be illustrated by the responses of Mario, Fernando, and Bolivar (R#14, R#15, R#16) who are members of the rural Comuna Sitio Nuevo. They all received resources through linking ties that were organized by community officials. Mario received hoses and pumps for his farm, Fernando production machinery for his wood carving business, and Bolivar received the material for some beehives. The following section will further elaborate on the effects that can result from community membership.

6.3.2 Community membership Implications

Positive aspects

As established in the previous section, community size and remoteness appear to affect the network's diversity and density. This indicates an interrelation between the properties of the community and the strength of SC originating from being a Comunero. In rural Comunas away from the coastal highway, where the population is below 5,000 inhabitants, community membership has more significance for its citizens. This is displayed by a sense of belonging, identification, togetherness and involves more tangible benefits.

For instance, Fernando (R#14), an artisan living in the village Sitio Nuevo moved back to the community due to his preference of living there and got a piece of land assigned from the community. This in turn belongs to him as long as he keeps living in the community. While this is the case, nobody else from outside the community can claim the land or purchase it without his consent. Furthermore, in desperate times, such as the beginning of the Covid-19 pandemic, several entrepreneurs (R#15, R#7, R#19) from rural Comunas reported that its members received support in form of basic items such as food and hygiene products. This shows that rural community membership provides social securities to its members who in turn can focus more on their entrepreneurial success. These social securities are not only provided by the community as such, but also from Comuneros themselves. Due to deeper relationships and a sense of belonging, community members from rural Comunas extend their favors and support to their wider network of bonding ties. In these rural Comunas, there is a common understanding that the members support each other to an extent which would not harm their own or their family's wellbeing. This statement is supported by the response from Mario who recapitulates:

“When the pandemic hit, it was really bad, especially in Sinchal where the outbreak was. The government closed everything, people couldn't go out, there was a curfew all day long. At least we farmers could go to our farms and harvest our product. People suffered, one tries to help where he can, so at least the people here had something to eat. Thank God for the soil we have and that it gave us food in that time.”

Another benefit experienced by entrepreneurs is tied to their community network, as individual entrepreneurs rarely can get access to governmental support as it is reserved in most cases for group entities such as associations and the communities themselves. This is shown by the example of artisans working in the community named Sinchal, as Camilo (R#12), who is friends with a member from the same community, who is working at the local government in the administration for communal development. Through him, he managed to obtain governmental support. The bonding tie stemming from the community membership gave Camilo and his artisanal colleagues access to physical resources to build a workshop. However, without the legal status as an institution of the community, meaning just as an individual, other entrepreneurs from outside couldn't get help from the provincial government. This shows that community membership gives access to linking ties that other individual from the social grouping possess. This in turn can lead to valuable market information, and economic or physical resources. Another example from a different rural Comuna further highlights that the combination of community and association membership can increase the chance of accessing tangible or intangible resources from the provincial government. This is exemplified by the artisan association in Sitio Nuevo. After setting up the association, they enquired the community officials for support to build an association workshop. The community officials thereafter asked the provincial government for the necessary raw material and succeeded due the fact that the association was registered as a legal entity.

Negative aspects

Community membership itself did not entail negative aspects per se according to the interview respondents. If a Comunero is heavily involved in community activities, a variety of obligations have to be considered. Oscar (R#4), the respondent who lives furthest from his community participates at every community assembly and is president of the community's farmer association. His duties are to organize assemblies and manage and represent the association. Before the General Assemblies of the community, for example, he meets with the other board members, to be able to bring forward any proposal to them. In contrast, Jose (R#3) and Pascal (R#5), who are also farmers and belong to the same community, both say that they do not belong to the association nor participate in community assemblies because they do not want to invest the time. This suggests that the community membership itself does not necessarily entail these obligations. When it comes to negative effects of being member of a certain community, the aspect of competing communities comes into place. This was especially the case for neighboring communities. For instance, several respondents for the Comuna Valdivia perceived the historic rivalry between Valdivia and the neighboring community San Pedro. Due to their strong sense of identification with their own Comuna, they value their well-being over the one of others. In turn, if the

neighboring Comuna is doing well, they ascribe their own fallacies to the greed and selfishness of their neighbors. Therefore, cooperation between community members from neighboring Comuna seems to be impeded due to their pride and perceived differences. Herlinda (R#6) from the rural Comuna Dos Mangas and Leonor (R#7) from the rural Comuna Pajiza two kilometers away would not collaborate on artisanal orders. Herlinda would share bigger orders with members of the Dos Mangas Comuna, but would not do it with Leonor because “[...] *the people of Pajiza do their own thing.*”. This example shows that the density of rural Comunas and the respective group identity can have negative consequences for the collaboration with bridging ties of the same profession across different Comunas. Javier (R#17) is the owner of a bike shop that he built next to his father’s mini supermarket in a good location at the coastal highway. He studied marine biology, being the only candidate holding a degree, which now allows him to work part-time at the local marine center. He explains that the business of his biking shop rotates around an association of biking enthusiasts, who also serve as guides for tourists. To make sure nobody feels excluded from the group name, they chose “Ruta Spondylus”, referring to the road along the whole coast, across many different communities. They did it out of fear, that people would not be interested to join if it was carrying the name of just of one area.

6.3.3 Quality of the relationships: trust, obligations, and norms

The structural component of networks in form of civic engagement influences the level of trust. It depends on the social networks the individuals are engaged in, such as associations, community, or political activity (Claridge, 2018). To give an example relating to community membership, if an intermediate buyer belongs to the same community as an entrepreneur, the level of trust from the entrepreneur is higher as compared to outside intermediaries since they both belong to the same social network. In the case of rural Ecuadorian communities, this dependency is amplified by high network density. Due to the fact that individuals from the rural Comunas have a lot of relationships in common, it is likely that they themselves or other members of their social network already had interpersonal interactions with this intermediate buyer. Therefore, the entrepreneur would already have an idea of who the person is and how trustworthy they might be. This example is not only restrained to intermediaries but is extendable to other relationships that result from the same community membership. The higher the degree of community density, the higher the probability that individuals have an initial basis of trust and can start building upon that. This statement can be supported by analyzing the degree of collaboration among entrepreneurs within the same communities. Except for two interviewees from rural Comunas, all other entrepreneurs from the rural Comunas belonged to an association of their profession at the point of time when the interviews were conducted. Several respondents pointed out the already existing mutual trust among the

Comuneros as their motivation to become a member. However, when talking to respondents of less dense, touristic Comunas, the entrepreneurs reasoned their absence of collaboration with other entrepreneurs due to missing trust and cases of having been cheated on before.

While community membership can enhance the entrepreneurs' opportunities to advance their venture, it also ties them to the geographic location and involves active participation in communal activities. Moreover, when entrepreneurial success is achieved, entrepreneurs are normally obliged to share their success to a certain degree with their bonding network ties. Jerson (R#13), for example, told us that he would have to meet obligations from favors he asked in the past. However, none of the interview respondents mentioned downsides for their business, potential unwillingness to meeting the obligations, or a desire to move away from there. Overall, people are proud of the community they belong to, an aspect that can also be related to them being artisans or farmers, hence basing their living on something that physically belongs to the community, either because it is cropped there, or a heritage of their traditions. What is important to mention is that these obligations originate from existing norms within the entrepreneur's social networks. The type of relationship and the strength of norms also determine the importance of the obligations (Claridge, 2018).

The findings above suggest that the trust and obligations that inherit an entrepreneur's relationships are affected by the size, density, and remoteness of communities. The identified norms during the field trip were mostly observed in members of rural Comunas and are mainly norms of distribution. This is closely related to the previously mentioned obligation of sharing entrepreneurial success. However, when an entrepreneur secured a big order, the norm of distribution was not seen as a burden. The entrepreneur would most likely not be able to cope with a big order, or respectively not finish it adhering to an appropriate time frame. But when entrepreneurs, such as Herlinda (R#6) and Vicente (R#8) were telling instances of them sharing orders with fellow colleagues of the same community, they always highlighted their personal motivation of doing so. Vicente (R#8), for example, elaborates that he wants to bring tourists for all Comuneros because he likes *"to be active in the community, to talk to people who are comfortable with it and that [he] can help the children in the community."* Furthermore, when Herlinda (R#6) was asked why she teaches community members and distributes parts of her order, she answered: *"I love the work and I connect through it with others. I am doing a social work, a community work. I feel it that way. I am trying to give something and not just concentrate on my day-to-day work. I don't know why I have always signed up for it. In the case of women, [...] I will always support the women here. And first were the single mothers with little children and widows."* This suggests that within dense communities with

strong community values, entrepreneurs conform with and also reinforce the norm of distribution, with an emphasis on the most vulnerable members of the community.

6.3.4 Community beliefs, values, and goals

The quality of the entrepreneurs' relationships is shaped by trust, obligations, and norms. The previous section showed how dense community structures affect these aspects of the relationships. This section intends to show how the relational dynamics within communities also result in common beliefs, values and goals that are shared among the entrepreneurs belonging to a certain community. Their collaboration and interactions form and are shaped by collective values and goals, which ultimately come from shared beliefs. However, not every community member conforms to these aspects of the cognitive dimension of SC.

An example of a greatly shared belief within dense communities was that community members feel represented by their community leaders and that they pursue the same goals as them. Pascal (R#5) and Leonor (R#7) say that they do not receive tangible benefits from the community, but they still have a positive sentiment towards their local representatives. All other participants that belong to dense communities mentioned some form of benefit that results from their community membership. This stands highly in contrast to members of less dense Comunas. Jerson, living in Manglar Alto (R#13) argues *"why do I need to pay taxes when this is all coming from my work and sweat. I built all of this here myself and nobody helped me with anything."* Also, Estevan (R#2) and Elba (R#1) do not desire any form of engagement with or do not have the feeling of being represented by their community. Their impression is that some of them have been used to rely on their own means or the ones of their closed ones, and this influences their tendency not to feel any duty towards local or higher authorities.

However, this belief of having a representative within their own community leads some entrepreneurs to develop a sense of dependency. Bolivar (R#16), who comes from a rural Comuna, does not engage in collaboration with the entrepreneurs from the same profession due to their expectation to receive continuous help from the community. He perceives them as neither reliable nor responsible. He says that they don't take care of their equipment/ production material and will not take matters in their own hands. This indicates the fear of some entrepreneurs that the belief of entitlement to external help without the collective goal of having a self-sufficient business can lead to unproductive behavior and have damaging effects for their business.

Another shared goal, being observed in rural Comunas, is the desire to achieve the best possible future together, not only restricted to themselves and their family. Cesar (R#18) is an artisan who produces necklaces and modified street wear. When Cesar was being asked about his attitude towards mutual help, he responded:

“Well, yes, sometimes my sister makes me call my little nephews and nieces, because sometimes they need money for school, for college. So, it's a way to help them in some way. But I would like to help more people, I would like to help all the people, people who also need it and to be able to give them a job. But I can't do it because my earnings are too small.”

This suggests that entrepreneurs do not only pursue their personal benefit, but also intend to create jobs or support other individuals. Furthermore, many entrepreneurs, such as Antonio (R#10), Leonor (R#7), and Vicente (R#8) mentioned that every time they get the chance to chat with clients, or colleagues from other communities, they speak about the beauties of their own villages, trying to convince them either to pass by or to see if they are interested in other forms of artisans or local products.

One of the most important insights about the impact of the community network on SC, is the consideration of network size and density. If a community is smaller, more remote, and denser, the larger all dimensions of SC are affected to a greater extent. However, whether the entrepreneurs use this as a resource to further advance their business, still depends on their personal attitude and aspirations.

6.4 Association network

Being part of local associations is quite common in Ecuador (Schmitt, 2010). Being part or not being part of an association with others of the same profession has important implications for the degree of SC that an individual possesses.

6.4.1 Association Network Description

This form of collective action can serve a variety of purposes depending on the needs of the participating members and the potential effects they aspire to achieve. 16 out of 20 respondents belong to an association. Within the research area, we were in contact with a total of eight different associations who either represent artisans or individuals that work in the agricultural sectors. Members were always bonded by one, or both, of these conditions: doing the same profession or living within the same Comuna. Due to this reason, network density has been overall quite high between people belonging to the same association or living in the same

community. Regarding network centrality, from an association point of view, everybody promotes democratic practices of decision making. However, in some cases the organization is more dependent on the presidency or board than others. In Sitio Nuevo, as mentioned by Fernando (R#14), it is solely the president that brings the products to the market of Olòn, a bigger village nearby, every weekend. All other artisans deliver the products to him beforehand. In this case then, we can suppose a high centrality around his figure since he is the only present representative of the organization at the occasion. While, for example, in the neighboring village of San Antonio the local and successful organization of artisans, to which Nestor (R#19) and Luis (R#20) belong to, implements a systemic division of tasks, sharing responsibilities. The type of relation among members also differs; Elba (R#1) for example, belonging to the group “Mujeres Cambian” sees her fellow members as part of an extended family, prompting us to define them as strong bonding ties. At the same time, while interviewing Cesar (R#18), president of the association of artisans of the marine center, we got the impression that the existing mutual collaboration would be more of a bridging than bonding nature, merely focused on sharing knowledge.

When interviewing several artisans from the region, 14 of them, despite living in different villages, mentioned having been part of the same association, “ProPueblo”, which they expressed was of big importance for the area. ProPueblo is a Swiss-found NGO that aimed at providing artisans with a network where they can work independently, encouraging them to take initiative, improve their skills, and plan a brighter future. Many inhabitants in the region have taken ProPueblo’s lead by creating their own artisanal businesses, thus multiplying regional income opportunities and associated benefits. ProPueblo provided its members with the linking tie to regional and international customers, offered process training and manufacturing machinery. They also placed monthly orders of handcrafts, which resulted in a stable income. According to several interview respondents, the external help drastically increased the benefit of being an association member, but simultaneously grew the entrepreneurs’ dependency on the association. This dependence became visible when the management of ProPueblo decided to withdraw from the trading of handcrafts. Herlinda (R#6) recalls her experience with ProPueblo:

“Here there was a foundation called ProPueblo. This foundation collected all the products made by all the artisans of all the communes and promoted the commercialization of the products and, according to the agreement they had with the artisans, the more they worked, the more will be traded. So, when I saw that I had gained the trust of ProPueblo, they sent me to other countries to participate in international fairs and I took all the production of all the artisans with me to show it. [...] Well, and then, so many artisans who depended on ProPueblo, no longer pursue the artisan activity. That time already passed. That is what happened to so many of us who worked for

ProPueblo. ProPueblo was for me one of the reasons that encouraged me to continue with the production, because this is now my life. From this, I eat.”

She experienced how many artisans, who were dependent on the income of the monthly orders, did not have a sufficiently big personal customer base to continue sustaining themselves and their family. Due to this sudden disappearance, many artisans were forced to find alternative sources of income and relied on other forms of SC such as bonding family ties to ‘get by’ until they recuperated from this loss. Moreover, throughout the years, several artisans had already decided to leave the foundation. The reason is, that, despite providing training and a stable income, ProPueblo clearly needed to make a margin on the sales of products. When artisans realized that they make more money by directly selling to clients, a few of them decided to leave and ride on their own. Esteban (R#2), for example, mentions how he acknowledged he could buy cheaper clay on its own rather than through the foundation.

Despite decreasing the dependency on the organization, these artisans, who decided to work exclusively for single clients, realized only after losing them the various benefits of an intermediary. As acknowledged by Leonor (R#7), for example, ProPueblo had the capabilities to seek for various end markets of the product, with resources inaccessible to the single artisans. By cutting ProPueblo out, or with the ceasing of ProPueblo’s activities in the area, the entire artisanal network lacked linking ties. This example strongly indicates that high dependencies of entrepreneurial ventures on one specific aspect of SC can be harmful if this tie suddenly breaks away.

6.4.2 Association membership Implications

Positive aspects

The data from the field research showed that entrepreneurs had varying motivations concerning establishing or joining an association; to start with, the benefits varied between three different motives. The first motivation for entrepreneurs to unite was the joint effort to raise financial resources to enable the members to take investments into their production capabilities. For example, the work of the regional artisans involves the sanding and carving of a specific kind of wood, named *tagua*. They perceive their work as either very labor-intensive or, with the right machinery, very cost-intensive. To be able to afford machinery and a place to produce their goods, Fernando (R#14) tells us how the entrepreneurs of Sitio Nuevo jointly purchased machinery and building material for the workshop. They shared their machines until every member had their own. According to him, this joint effort affects their businesses in various dimensions, as each entrepreneur shares the risk of having undertaken

a smaller investment rather than taking out a big loan individually. Furthermore, these individuals often do not have the possibility to access financial resources through financial institutions, due to not being eligible for loans. Therefore, the collective action enables them to make financial investments, which in turn improve their access to capital. This circumstance seems to be facilitated by the strength of the ties among the members. At the same time, in many other cases, the financial support was received from third parties, such as NGOs or the government. Apart from the already mentioned ProPueblo, another active NGO in the area is the Spanish non-profit “Manos Unidas”, through the local partner “Centro de Promoción Rural” (CPR), which, for example, supported Pascal (R#5) in learning how to crop cocoa and providing him with the seeds and machinery needed. While for farmers, such as the association Oscar (R#4) leads, it was the Comuna which provided the land to the farmers and the machinery needed.

The entrepreneurs deem external help as fairly essential, which leads them to the second motivation for joining an association. This is the requirement, by law, of belonging to an association to be eligible for government support in form of production, construction, and financial resources. In fact, the entrepreneurs perceived that they could communicate their individual needs between themselves and request corresponding support from different institutions. The birth of the organization is officially recognized when it acquires “vida jurídica” i.e., is registered as a legal entity.

Third, this process also strengthens overall credibility of the artisans with the clients, by presenting themselves as part of a group. Victor (R#11) and Camilo (R#12), living in Sinchal, are part of the “ArteOro” association of jewelers. They shared with us how, before their association was born, potential customers were skeptical of dealing with individual producers, due to a lack of trust and previous experience with repeated incidents of fraud and theft. To circumvent this hurdle, several jewelers from the same community united to register as a legal association recognized by Ecuadorian institutions. By getting officially recognized, the participating entrepreneurs have experienced improved market relations with customers and increased future earnings. The following extract from Camillo’s interview highlights the support received and the struggles encountered.

“That machine over there is from an international development agency from the United States (USAID). So that organization helped us. With a budget. We bought that machine, that little engine, a scale, the scale that is over here. [...] Well, then, we could ask for help to the commune or to any entity that could help us, even to build this place here where we are standing. We asked the prefecture. And well, there we were, they gave us this lot, the commune gave us a lot, then for, for the construction, we asked for help and they could not help us anymore

because there was a board of directors. We have to be honest, a board of directors that neglected the documentation of the association, that let it fall, that did not update it in due time. When we wanted to update the documents, it was too expensive, and we had no money. Then the association stopped being a legal organization, so, not an organization, nobody can help you if you are not legal.”

Overall, associations have proved to be fundamental to strengthen the ties among colleagues, whose existing bridging relations often develop into almost bonding ties, comparable to the significance and strength of family relationships. More importantly even, as shown by the motives above, collectivism often constitutes the necessary connection to linking ties, such as government officials or exporters, which are otherwise difficult to reach. The clearest example within this area is Herlinda, an artisan with more than 30 years of experience. When working with Pro Pueblo, the foundation recognized her talents and started to invite her to represent the artisanry of the area across fairs. In this way, she gained credit also within government institutions. Even after her time with Pro Pueblo, she would be representing Ecuador and Santa Elena internationally, for example by joining the Ministry of Tourism on a trip to Madrid. She perceives that without the vertical ties facilitated by the foundation, she would not have been able to access such global opportunities.

Negative aspects

Despite the motivations previously listed, not every respondent shared into the positive opinion on association membership. As we see in the case above for example, once responsibilities are shared, so are the consequences when somebody fails them. The outcome depends on the contribution of every single member and the lack of commitment from other association members can therefore result in negative consequences for the entrepreneurs. This circumstance was also described by two more respondents who expressed this as a reason preventing them from joining an association. Another reason for an interviewee to hesitate to join an association was found to be the reoccurring financial and time obligation involved. To form part of an association, members are required to contribute with a monthly fee of approximately \$1-\$3USD. Furthermore, they must attend association assemblies a minimum number of times per year. Bolivar (R#16) and Jerson (R#13) stated, that they are too occupied with other responsibilities and that there are not enough tangible benefits to be part of an association. Jose (R#3), a lemon farmer, also mentioned that he did not have the time to attend the meetings and left the association when they kept asking for the monthly fee. However, he also admitted that it is a pity he was not a member of the association when the other farmers received government support in form of pumps

and fertilizer which indicates that he was excluded from external help due to not being an association member. Lastly, it has also been the case that these principles of sharing knowledge or resources, such as training or workshops, encountered hostility. Herlinda (R#6) explains this circumstance with the following experience:

“When I started giving workshops at Dos Mangas I had previously formed a women's association here, here at Dos Mangas. And in this association, there were women who did not want me to give workshops, for the simple reason that then, all of the local women were going to learn that craft. These women were then asking; where were they going to sell their products? They saw it that way, as if it were so small. I couldn't accept that view and I withdrew from the association, I could not work with the group anymore.”

Her experience indicates that the other women wanted to prevent her to train other women from the community, fearing that the lack of demand would have taken away clients from them.

6.4.3 Quality of the relationships: trust, obligations, and norms

Overall, we can see the variety of examples evidencing experiences of success and others of failure. The strength of SC is not just dependent on the quantity of ties. It is also determined by its qualities. Among the associations mentioned, the one to which Luis and Nestor (R#19, 20) belong to, has been the most successful one. As Luis says:

“The ProPueblo Foundation ceased to exist some time ago. There was this need because as we worked on it, we lived on that part, we could not find work, we found ourselves in a hurry and what do we do now? So, we decided to build a group of fellow artisans. Then we decided to unite ourselves and it was very difficult, very complicated because of the economic situation.”

While they worked in other professions, Luis, Nestor, and eight other artisans decided to build the association ProArte. We heard from this association from other locals, who spoke of it as an association of excellence, due to the way it is managed and the qualitative goods it produces. While the association mainly consists of 10 locals, it contracts up to 100 families that work with handcrafts from the region when it has enough orders. The interviewed entrepreneurs ascribed the associations success to how it has clear roles defined, puts a lot of effort into quality control of the final product, and prides itself with its reliability. Despite other associations for example, where a lot of the duties depend on the president or the board, its low network centrality allowed it to value contribution of each member. Their formulated goal is to provide stable and dignified jobs for the region

and to build a handcraft shop in the community owned by the association. With respect to the previously mentioned overdependence of one dimension of SC, this case offers an alternative view due to the low likelihood of the association failing or disappearing. Since the people who govern the association are locals, they have clear responsibilities and processes defined, and their purpose is to improve living conditions in the region.

According to the entrepreneurs' perception, trust is of central importance to the association and if it is not there, it most likely leads to exits of the members, who would not feel comfortable in it. Luis and Nestor tell how they relied on their slightly broader network of close friends to raise the economic capital to build an association together. Due to their mutual trust, they were able to commit to collective investments for a significant amount of time. They perceived that due to the extensive commitment of time and resources, the new association members were able to develop a deeper level of trust in each other.

Benefits, as explained in section 6.4.2, often come with obligations, whose fulfilment influences the fate of the association itself. When artisans from Sitio Nuevo formed an association, they did not have the means to individually purchase production machinery. By collectively raising the financial means to buy some machinery, the associates enter a financial obligation to contribute continuously until every entrepreneur possesses machinery. Meanwhile, the social obligation to share the existing means of production enables every entrepreneur to benefit from the resulting efficiency increase. On one hand, the financial obligation poses a risk for each entrepreneur as they need to comply with it to retain the trust from their colleagues and not be excluded from the social grouping. On the other hand, the improved means of production increase the entrepreneur's efficiency and can lead to more profits. If the participating entrepreneurs meet their obligations and do not violate their end of the bargain, the collective effort advances their businesses. The data is not clear of whether this form of obligations is positive or negative for the entrepreneurs, as it indicates that it depends on the strengths of norms of reciprocity residing within the social grouping. This, in turn, is shaped by the beliefs and values the entrepreneurs possess regarding their sense of trustworthiness and prioritizing the common good over personal advantages.

Cesar (R#18) describes that, according to his experience, norms are at the base of a solid group. Different norms were identified when entrepreneurs were belonging to associations of their profession. Examples of such norms entail norms of cooperation, work, reciprocity, and distribution. By forming part of an association, the entrepreneurs agree to conform to such norms to retrieve the previously mentioned benefits from their membership. In the following, the sanctions that stem from violations of these norms will be elaborated to

illustrate the possible negative aspects that can influence the entrepreneur's business. The findings reveal that the effect on the venture depends on the extent of the violation of a norm. If collaboration and work norms are violated, such as attendance to association meetings or certain product quality, the exclusion from the association and the corresponding benefits are to be expected, especially if it happens repeatedly. However, if an entrepreneur heavily violated a norm, the effects can be long-lasting and very impactful. An example can be drawn from the previously mentioned case of ArteOro, where the unfulfillment of obligations by the board ended the support from USAID, hence excluding every member from benefiting from it. In addition to that, the interpersonal trust between several entrepreneurs was affected in a way that they are not able cooperate anymore and restore the legal status of the association. Since the disintegration of the artisanal association, the entrepreneurs depend on their personal customers and are responsible for themselves to make a living. Victor and Camilo described the norm that the trusted entrepreneurs still respect each other's "sales routes". This norm of cooperation leads befriended entrepreneurs to not compete to ensure that nobody's livelihood is threatened from within their trusted circle.

This section showed that the respondents typically follow the established norms of collaboration (helping each other out) and norms of reciprocity (sharing orders or resources) of the social groups they belong to, based on friendships and good collegial relations which are based on trust. A violation of a norm has implications on the degree of trust in the relationship and therefore also affects the nature of the relationship itself. What is important for a good cooperation among entrepreneurs and other individuals is having good relationships that entail the awareness that both parties would give mutual help and return the received favours if necessary. Therefore, norms of reciprocity entail the obligation to both parties to repay the help received.

6.4.4 Association beliefs, values, and goals

Behind the intention of working together in a group, there must be some common beliefs and goals which lead the individual to identify itself as part of a collective. Within society, however, these values can differ (Torres Vitolas, 2011). The individuals that belong to the association, as Luis and Nestor (R#19 & R#20) state, have different beliefs, values, and goals in comparison to the other artisans in the region. They perceive that first, they believe that their actions are the ones determining the success of their venture and that it is their responsibility to make it work. They believe that it is their unity, the trustworthiness of each member, and the clear definition of roles which are vital for the success of their venture. Their values are strictly aligned with their collective goal to provide livelihoods for local artisans and attract more economic growth to the region by delivering the qualitative

handcrafts to their customers on time. Due to the congruence on goals and interpretations shared across associational partners, it suggests that their cognitive SC becomes self-reinforcing throughout time. Their commitment and shared understanding additionally seem to affect the other SC dimensions. A different case is also the one of “Mujeres Cambian”, an association of women fabricating necklaces and bracelets with recycled paper, a craft which was taught to them by Jenny, an American volunteer of the Peace Corps. Apart from the practical skills, the biggest learning was that nobody may keep women from contributing to the family income and that having a family does not preclude other commitments. Each on their own, it is highly unlikely that the 17 members of Mujeres Cambian would have been able to stand for promoting parity, but due to the association, they were empowered them to achieve that.

6.5 Business-related network

The business-related network refers to the entrepreneurs’ ties which they interact with to conduct the production, elaboration, and selling of their products. These relationships refer to commercial interactions where the origin of the relationship is based on the common motivation to conduct some form of business with each other. Within this network, the idea is to analyze relations such as the ones with clients, suppliers and competitors, based on the entrepreneurs’ responses. This will not be done at the association level, unless for specific cases when needed.

6.5.1 Business Network Description

Business related relationships vary depending on the sector the entrepreneurs work in. For farmers, such as Mario and Jose (R#3 & R#15), it depends on the type of crop. Intermediate buyers, in Spanish “Comerciante”, directly approach lemon farmers on their land to buy the products, to then transport and sell it in bigger markets of big cities, such as Guayaquil. For cocoa farmers instead, it is more common to just deliver the products to bigger wholesalers, since the price of cocoa is quite stable, while the one of lemons fluctuates a lot, and the demand by the traders is less predictable. The data also shows that for farmers, there are not significant private suppliers, since both the machinery and equipment or the seeds are provided by third parties, such as CPR, the Comuna or other NGOs. Leonor (R#7), for example, mentions having been supported by ProPueblo first, then “Manos Unidas” later. Subsequently, when the president Correa came to power, flows of foreign investments into the country became more difficult. He created a state led organization, MIPRO, whose scope was to replace the role of external organizations, e.g., by being the one inviting the artisans to fairs. MIPRO is also mentioned

by Estevan (R#2), who also tells us how his family, originally, was able to buy the oven to work with clay only thanks to a donation of the Ecuadorian-Canadian fund.

In contrast to farmers, the structure of business relations for artisans is different, as also the quality of the raw material is crucial to the product. Among the different entrepreneurs, it varies from cases of long-lasting collaborations with similar suppliers to mere commercial relations, where the universal principal price-is-king is applied. For the many of them working with tagua, the wood-similar product, they all mentioned the same town, called Manta. This leads to the conclusion that most likely there are some clusters for the provision of these products, whether it is specific areas or neighborhood of bigger cities like Guayaquil.

In general, it is quite common to all entrepreneurs that a core part of their business relations is generated through common connections, such as family bonding ties, colleagues, or individuals with a similar commercial interest. Javier (R#17) told us how he buys many of the products from a shop managed by Colombians, in Guayaquil. Their relationship started since they both are cycling enthusiasts, and one weekend they passed in front of his shop while on a biking route. Since it is rare in the area, they stopped and started to get to know Javier. Eventually, they became his suppliers at a price way lower than the one he was paying for the products at that time. Lastly, the use of social media was also quite wide-spread and often times mentioned among the respondents. Many of them, such as Bolivar, Estevan, Antonio, or Javier, mentioned how they managed to find clients or partners through advertising their products through these channels, often supported by their young sons and daughters, or any tech-savvy family member. For Estevan, for example, finding clients through social media has been fundamental once his previous 15-years long buyer was gone, and it was only possible thanks to the help of the sister and her marketing teacher at university.

6.5.2 Implications of Business relationships

Positive aspects

Establishing a solid network with business partners, such as clients and suppliers, usually presents several advantages to the entrepreneurs. Overall, what has been derived to be sought by a majority of the entrepreneurs is fairness in terms of price for their products. They also aspire customer loyalty proved by, for example, flexibility in issues such as eventual delays in production related to external factors out of their control. Moreover, e.g., the participation in fairs for artisans allows for meeting fellow artisans as well other entrepreneurs to build solid bridging relations, whose word-of-mouth can lead them to enlarge the customer reach. An example of a

beneficial one is presented by Antonio (R#10), as a friend of him introduced him to other fellow artisans that live in La Pila, a village located 150 km north of Valdivia, where he lives. Antonio belongs to a well-known family of artisans which is known to have a unique product design. The other artisans showed interest in knowing more about it and invited him over to the town, to *“get to know other artisans and share ideas”*. There, he learned new techniques to work with clay and got contacts for future clients to export his products abroad.

The data suggest that financial support rarely is being granted from clients or suppliers, since in the majority of situations the level of trust would not be enough. Nevertheless, a unique case is presented by Fernando (R#9) who tells us how his longest-term client, an old lady from Guayaquil, is actually paying for the tuition of his grandchildren allowing them to go to university. In this case, we see a buyer-seller relationship way stronger than usual, basically of the same nature as a family tie. This raises the question about the potential if the entrepreneurs were investing more in these relations.

Negative Aspects

When business relations coincide with family ones, the negative aspects might be similar to the ones mentioned in the family network section. Family bonds are a valuable resource, but might become problematic in case of non-compliance, which, however, has rarely been mentioned by the respondents. The main downside can be seen when a high level of trust is on the wrong individual. Elba, for example, told us about one time when she received an order from Togo via e-mail and, fully convinced of its authenticity, they shipped the drafts of the final products. Later, she discovered it was a scam and lost all money related to it. Relying on trust is in fact both boon and bane. If a business relationship ends, recreating similar conditions with new business relations can be a struggle. Furthermore, business networks, such as the ones farmers have, are confining them to the disadvantaged side of it, limiting their gains or possibilities to upgrade. Without intermediaries, it is hard for local artisans to find clients and for farmers, it forces them to adapt to unfavorable market prices and very low bargaining power.

This influences their opportunities at different levels. It is not by coincidence, that the respondent who claimed the strongest bonds with the regional representation of the government, named *“Prefectura”*, was Javier (R#17), the only respondent holding a degree. He admitted that this was possible thanks to his personal acquaintances there, which he acquired during his studies. What has also been noted, is that these encounters with potential linking ties are typically not initiated by the artisans. Rather, they come from a third party, both public and

private. It was CPR who looked for Pascal, it was Pro Pueblo to offer trainings, and the Comuna to encourage artisans to form the association in front of the Aquarium.

6.5.3 Quality of the relationships: trust, obligations, and norms

The trust in their business partners was seen as a strong factor predicting the ability to do business, which was mentioned by many entrepreneurs as being fundamental to engage in a business relationship. When the entrepreneurs of resource-intensive goods were being asked about their relationships to suppliers and intermediates and how it developed, a pattern of interactions and trust was recognizable. These entrepreneurs were introduced to new business partners through mostly bridging and linking ties. From this point, the frequency of interaction and the nature of interaction between both parties determined the level of trust within the relationship. The dynamic relationship can establish long-lasting trust through repetitive positive interactions, but also lead to distrust due to one single betrayal. In the case of Herlinda and the women entrepreneurs of the area, whom she trained herself, she mentioned that before starting the collaboration she announced and agreed on the terms and expectations to set the bar early. While it takes many positive interactions to establish trust, an entrepreneur will not stay in business with somebody who wronged them. Therefore, negative interactions tend to have more significant impacts on interpersonal trust. Especially within the agricultural sector, the relationship between farmers and the intermediate buyers has very few trust. This is due to the dynamics of the establishment of the price and its fluctuation. According to Jose (R#3) in the case of lemons, the Comerciante reaches out to the farmers to order the quantity of lemons needed, offering a price for a sack that corresponds with approximately 1000 lemons. This price can vary from \$10 to \$20, often closer to the minimum than the other extreme. By talking with each other, the fellow lemon tree farmers share the current price they are receiving, so that if in the same days somebody offers a lower price, they understand that the buyer wants to take advantage of them. Obviously, some of these intermediaries are more trustworthy than others and e.g. Mario (R#14) has built a lasting relationship, but the majority merely wants to take advantage of the bargaining power they hold. Due to the necessity to receive income, collective action to try to fight this has not yet been undertaken, due to the risk that the traders will look elsewhere for their products if prices are too high.

However, Ecuadorian entrepreneurs can use their trustful relationships in beneficial ways for their venture. Interpersonal trust enhances business relationships with customers, intermediaries, and suppliers. From trusted suppliers, the entrepreneurs can expect better prices, lower price fluctuation, and on-time delivery of ordered

goods. Cesar (R18), for example, mentions a supplier from Guayaquil that knows how expensive a round trip would be to go and buy the products, so he sends them to Cesar directly. Leonor (R#7) claims similar benefits with her supplier of *tagua*, who understands the difficulties and cost of a trip just to pick up the products. In this case, we see trusting relationships going both directions, as the artisan trusts the quality of the products without inspecting them at the time of ordering them.

SC which stems from bonding and bridging relationships affects the level of trust within a relationship. If an entrepreneur and another individual mutually trust each other, for example through a business transaction, and the receiver shows trustworthiness, then the trust will further increase. The receiver of a favor has the obligation to return a favor at another point in time. Individuals who helped others hold a high level of obligations outstanding at any time and therefore have more SC available to them. However, if a favor is not returned when being asked for it, the lacking fulfillment of the obligation destroys the trust and SC within the relationship.

6.5.4 Shared Beliefs, values, and goals

In general, the data indicates that there is a widespread sentiment among the entrepreneurs that business interactions can only be done with trusted individuals. Several respondents experienced cases where they were either wronged by people outside their circle of trust or they were expecting help from outsiders and did not receive it ultimately. Especially in small, dense communities, where trust and the sense of togetherness among inhabitants is high, the entrepreneurs are hesitant to engage in business interactions that appear risky to them.

Moreover, the recurring problematic we heard was finding clients, especially foreign ones. They tend to assign the success of their business to macro-economic and societal developments, blame market circumstances such as low market prices or dependency on intermediaries, or point out the lack of recognition of their product as customers don't want to pay the price, they think would be appropriate for an art piece made by hand. Despite the true nature of the economic difficulties in the country, entrepreneurs often seem to lack to search or identify the root causes for their economic hardship. Even the most experienced ones, such as Herlinda, sometimes seemed not to be interested in understanding how clients found them, or how to retain them with them over time, increasing loyalty. In fact, she was mentioning a Japanese firm which started to order sombreros of *paja toquilla*, but when asked she admitted she never investigated on how they had found her, nor she ever mentioned actions done to strengthen the tie with them. We wouldn't identify this entirely as a cultural trait, but more partially due to an absence of training within this field, such as customer relations.

6.6 Entrepreneurial effects

Within all the different networks presented, the analysis carried out explored all the different dimensions of SC involved. At the same time, by pointing out positive and negative aspects, we started to gather all advantages and disadvantages for the entrepreneurs' business that result from the usage of SC. This section aims to recap the main economic effects that small-scale entrepreneurs experience from the use of SC from their relationships, as identified through observations in the field as well as from semi-structured interviews with entrepreneurs from various professions. According to the study's theoretical framework, the present analysis incorporates tangible resources, i.e., production machinery, money, raw materials, and intangible resources, i.e., market information, risk sharing. Following our research question, we focus on: *How does the entrepreneurs' usage of SC impact their businesses?*

6.6.1 Access to market information

One of the most immediate benefits of belonging to a network is the increased access and the sharing of information. This includes information regarding markets, business practices, investments, or, simply put, opportunities. Within family networks, the high level of trust perceived leads to absolute transparency on sharing of information. Fernando (R#9), for example, told us how his son made him aware of the possibility to join the group of artisans after he heard it in an announcement of the Comuna. However, due to the high density of the communities the respondents live in, the level of information within the same family would usually be similar, which means that new valuable market information can be found more outside family networks; this could be across different professions, communities, or associations. In general, it was observed how high levels of civic engagement would then significantly increase the access to market information. For example, the lemon tree farmers Jose (R#3) and Mario (R#15) both explained to us how they share market information about prices offered by traders with other farmers from their respective community. In both cases, market information tries to limit the opportunism of the traders in a situation where the farmers' bargaining power is clearly low.

Associations have also proved to be a key network for information. Many of the respondents, such as Vicente (R#8), Fernando (R#14), or Leonor (R#7), declared that it is thanks to the training ProPueblo provided that they are able to create artisan crafts nowadays. For Pascal (R#5), it was the organization CPR that provided him not only with cocoa seeds, but also taught him how to crop it and about the market potential of the crop, as, for example, cocoa's price tends to stay stable over time, providing security to the farmer. The impression of the

interviews was that none of the entrepreneurs would have grown interest in the field without the access to the information related to it, granted to them by these intermediaries. For artisans instead, a significant source of information has been participation in fairs, whose invitation would come through the association or the community network. Many of the respondents, such as Herlinda, Leonor, Vicente, and Antonio (R#6, 7, 8, 10) highlighted how these events were chances to meet clients with whom they still work or worked for a long time after the event. In a similar way that fairs are for artisans, markets in big cities provide this networking opportunities to farmers like Oscar (R#4). He met a potential client at the market in Guayaquil which now happens to be his only trustworthy client and with whom he has been working with for a while.

Overall, information is key for any entrepreneur to approach the market, however, the social networks the individual belongs to could be its strength and weakness. As shown in the previous example of Jose (R#3), the solidarity among farmers helps them in the price negotiations. At the same time, their isolation and lack of means, such as linking ties, confines them to this situation, leading to a limited understanding of the market & limited bargaining power.

6.6.2 Risk sharing

While referring to the government, Estevan (R#2) remarks almost his indifference about it, since *“no matter the party ruling, things do not really change, and nobody helps you”*. Opinions like this, coupled with field observations, indicate the struggles resulting from the absence of formal institutions. It is in such contexts that social networks become essential for functions as risk sharing or risk reduction, implementing a social security structure which allows entrepreneurs to share responsibilities. Among the respondents, the most common tool of risk sharing has been joining associations. In the artisan association that Fernando, Mario, and Bolivar (R#12, 13, 14) belong to, for example, the initial contribution of each member allowed them to share the financial risk among them, instead of asking each member to invest in its own material (see section 6.4.2). For Bolivar (R#14) and Javier (R#17), moreover, in both cases a family member was the guarantor of a loan issued by the bank, for which they would have not been eligible otherwise. Furthermore, Luis and Nestor (R#19, 20) also mention putting funds together and sharing responsibility in paying the money back. In terms of risk sharing, their collaboration is not limited to financial investments. The structure of the organization in fact, is based on a structured division of tasks, which includes rotations and promotes a significant flat hierarchy system. Division of tasks means division of responsibilities and hence sharing of risks, since all of them are equally important, and decisions are taken with normal majority. The existing shared values among the members make them equally committed to

certain standards of quality, and existing norms and bylaws furtherly limit temptations of opportunistic behavior, especially when the organization acquires a juridical life and members are bounded to its obligations.

6.6.3 Quality of market relations with suppliers or customers

The previous findings from each network suggest that trust enhances the quality of a relationship among individuals, and when this relationship is of commercial nature, then it brings benefits to all parties involved. The two most meaningful groups within the business-related network who benefit from SC are suppliers and customers. First, it is mostly observed that a repeated collaboration with a client or a supplier can grant advantages such as greater flexibility on payment terms (most common one is 50% to place the order and the rest when it is delivered). For example, Jerson (R#13) tells us how now he can receive the product, and then proceed to payments later on. Furthermore, more tolerance can be granted also in terms of delivery time or inconveniences. For instance, Oscar (R#4) has a trustworthy pumpkin buyer, who also trusts Oscar in terms of product quality and time, granting him bonus time if, for example, Oscar reports unfavorable weather conditions that imply a delay in the harvest. Clearly, the quality of the product always needs to stand as guarantee of the relation, as betraying it might cause the relationship to break.

Furthermore, a close relationship with the retailer or the supplier implies transparency and trust in things such as financial struggles, as shown in the case of Leonor (R#7), whose supplier ships the raw material directly to her, as mentioned in 6.5.3. On the other hand, situations of distrust can cause the opposite, such as unfair evaluation of the product or opportunistic behavior, such as in the negotiations between lemon tree farmers and Comerciantes, thoroughly explained in section 6.5.1. However, all buyers are different, as several respondents confirmed that with the most trusted ones, information flows with more honesty and with greater perception of fairness in prices, such as the one Oscar (R#4) has with one of his clients from Guayaquil, or Mario and Jose (R#2) with other clients.

Lastly, trust can also be placed into the wrong people, as, referring to the story presented in section 6.5.2, it happened to Elba (R#1), whose rush in trusting a relationship with a distant client led her to a big deceit. This then generates a money loss, but also increases skepticism for future relations.

6.6.4 Access to capital

One of the characteristics of areas constrained by institutional weakness is the struggle to access capital. This refers mostly to financial capital, but also in forms of material, resources, and quality human capital. In poor areas with little or no representation of formal financial institutions, locals rely upon personal relationships to access financial capital through informal arrangements, often based on family relationships, mutual knowledge, and trust (Torres Vitolas, 2011). The definition of capital can entail different forms of it, but we will mainly focus on three, being financial, physical, and human resources.

Financial capital is fundamental for an entrepreneur, especially to kick start the business, and it has been observed how several times aid has been made possible thanks to strong ties belonging to their network. Many respondents, e.g., Javier (R#17) and Jerson (R#13), claim that their current activity would have never been possible without the direct monetary contribution of the family. Among other factors, difficulties in eligibility, concerning criteria demanded by banks, prompts the entrepreneurs to look elsewhere. Financial support can, in fact, be found in fellow members of associations, as it is the case mentioned in section 6.4.2 for the artisanal group of the Comuna Sitio Nuevo, to whom Fernando, Bolivar, and Mario (R#14,15,16) belong to. Furthermore, for cases in which contributions of the closest circle of connections are not enough, solutions may be found within the same community, as Nestor and Luis (R#19,20) underline their urgency to take money from loan sharks to raise funds in time.

Concerning non-financial resources, physical capital in the form of material or equipment of different sorts was also provided through different sources and networks. Firstly, as explained in section 6.4.2, belonging to an association already facilitates access to materials from public institutions. As in the case mentioned by Oscar (R#4), the *Comuna* can provide machinery to farmers or biking gear for initiatives open to all community members, such as the one Javier (R#17) promoted. Second, in the cases where respondents claimed not to have had the opportunity to be supported by the local government, external organizations would step in. It is for example the case of CPR providing Pascal (R#5) with the cocoa seeds or the Ecuadorian-Canadian foundation donating an oven to Estevan's (R#2) family.

Lastly, the human capital at the disposal of the entrepreneurs involved in the study is almost entirely composed by family members, with the only exception of Jerson (R#13), who has hired one collaborator externally. This shows a great dependence on human resources on family networks, but also the benefits of finding personnel

who does not require to be paid at the time they commit to the business. This benefit is for example brought up by Herlinda (R#6) in her interview, while explaining that only her daughters can keep the shop open in her absence.

6.6.5 Earnings and value creation

Every time a business grows, or new value is created, the reason can always be associated with a combination of factors, as it would rarely be attributable to only one. Overall, for each network positive implications of having these connections were analyzed, proving SC can lead to value creation. This can be in forms such as profit, growth in sales, acquisition of assets, or employment growth. By far the most successful experience described by the respondents has been the one of Luis and Nestor (R#19, R#20), whose association of artisans has become a reputable organization in the area, providing jobs and income to more than 100 families. Similar results would have not been feasible if the artisans were working alone, as confirmed by Victor (R#11) and Camilo (R#12). They perceive that their association ArteOro managed to overcome clients' skepticism, increased customer loyalty, and, hence, earnings from them. For artisans, moreover, several participations at fairs, thanks to invitations from the *Comuna*, have brought possibilities to connect with new clients, thus enlarging their customer pool. This benefit is not limited to information, as mentioned in 6.6.1, but also affects profits since new customers could be added. Larger sales can also lead to the possibility of acquiring new assets, as considered by Pascal (R#5) and Bolivar (R#16), who both want to acquire more land for their farm. They perceive that without the support of community entities, such as CPR for Pascal and the financial support of family members for Bolivar, none of these plans could have been realized.

6.7 Sub - Conclusion

The previous analysis first investigated the entrepreneurs' most significant relations related to their business and examined if patterns could be identified among the respondents. This led to the identification of four main networks. Within these networks, we tried to understand how the entrepreneurs would use the SC in it, and how that would impact their business.

The most immediate finding is that the family network plays a fundamental role for the participating entrepreneurs in our study. From their family network, they can gain access to financial capital and production means, but they also receive workforce support which comes at a minor or no monetary cost. Due to the common belief in shared trust within the family, its members rely on each other, which is, naturally, less common outside

of the family network. Furthermore, the strong norms of reciprocity and mutual help within the family network enable entrepreneurs to secure economic benefits and support. These norms also oblige the entrepreneurs to contribute to the family's wellbeing. As the participating entrepreneurs were typically the main income generator for the family, their family obligations often limited their ability to further invest money or time into their venture. In addition to that, the amount of capital the entrepreneurs can access from this network depends on the resources available to their bonding family ties. Due to the limited resources the individuals in the research area possess, entrepreneurs must identify alternative sources which helps them advance their business.

The second finding is that, whenever members of family networks are not able to contribute sufficiently, the interview respondents have been relying on enlarged networks, such as associations or communities. Similarly to the first finding on family networks, these networks can be dense and are characterized by bonding ties among their members and a high level of trust. However, the quality of such bonding ties is developed and nurtured over long periods of time. Members of these networks who had trusted relationships with each other also supported each other with materials, their workforce, or entered into a dynamic of risk sharing by undertaking collective investments. Such collective efforts were based on norms of collaboration and mutual help. However, the strength of the ties within community and association networks varied from some respondents to others. Overall, members of these networks generally share information, while the possibility of sharing resources, whether physical or financial ones, was only found among members with a bonding relationship.

The third finding relates to the specific norms and beliefs that were identified within several networks that can negatively affect entrepreneurs within or outside these networks. First, a serious phenomenon has been identified in the marginalization of women, who not only struggle to enter historically male-dominated environments and professions. Often, but they are also not even expected to be earning an income and contribute more than just house-keeping functions. The societal norm and the corresponding shared belief among male family members about the role of women constrains the female entrepreneurs to engage in entrepreneurial activities. Another important negative implication within community networks is the lacking collaboration of entrepreneurs across community networks. Due to the shared belief of a dominating community (with a lot of SC) about perceived community differences, entrepreneurs from a dominating group exclude entrepreneurs from other communities by retaining information, influence, or solidarity benefits, which in turn negatively affects the entrepreneurs of the subordinate group.

Especially the struggles in raising financial support led us to our fourth finding, related to the density and diversity of entrepreneurs' networks. In the majority of the cases, we observed an abundance of bonding relations, whose strength was of great support to the respondents, both in tangible and intangible resources. However, the data found that they were suffering from an isolation from the market economy. Therefore, it could be the case that their reliance on strong bonding ties imposed a limiting factor as well, by restraining opportunities to make valuable linking ties, which are the ones with the highest potential to gain and share economic benefits and improve their livelihoods. This finding is also supported by several responses from the entrepreneurs, that confirmed how their most valuable resources, which they would not have been able to afford on their own, were made accessible by third parties such as NGOs, associations, or foundations.

7. Discussion

While the previous chapter analyzed the data collected from the field research to address the research question, this chapter critically discusses and evaluate the findings. Moreover, the applied conceptual framework, the theoretical constructs composing it and the methodology of the study will be also considered and critically evaluated.

7.1 Empirical findings

This section discusses the results of the field research in comparison with the research question and its relation to existing theory.

Research question: How does the entrepreneurs' usage of SC impact their businesses?

Throughout this study, the importance and reliance of Ecuadorian small-scale entrepreneurs on different forms of SC was emphasized for the establishment and growth of their venture. Interview findings showed that this reliance normally materialized in form of information and financial capital, and sometimes workforce or physical capital. The data reveals that the participating entrepreneurs secure benefits for their business from four main networks, namely family-, community-, association-, and business-related network.

The first finding acknowledges how family networks compose the strongest ties of an entrepreneur, who receive a great part of support directly from them. Due to the bonding relationship and the high level of trust, family members help them with financial capital, materials, production capacity and their workforce if necessary. In addition to that, the family network provides a social insurance in case the entrepreneur's business cannot sustain itself. If the business fails, the entrepreneurs found that they will be supported by their close family ties until they stand on their own feet again. This confirms the conceptualization of SC itself, expressed in the own words of Woolcock and Narayan, whose definition we have been adopting: *"the basic idea of SC is that a person's family, friends, and associates constitute an important asset, one that can be called on in a crisis, enjoyed for its own sake, and leveraged for material gain"* (2000, p.226). Moreover, several studies on small businesses in South America already shown the strong presence of family-owned businesses within the continent. Fukuyama (2002) found that in Latin America, most businesses are "familistic" which means that the strongest bonds of trust are

among close friend and family members, which in turn affects the ventures performance. These statements were found reliable and accurate for all the respondents interviewed. While many responses pointed to the positive effects of the family network, few empirical findings relate to inconveniences or negative consequences from using the SC from family ties. Within the literature, Kebede (2018) underscores the implications for entrepreneurs who belong to such dense family networks. According to him, "Dense networks do not only facilitate but also hinder the behavior of individuals due to pressure and normative expectations from family and kinship members." The data shows from the experiences of the entrepreneurs of San Antonio, mentioned in section 6.2.3, that a high degree of family obligation can hinder the development of an entrepreneur's business, as the respondents intentionally collaborated exclusively with entrepreneurs with no to small family obligations to increase the chances of their business succeeding. This is in line with what shown by Turner & Nguyen (2005), who underline how entrepreneurs sometimes can be pressured due to obligations to bonding ties (such as family members) to take decisions that have a negative effect on their business.

As mentioned above, several interview responses emphasized the significance of the support from dense networks, such as family, to be able to start their venture, in agreement with the opinion of several scholars (Kebede, 2018; Fornoni et al., 2012; Light and Dana, 2013). As already elaborated in the conceptual framework, dense networks have a high probability of its members having frequent interactions, thus building a high level of interpersonal trust. The empirical findings further indicate that family networks are not the only dense networks with close-knit bonding relationships in the research area. Furthermore, besides the membership of a dense network, especially the quality and frequency of interactions among entrepreneurs and business-related ties shape the trust, and the according economic benefits. In this regard, several interview responses point out the importance of community and association networks for the entrepreneurs' businesses. This partially contrasts Kebede (2018) who argues that entrepreneurs with higher levels of trust in their family ties tend to have lower levels of trust in individuals outside of the family network. However, the findings also suggest that trust is harder to earn for individuals outside of the family network.

Despite being notably rare to find, bridging and linking network ties were accessible for entrepreneurs through membership in rural Comunas or associations. The responses from several entrepreneurs from rural, dense Comunas indicate the importance of their membership of these communities or associations and the tangible benefits they secure for their business because of it. Some entrepreneurs, who are association members, described their experiences of how they gained access to; (1) financial capital by collectively raising fund and sharing the financial risk; (2) physical capital such as construction material; (3) and human capital by helping each

other out if necessary. Also, a farmer association, in collaboration with community officials, gathered market information to sell big quantities of the produced goods. These empirical findings indicate that the collective usage of SC by entrepreneurs can positively impact their business. This complements the findings by Turner & Nguyen (2005) and Woolcock & Narayan (2000) who argue that the access to bridging and linking ties can be facilitated by locally built collectives. While Woolcock & Narayan (2000) mention the facilitation of establishing bridging or linking ties by such collective entities, the literature of SC and entrepreneurship does not sufficiently address the effects of community and association membership for the individual entrepreneur's businesses.

Several respondents described their experience of how interpersonal trust resulted into successful collaboration, increased earnings or them gaining access to a financial or physical capital. The data suggests that trust lays the foundation for relying on other individuals and conducting business, leading to benefits such as share of market information & resources, but also flexible payment terms and delivery options. Therefore, while Fornoni et al. (2012) say that the relational dimension of SC, which incorporates interpersonal trust, appears to facilitate access to market information, our empirical findings show that the relational dimension also leads to tangible forms of capital and increased earnings.

While the first two findings mainly identified beneficial elements of SC, a few of the elements mentioned by the respondents also shed light to negative effects. First of all, a lacking collaboration of entrepreneurs from different community networks. The findings indicate that perceived community differences lead entrepreneurs who belong to a dominating group exclude entrepreneurs from other communities by retaining information, influence, or solidarity benefits. This negatively affects the entrepreneurs of the subordinate group. This circumstance is also addressed by Kwon & Adler (2014) who argue that dominant groups can suppress entrepreneurship of subordinate groups by excluding them from the benefits of their network. However, while some respondents' experiences support such a statement, the root cause for retaining certain things from other individuals is difficult to assess as the nature of their relationship can also play a role in it. Nonetheless, it can be argued that the entrepreneurs' actions and the corresponding effects are not only influenced by their personal relationships but also by the larger social context (Granovetter, 1992). Related to that, the results found that it is common for male entrepreneurs in the research area to engage in entrepreneurial activities and that it is a common source of income to make a living. However, the female participants of our study perceived significant barriers at home and did not get support from their male social ties. Due to their culturally assigned role to be the main caregiver and to be at home, their strong male family ties proved rather restrictive than supportive. They had to fight these structures and would only receive support from their male relationships if their efforts

proved to be fruitful. This is in line with Lindvert et al.'s (2017) findings regarding women micro entrepreneurs in a developing country context, outlining the strength of the dysfunctional side of norms and informal capital in society and how this can influence women's entrepreneurship. Consequently, to understand the role of SC for women entrepreneurs in a developing country context, new frameworks for evaluation should be considered. Light and Dana (2013) also criticize that the business literature examining the contribution of SC to entrepreneurship mostly focus on its advantages in the developed world's orbit. They argue that if the values, beliefs, and norms (cognitive dimension) inherited in a network do not support entrepreneurship, individuals who belong to such a network in general will not be encouraged or supported to pursue entrepreneurship.

The discussion of the previous finding tried to explain what the limits of not being included in certain networks might be. However, by addressing the fourth and last finding, the results show how the existing ties could be limiting to the development of the business itself. The findings showed many cases in which the network of the entrepreneur presented a high level of density and a strong predominance of bonding ties. The strength of their business has often been the reliance on bonding ties, whether they were within the family network, or developed over time through association or community membership. Nevertheless, the findings show that most of the respondents lack bridging and linking ties. The reason behind it was a lack of resources, such as financial ones, which could for example be needed to move to different locations and make new connections. Furthermore, when these connections were in place, the entrepreneurs were often dependent on somebody else to handle it. Several entrepreneurs in fact have been relying on intermediaries, such as NGOs or associations, to access these relations, and several of the existing bridging contacts were mainly with fellow professionals but living in another Comuna. These findings further indicate the importance of a key concept, at the heart of SC conceptualization, that is what Granovetter defines as the "strength of weak ties"; "Those to whom we are weakly tied are more likely to move in circles different from our own and will thus have access to information different from that which we receive" (Granovetter 1973: 1371, in Fulkerson & Thompson, 2008). The prevalence of bonding ties strongly reduces the chances of the entrepreneurs to meet people outside of their inner cycles, hence hindering the reach of potentially fruitful linking connections. The abundance of strong ties within dense networks is quite common to be found in a developing-country context. Turner and Nguyen (2005) findings support this finding in their research on young entrepreneurs in Hanoi. As mentioned by Woolcock and Narayan (1999) as well, in these way entrepreneurs have an intensive stock of SC they can leverage to "get by", however lacking SC to "get ahead".

7.2 Discussion of the applied theory and the conceptual framework

Although SC has been broadly studied in a variety of fields, few studies consider its implications on entrepreneurship in a developing country context, especially considering both positive and negative effects that the usage of SC is associated with it. In presenting the theoretical and conceptual foundations of "Entrepreneurship" and "SC" in chapter two, the origins, the definitions, and their application to development literature were explained. Subsequently, the combined research stream of both concepts was outlined with reference to the Ecuadorian context. As already shown in the theoretical and conceptual foundations, the literature about SC contains varying definitions depending on the field of research, the scope of the respective study, and the unit of analysis. Therefore, several authors criticize the fuzziness of the concept and the consequential difficulties to appropriately examine SC in different settings (Claridge, 2018; Torres Vitolas, 2011; Lin, 2004).

With respect to the examination of the effects of SC on entrepreneurship, the literature review in chapter two pointed out that most of the existing studies focus on developed economies and use quantitative methods to measure SC. Therefore, a conceptual framework was developed that aimed to investigate the specific setting of this study, focusing on the quality and structure of entrepreneurs' social relations. Furthermore, the researchers put an increased focus on both positive and negative effects on the entrepreneurs' business. The data from a variety of secondary sources has been used to build a basis for our conceptual framework.

The examination of SC is based on Dudwick et al.'s (2006) approach which was designed for a developing country context. The entrepreneurs' SC was then analyzed corresponding to the different dimensions of entrepreneurial effects derived from by Berrou & Combarous (2012) combined with Kebede's analysis in Ethiopia (2018). The level of analysis is on the individual level, or micro-level, as we previously defined SC as resource belonging to individuals. Furthermore, SC was divided into three dimensions, namely 'structural', 'relational' and 'cognitive'. The structural dimension refers to the networks that individuals belong to and from which they can draw benefits from. It further distinguishes between bonding, bridging and linking ties to connecting structural traits of relationships with the relational dimension. The relational dimension examines the quality and nature of individual relationships. The cognitive dimension refers to collective values, and beliefs that influence individual's perception of interacting with each other. It was further complemented by features of sociability (e.g., community networks, network characteristics or collective goals) that were deemed important with respect to the research area. The dimensions of entrepreneurial effects incorporate (1) the access and share of market

information, (2) risk sharing and risk reduction, (3) market relations with suppliers or customers, (4) access to capital, mainly in its financial form, but also in the form of material or workforce and (5) earnings and value added.

The construction of a conceptual framework designed for the purpose of examining the effects of SC on entrepreneurial activities involved various benefits that enabled the researchers to offer a detailed, context-rich analysis of the research area. By first informing the interview guide, the conceptual framework gave it a structure that made the interview results comparable and laid the foundation for the coding of its transcripts. Furthermore, the questions based on the conceptual framework were developed to inform the researchers about the entrepreneurial effects stemming from SC usage. Therefore, the connection between both constructs could be analyzed more accurately. However, using a newly constructed conceptual framework also bears several challenges. First, the interrelatedness among the three dimensions of SC made it indeed hard to dissect them, in order to identify which aspect belonged to which dimension. However, the process of identifying key words during coding has been fundamental for the assignment. The identification of the five entrepreneurial effects, based on the combination of the works of Berrou & Combarous (2012) with Kebede (2018) revealed to be particularly suitable for the context. In fact, significant information belonging to each dimension was successfully gathered, and the greatest difficulties mainly lied with the assignment of entrepreneurial effects to a certain dimension of SC. For instance, while certain norms might impact the behavior of individuals, a certain type of interaction can also be attributed to the quality of relationship two individuals have. At the same time, it should be acknowledged how the framework chosen could have resulted in certain patterns not fitting into this frame. Being the interview guide based on the patterns outlined in it, applying a different framework could have probably led to different questions as well. Overall, despite his experimental nature, based on a combination of theories and methods, we found the conceptual framework applied as easily suitable to the case, and relevant to identify the information we aimed to find before the field trip.

7.3 Critical examination of used methods

The usage of SC by Ecuadorian entrepreneurs and its impact on their business was analyzed based on a case study approach. The empirical data was gathered by conducting 20 semi-structured qualitative interview and field observations with an emphasis on the participants perceptions and experiences according to the interpretivist philosophy of science. The raw interview data in form of audio recordings was then transcribed using a transcription software, proofread several times and subsequently coded. They codes were either

previously identified codes deducted from the conceptual framework or added during the process when new data patterns were identified. The coded data was then analyzed and afterwards compared to the relevant literature.

According to Torres Vitolas (2011), the diversity of studies that examine the effects of SC in diverse dimension of social life (for instance education, health, politic, or agriculture) and social and physical settings (e.g., urban environments, governmental organizations, private enterprises, or rural villages) show that the usage and effects of SC are context specific, and that the assessment cannot be based on one general theoretical framework. Therefore, he argues that examinations of SC need to be conducted in direct relation to certain social, economic, and political circumstances surrounding the analyzed unit of analysis. Furthermore, he outlines that SC needs to be studied with an explicit focus on a specific dimension of action such as economic activity, volunteerism, or political engagement (Torres Vitolas, 2011). This shows that the type of empirical assessment chosen in this thesis, with particular focus on the usage of SC by Ecuadorian entrepreneurs and its implication on their businesses, is in line with methodological considerations described by Torres Vitolas (2011).

In response to the required specificity, a case study design was deemed the most suitable to address the stated research question. This case study allows the reader to get unique insights about the dynamic between SC and entrepreneurship in the Ecuadorian real-life context. While the field observations and the qualitative interviews carry the risk of observer and participant bias, the study combines the two qualitative research methods to triangulate the data and thereby seeks to limit the threats of bias to increase the quality of the study. As discussed by Yin (2003a), case studies provide clear advantages in comparison to alternative research strategies as it permits to investigate the subject in question —SC— in relation to direct observations within the research area.

However, the researchers also face several practical challenges during the field trip such as the limited time frame, the identification of study participant, which consequently had implications for the data collection method. It must be emphasized that the findings are limited to and only apply to the distinct context of Ecuadorian small-scale entrepreneurs in the research area. It would have been interesting to collect data from additional quantitative and qualitative sources to complement, verify or falsify the empirical findings from the conducted interviews. Especially participatory methods with female entrepreneurs in the research area could generate important insights in order to assess gender differences in their perception of access to benefits from different networks, the differences in using SC and the impact of social norms and obligation which might hinder their efforts.

Another important aspect is to evaluate the significance of results about the research question. The most important social networks used by Ecuadorian entrepreneurs and the corresponding impact on their businesses were identified. As already mentioned in the fourth chapter, the generalization of the results is only possible to a very limited extent. This is due to the context-specificity of the findings, the previously mentioned bias and the small number of interview participants. Furthermore, the present interview findings are to be seen as a snapshot. This statement is justified by the ever-changing networks of the entrepreneurs as shown by the study. As relationships are dynamic, influenced by every interaction and therefore develop throughout time, the implications for the entrepreneurs' businesses also change.

As stated in the previous section, a SC analysis on entrepreneurial efforts needs to consider both positive and negative externalities. However, when studying in detail what the limitations of the benefits of SC are, questions can also be raised on at which level the analysis should be conducted. (Kwon & Adler, 2013) in fact point out how, despite the interest the literature claims towards SC as community factor influencing entrepreneurial activities, majority of the empirical research has been concentrated at the individual level of single entrepreneurs. Our research followed this individual-oriented focus, which differs from the community-level one. The latter one stands on the belief that SC is a public good, since benefits such as social trust or organization membership belong to the whole community, not just to the individual. In the process of our empirical research and analysis, the responses stemming from individual answers were also examined to suggest findings on a community level. It should also be mentioned that the use of exceedingly multidimensional definitions of SC with different levels of analysis—individual, community, and societal—pose a difficult methodological exercise (Claridge, 2018). Several authors deem it necessary to compare and complement instead different data sets related to the topic of SC (e.g., individual networks alongside community network structures) (Torres Vitolas, 2011).

In line with Kwon et al., (2013) study about community SC and entrepreneurship, the individual SC perspective of this study could be complemented by the SC embedded in their social context, namely their community or association. However, such an approach was not undertaken due to the methodological difficulty of assessing the effects of SC across various units of analysis.

7.4 Implications for future research

Having discussed the empirical findings from the study, this section will provide suggestions for future research. While the literature of SC has been applied to a variety of academic stances, its connection and interrelation with entrepreneurship has mainly focused on developed economies and the positive effects of it. Although a few studies address how SC can affect entrepreneurship, only few scholars have investigated their dynamics in a developing country context. In addition to that, although scholars increasingly disagree with the perception that entrepreneurs per se have benefits from the usage of SC, only few studies focus on the negative effects. Therefore, future studies should examine how marginalized groups are affected from SC emphasizing the possibility of discovering negative effects.

Furthermore, the literature on the matter mainly comes from developed economies, hence findings in this context could lead to different theoretical constructs as well. Future studies could therefore examine the interrelation between the two literature streams in a variety of different contexts and compare these findings which could consequently lead to the identification of generalizable insights.

Likewise, considering that the relationship of the interview respondents experienced are of a dynamic nature, it could be interesting to conduct a longitudinal study that would analyze the respective factors over a longer period. Finally, as the findings suggest that the individual SC is being complemented by the SC embedded in their social context, future research could examine the effects of community SC on entrepreneurs' businesses, especially in a developing country context where marginalized communities form very close ties.

8. Conclusion

This dissertation has investigated the use of SC by small-scale entrepreneurs living in the coastal area of the province Santa Elena, Ecuador. The research question that guided the study was: *How does the entrepreneurs' usage of SC impact their businesses?*

The examination of the theoretical background of the combined literature streams of entrepreneurship and SC provided the foundation for the conceptual framework applied in this study. In accordance with Woolcock & Narayan's (2000) definition of SC and Kebede's (2018) entrepreneurial dimensions, the conceptual framework examines three dimensions of an individual's SC and their corresponding effects on their venture.

The data collection was based on qualitative research methods, namely semi-structured interviews with 20 Ecuadorian small-scale entrepreneurs complemented by field observations. The interview guide was designed following the structure of the conceptual framework. The goal was to collect valuable insights about the entrepreneurs' perceptions and experiences concerning their personal relationships to get a better understanding of how they are affected by them. The researchers spent four weeks in the research area, visited ten communities, and interviewed entrepreneurs from three different business sectors, many of whom belonged to varying community and association networks.

The empirical findings identified four main networks, namely family-, community-, association-, and business-related networks, from which entrepreneurs predominantly obtain tangible or intangible resources. Trust, norms, and obligations were discovered to be important in various network types. While trust among family members is perceived by the interview respondents as something natural, trust to other ties is established and nurtured by the frequency and quality of interactions. Especially in dense networks, high levels of trust among network members were identified, which appear to positively impact entrepreneurial ventures. This applies not only to dense family networks, but also to dense community and association networks. In contrast to that, the data also showed that obligations stemming from such close ties can also bind resources within the network and are therefore not available for the development of the business (cp. Turner & Nguyen, 2005).

Several norms, such as norms of reciprocity, norms of mutual help, and norms of distribution were identified within the main networks. They mostly positively affect entrepreneurs' businesses by improving collaboration, risk sharing, and access to capital. Especially norms of reciprocity and mutual help were found in family networks,

benefitting the entrepreneurs threefold. They provide them with access to financial capital, physical capital in form of raw materials for their production and production machinery, and also human capital, when they need support in the form of workforce. Norms of collaboration and distribution are of importance for association networks, as the members collectively support each other by sharing machinery or materials. Furthermore, they also enable the distribution of larger product orders among artisans to ensure the income for as many members as possible (cp. Claridge, 2018).

However, this study found that broader societal norms can negatively impact the ability of female entrepreneurs to start and run a business due to suppressive attitudes or behaviors from their male family members (cp. Lindvert et al., 2017). Another identified effect, which relates to common beliefs, is the perceived difference between dominant and subordinate groups. The findings show that this belief can lead to negative effects for dependent groups, as they are excluded from important information or solidarity benefits. While the interview respondents rarely stated any inconveniences or negative consequences from using the SC within their family ties, their over-reliance on strong bonding ties can restrain their opportunities to form ties outside their main networks, which have the highest potential to promote benefits for their business.

The importance of alternative networks for the participating entrepreneurs was shown in their perception of the benefits of being a member of an association or a community. Some of the most significant examples of entrepreneurs accessing tangible and intangible resources can be traced back to their affiliation with other members of the same community or association. By making use of their mutual trust and collective goal to improve their businesses, association members combine their financial capital to make investments in production machinery or to register their association as a legal entity. While the former improves their means of production and consequently their earnings, the latter enables the members of the association to get support from external and government agencies. The study results show that especially the external support can have a big impact on some of the entrepreneurs' businesses. For example, such significant external support may materialize in form of expensive production machinery, material for construction and production, or finding an end market for the entrepreneurs' goods. The data also shows how community members can access similar support from external actors. Furthermore, community members with bonding relationships share information to increase their bargaining towards intermediate buyers and support each other in difficult times. For that reason, the research findings suggest that bonding ties, also outside the family network, can be built and have been used by the interview respondents in order to acquire resources that help them advance their business. Additionally, they can secure extensive benefits by being a member of a community or association network.

Therefore, the results of this study contribute to the SC and entrepreneurship literature by not only restraining the role of collective entities to facilitate the establishment of bridging or linking ties, but further highlighting their significance in terms of building trust, pursuing collective goals, sharing risks, and accessing tangible resources.

8.1 Future Recommendations

After presenting our findings, we would like with this section to briefly introduce our recommendations, in terms of policy and civil society interventions in the area. From the qualitative interviews and the field observations, it was concluded that many families struggle to get by with the current level of income. This thesis has argued that there is a gap between the mainstream SC literature and the complex nature of specific contexts of how SC can be used by Ecuadorian small-scale entrepreneurs and from which networks/actors these entrepreneurs can receive benefits. Our research findings suggest that, if private or public actors intend to plan and implement targeted policies and interventions to support Ecuadorian small-scale entrepreneurs, three factors should be considered.

The first consideration refers to the need of investing in in-depth practical analyses of the existing social context to identify marginalized groups before civil society interventions take place. Our findings show that certain groups, because of their gender or membership in a specific community, face social hurdles when engaging in entrepreneurial activities. Therefore, NGOs and other social actors should identify marginalized groups and tailor their initiatives specifically to the needs of these groups to overcome existing social pressures.

The second consideration addresses government policies, which should address the ample need of entrepreneurs for linking ties in order to have a better understanding of business opportunities and access to various forms of capital. In the field area, entrepreneurs reported government efforts that were aimed at increasing their access to physical resources, such as production machinery. However, only one interview respondent reported government support in form of finding clients when they have abundant amounts of agricultural produce. This is supported by Saracostti (2007), who argues that it is necessary for governmental institutions to invest in social networks in poor communities, with the aim of facilitating access of these communities to people with more power and resources, thereby giving them access to market information and business opportunities.

The third consideration extends the second one by arguing that public policies need to consider the benefits originating from the entrepreneurs' networks, while also taking into account the negative aspects from such dense networks. The study's results indicate that entrepreneurial behavior in dense family networks is often influenced by social norms, obligations, and pressure to share their earnings. In line with Kebede's (2018) findings, policies should aim to create proper channels through which entrepreneurs can be linked to individuals from diverse socio-demographic groups to gain the benefits of diversity in networks.

9. Bibliography

- Abom, B. (2004). Social capital, NGOs, and development: A Guatemalan case study. *Development in Practice*, 14(3), 342–353. <https://doi.org/10.1080/0961452042000191187a>
- Acquaah, M., Amoako-Gyampah, K., & Nyathi, N. (2014). *Measuring and Valuing social capital: A Systematic Review*.
- Adam, F., & Rončević, B. (2003). Social Capital: Recent Debates and Research Trends. *Social Science Information*, 42(2), 155–183. <https://doi.org/10.1177/0539018403042002001>
- Adams, C., & McNicholas, P. (2006). Case Studies and Action Research. In Z. Hoque (Ed.), *Methodological Issues in Accounting Research: Theories and Methods* (pp. 361-374). . . In Spiramus Press Ltd (Ed.), *Methodological Issues in Accounting Research: Theories and MethodS* (Z. Hoque, pp. 361–374).
- Anzules-Falcones, W. (2021). UNDERSTANDING TOURISM BUSINESS VENTURE IN RURAL COMMUNITIES AND THE CONTRIBUTION OF SOCIAL CAPITAL TO ITS PERFORMANCE: A CASE STUDY OF THE COTACACHI-CAYAPAS RESERVE IN ECUADOR. In *Academy of Strategic Management Journal* (Vol. 20, Issue 3).
- Audretsch, D. B., Keilbach, M. C., & Lehmann, E. E. (2006). *Entrepreneurship and Economic Growth*. Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780195183511.001.0001>
- Baumol, W. J. (1996). Entrepreneurship: Productive, unproductive, and destructive. *Journal of Business Venturing*, 11(1), 3–22. [https://doi.org/10.1016/0883-9026\(94\)00014-X](https://doi.org/10.1016/0883-9026(94)00014-X)
- Baumol, W. J., & Strom, R. J. (2007). Entrepreneurship and economic growth. *Strategic Entrepreneurship Journal*, 1(3–4), 233–237. <https://doi.org/10.1002/sej.26>
- Bebbington, A., Abramovay, R. and Chiriboga, M. (2008) Social Movements and the Dynamics of Rural Development in Latin America, *World Development*, 36(12), pp. 2109-2526.
- Berrou, J.-P., & Combarrous, F. (2012). The Personal Networks of Entrepreneurs in an Informal African Urban Economy: Does the ‘Strength of Ties’ Matter? *Review of Social Economy*, 70(1), 1–30. <https://doi.org/10.1080/00346764.2011.577347>
- Bertelsmann Stiftung, B. (2022). *Country Report - Ecuador*.
- Bosma, N., Hill, S., Ionescu-Somers, A., Kelley, D., Guerrero, M., Schott, T., & The Global Entrepreneurship Research Association (GERA). (2021). *Global Entrepreneurship Monitor 2020/2021 Global Report*. <http://www.witchwoodhouse.com>
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101.

Brendel C., Maldonado V. (2014) The Invisible Costs of Violence against Women for Ecuadorian Micro-enterprises

Campbell, N., & Mitchell, D. T. (2012). A (partial) review of entrepreneurship literature across disciplines. *Journal of Entrepreneurship and Public Policy*, 1(2), 183–199. <https://doi.org/10.1108/20452101211261453>

Claridge, T. (2018). Dimensions of Social Capital - structural, cognitive, and relational. *Social Capital Research & Training*.

Coleman, J. S. (1988). Social Capital in the Creation of Human Capital. . *American Journal of Sociology*, 95–120. <http://www.jstor.org/stable/2780243>

Cope, J., Jack, S., & Rose, M. B. (2007). Social Capital and Entrepreneurship. *International Small Business Journal: Researching Entrepreneurship*, 25(3), 213–219. <https://doi.org/10.1177/0266242607076523>

Creswell, John W., and J. David Creswell. Research design: Qualitative, quantitative, and mixed methods approaches. Sage publications, 2017.

Cruzaty, L. v. (2017). Emprendimiento en Ecuador. Estudio de Caso: Provincia de Santa Elena. . *Killkana Sociales: Revista de Investigación Científica*, 27–32.

Deakins, D., & Freel, M. (2009). The entrepreneur: concepts and evidence. In McGraw & Hill (Eds.), *Entrepreneurship and Small Firms* (5e ed., pp. 1–20).

Dees, J. G., Battle, B., Dees, A. J. G., & Anderson, B. B. (2006). *Framing a Theory of Social Entrepreneurship: Building on two schools of Practice and Thought*.

Desai, V., & Potter, R. (Eds.). (2006). Doing development research. Sage.

Dubois, A., and Gadde, L. (2002) "Systematic combining: an abductive approach to case research." *Journal of business research* 55.7 : 553-560.

Dudwick, N., Kuehnast, K., Jones, V. N., & Woolcock, M. (2006). *ANALYZING SOCIAL CAPITAL IN CONTEXT A Guide to Using Qualitative Methods and Data Analyzing Social Capital in Context: A Guide to Using Qualitative Methods and Data*.

Eisenhardt, K., and Graebner, M. (2007) "Theory building from cases: Opportunities and challenges." *Academy of management journal* 50.1 : 25-32.

Flyvbjerg, Bent. "Five misunderstandings about case-study research." *Qualitative inquiry* 12.2 (2006): 219-245

Fornoni, M., Vila, J. E., Arribas, I., Vila, J., & Vila, J. E. (2012). *The role of access to information in the Argentinean case DPEB 07/12 The role of access to information in the Argentinean case*.

Fukuyama, F. (1995). Trust: The social virtues and the creation of prosperity. *New York: The Free Press*.

- Fulkerson, G. M., & Thompson, G. H. (2008). The Evolution of a Contested Concept: A Meta-Analysis of Social Capital Definitions and Trends (1988-2006)*. *Sociological Inquiry*, 78(4), 536–557. <https://doi.org/10.1111/j.1475-682X.2008.00260.x>
- Grootaert, C., Narayan, D., Jones, V., & Woolcock, M. (2004). *Measuring Social Capital: an Integrated Questionnaire*. World Bank.
- Grootaert, C., van Bastelaer, Thierry., & World Bank. (2002). *Understanding and measuring social capital : a multidisciplinary tool for practitioners*. World Bank.
- Hanifan, L. J. (1916). The rural school community center. *The Annals of the American Academy of Political and Social Science*, 130–138.
- Imas, J. M., Wilson, N., & Weston, A. (2012). Barefoot entrepreneurs. *Organization*, 19(5), 563–585. <https://doi.org/10.1177/1350508412459996>
- INEC. (2010). *CENSUS*. <https://globaledge.msu.edu/global-resources/resource/55>
- Inter American Development Bank, & World Bank. (2013). *Entrepreneurship in Latin America: A Step Up the Social Ladder?* (E. Lora & F. Castellani, Eds.). The World Bank. <https://doi.org/10.1596/978-1-4648-0008-5>
- Junta de Agua Regional Valdivia Junta de Agua Regional Olón, Y Fundación Brethren Y Unida, Corporación La Noble Guadua, & Asociación del Manglar De Palmar. (2015). *SISTEMATIZACIÓN LA ASOCIATIVIDAD PARA LA INTERVENCIÓN EN EL BIOCORREDOR CHONGÓN COLONCHE EN BUSCA DEL BUENVIVIR*.
- Kebede, G. F. (2018). Social Capital and Entrepreneurial Outcomes: Evidence from Informal Sector Entrepreneurs in Ethiopia. *The Journal of Entrepreneurship*, 27(2), 209–242. <https://doi.org/10.1177/0971355718781250>
- Kirzner, I. (1974). Competition and Entrepreneurship. *The University of Chicago Press, 2nd edition*, 30–87.
- Knapp, G. W., Vélez, ., Homero Pozo and MacLeod, & . Murdo, J. (2021). *Ecuador*. *Encyclopedia Britannica*. . <https://www.britannica.com/place/Ecuador>
- Knight, F. (1921). *Risk, Uncertainty and Profit* (The London School of Economics and Political Science, Ed.; 2e ed.).
- Krishna, A., Shrader, E., World, T., & Washington, B. (2000). *SOCIAL CAPITAL ASSESSMENT TOOL Prepared for the Conference on Social Capital and Poverty Reduction*.
- Kuada, J. (2012). *Research methodology: A project guide for university students*.
- Kwon, S. W., & Adler, P. S. (2014). Social capital: Maturation of a field of research. *Academy of Management Review*, 39(4), 412–422. <https://doi.org/10.5465/amr.2014.0210>

- Kwon, S. W., Heflin, C., & Ruef, M. (2013). Community Social Capital and Entrepreneurship. *American Sociological Review*, 78(6), 980–1008. <https://doi.org/10.1177/0003122413506440>
- Kyle, D. (1999). The Otavalo trade diaspora: Social capital and transnational entrepreneurship. *Ethnic and Racial Studies*, 22(2), 422–446. <https://doi.org/10.1080/014198799329549>
- Light, I., & Dana, L. P. (2013). Boundaries of Social Capital in Entrepreneurship. *Entrepreneurship: Theory and Practice*, 37(3), 603–624. <https://doi.org/10.1111/etap.12016>
- Lin, N. (2001). *Social Capital*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511815447>
- Lindvert, M., Patel, P. C., & Wincent, J. (2017). Struggling with social capital: Pakistani women micro entrepreneurs' challenges in acquiring resources. *Entrepreneurship and Regional Development*, 29(7–8), 759–790. <https://doi.org/10.1080/08985626.2017.1349190>
- Longhurst, R. (2003). Semi-structured interviews and focus groups. *Key methods in geography*, 3(2), 143–156.
- Mair, J., Martí, I., & Ventresca, M. J. (2012). Building inclusive markets in rural Bangladesh: How intermediaries work institutional voids. *Academy of Management Journal*, 55(4), 819–850. <https://doi.org/10.5465/amj.2010.0627>
- Max-Neef, Manfred. (1992). From the outside looking in: Experiences in barefoot economics. *Zed Books*.
- Meredith, G. , Nelson, R., & Neck, P. (1982). The Practice of Entrepreneurship. *International Labour Office, Geneva*.
- Meyer, M., Libaers, D., Thijs, B., Grant, K., Glänzel, W., & Debackere, K. (2014). Origin and emergence of entrepreneurship as a research field. *Scientometrics*, 98(1), 473–485. <https://doi.org/10.1007/s11192-013-1021-9>
- Morales-Urrutia, X., Naranjo-Gaibor, A., Espinoza-Guano, M., Morales-Urrutia, D., & Simbaña-Taípe, L. (2020, October). A Retrospective and Prospective Analysis of Social Entrepreneurship: Popular and Solidarity Economy in Ecuador. In XV Multidisciplinary International Congress on Science and Technology (pp. 178-189). Springer, Cham.
- Naudé, W. (2008). *Entrepreneurship in economic development, WIDER Research Paper, No. 2008/20* (ISBN 978-92-9230-066-1). <https://www.econstor.eu/bitstream/10419/63572/1/560604459.pdf>
- Ordenana, X. , & Arteaga, E. (2012). *Middle-Class Entrepreneurship and the Effect of Social Capital*. <http://hdl.handle.net/10419/89018www.econstor.eu>
- Portes, A. (1998). Social Capital: Its Origins and Applications in Modern Sociology. *Annual Review of Sociology*, 24(1), 1–24. <https://doi.org/10.1146/annurev.soc.24.1.1>
- Putnam, R. D. (1993). "The Prosperous Community." *The American Prospect*, 4(13), 35–42.

Rao, Woolcock, M., & Vijayendra. (2003). Integrating qualitative and quantitative approaches in program evaluation. In *The impact of economic policies on poverty and income distribution*. New York: Oxford University Press.

Russell, S. S. (2021). *Entrepreneurship*. Econlib. <https://www.econlib.org/library/Enc/Entrepreneurship.html>

Saunders, M. A., Lewis, P., & Thornhill, A. (2019). Research Methods for Business Students Sixth Edition Research Methods for Business Students. Research Methods for Business Students (Issue January). Pearson Education.

Schumpeter, J. (1934). An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle. In Harvard University Press (Ed.), *The Theory of Economic Development* (3rd edition, 1949).

Scotland, J. (2012). Exploring the philosophical underpinnings of research: Relating ontology and epistemology to the methodology and methods of the scientific, interpretive, and critical research paradigms. *English language teaching*, 5(9), 9-16.

Shane, S., & Venkataraman, S. (2000). The Promise of Entrepreneurship as a Field of Research. *The Academy of Management Review*, 25(1), 217. <https://doi.org/10.2307/259271>

Steiner, P. (1997). La théorie de l'entrepreneur chez Jean-Baptiste Say et la tradition Cantillon-Knight. *L'Actualité Économique*, 73(4), 611. <https://doi.org/10.7202/602243ar>

Stone, W., Hughes, J., & Fellow, R. (2002). *Measuring Social Capital: Towards a standardised approach*. www.aifs.gov.au

Streeton, R., Cooke, M., & Campbell, J. (2004). Researching the researchers: using a snowballing technique. *Nurse researcher*, 12(1), 35-47.

Sutter, C., Bruton, G. D., & Chen, J. (2019). Entrepreneurship as a solution to extreme poverty: A review and future research directions. *Journal of Business Venturing*, 34(1), 197–214. <https://doi.org/10.1016/j.jbusvent.2018.06.003>

Swain, J., French, S., & Cameron, C. (2003). Controversial issues in a disabled society. *Open University Press*.

Torres Vitolas, Carlos Alberto (2011) Social capital in poor communities: a case study from rural northern Peru. PhD thesis, London School of Economics and Political Science.

Tracey, P., & Phillips, N. (2011). Entrepreneurship in emerging markets strategies for new venture creation in uncertain institutional contexts. *Management International Review*, 51(1), 23–39. <https://doi.org/10.1007/s11575-010-0066-8>

United Nations. (2019). *Revision of World Population Prospect* .

van der Zwan, P., Thurik, R., Verheul, I., & Hessels, J. (2016). Factors influencing the entrepreneurial engagement of opportunity and necessity entrepreneurs. *Eurasian Business Review*, 6(3), 273–295. <https://doi.org/10.1007/s40821-016-0065-1>

Vasco, C. (2013). Migration, remittances and entrepreneurship: the case of rural Ecuador. *Migraciones Internacionales*, 7(1), 37-64.

Vega González, J. D., & del Pezo Reyes, S. M. (2015). *POBREZA Y MATRIZ PRODUCTIVA EN EL CANTÓN SANTA ELENA*.

Venkataraman, S. (1997). The distinctive domain of entrepreneurship research. . In J. Katz & R. Brockhaus (Eds.), *Advances in entrepreneurship, firm emergence and growth* (pp. 119–138). Greenwich, CT: JAI Press Inc. .

Weisbrot, M., Johnston, J., & Merling, L. (2017). Decade of Reform: Ecuador’s Macroeconomic Policies, Institutional Changes, and Results. *Center for Economic and Policy Research*.

Willis, K. (2006): Ch. 15. Interviewing. In Desai, V., and Potter, R. (2010): *Doing Development Research*. Sage Publications Ltd, London.

World Bank. (2012). *The Private Sector and Poverty Reduction*.

World Bank. (2021, April 21). *The World Bank in Ecuador*. <https://www.worldbank.org/en/country/ecuador/overview#1>

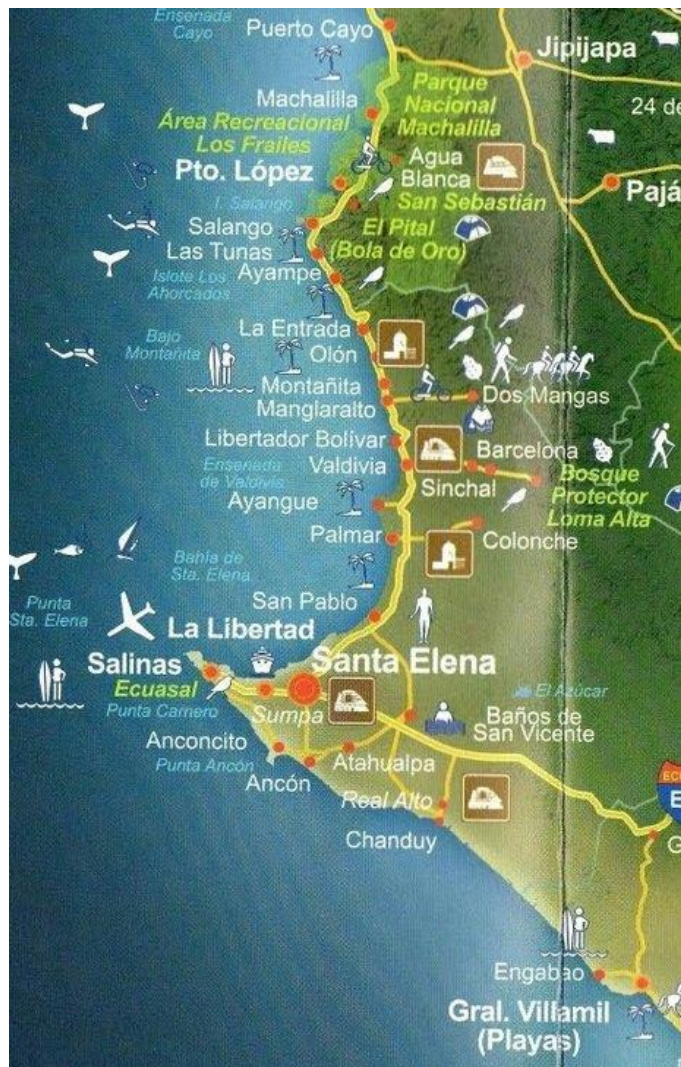
Yin, R. (2009). *Case Study Research: Design and Methods*. Thousand Oaks: SAGE.

Yin, R. K. (2003a). *Case Study Research. Design and Methods* (3rd. ed.). London: SAGE Publications Inc.

Zarra-Nezhad, M., & Moazami-Goodarzi, A. (2007). *Social Capital: Conceptual Overview and Measurements*.

10. Appendix

Appendix 1: Map and additional research of Field Research Area



CUADRO N°2: ACTIVIDADES ECONÓMICAS EN LAS COMUNAS DE LA PARROQUIA MANGLARALTO

Centro Poblado	Principal actividad	Mercadeo y comercialización	Actividades económicas secundarias
La Entrada, Las Núñez, San José, Curia, Olón	Extracción de productos no maderables, servicios de atención a turistas, agricultura de ciclo corto y pesca	Los productos se entregan a intermediarios	Migración estacional u ocasional a las ciudades, labores de albañilería y quehaceres domésticos.
Sinchal, Carrizal y Barcelona	Producción de limón y cultivos de ciclo corto (melón, sandía, pepino, tomate, pimiento)	Las cosechas se entregan a los comerciantes intermediarios y el sobrante lo comercializan entre los habitantes de toda la Parroquia Manglaralto	Comercio, transporte, migración temporal, mano de obra a jornal, extracción y secado de paja toquilla y otros productos maderables y no maderables
Valdivia, San Pedro, Cadeate, Libertador Bolívar, Manglaralto, Montañita	Pesca, artesanías, fabricación de zapatos, atención a turistas nacionales y extranjeros(en temporada)	Una parte lo comercializan en el mercado de San Pedro y la mayoría lo entregan a los intermediarios. Existen algunos servicios de atención a los visitantes al filo de la carretera o en la playa	Mano de obra a jornal, migración temporal a las ciudades cercanas, sobretodo Guayaquil
Loma Alta	Agricultura de ciclo corto y recepción y atención de turistas que visitan la Reserva Loma Alta (Bosque Protector)	Las cosechas entregan a intermediarios. La atención a turistas incluye el alquiler de caballos, alojamiento y alimentación lo realizan en sus propias instalaciones	Mano de obra a jornal, migración temporal, extracción y procesamiento de recursos maderables y no maderables

Fuente: Trabajo de campo

Elaborado por: Fundación Brethren y Unida Zonal Costa (2007)

POBLACIÓN: NECESIDADES BÁSICAS INSATISFECHAS					
PROVINCIA	CANTÓN	PARROQUIA	POBLACIÓN SEGUN NIVEL DE POBREZA		
Santa Elena	Santa Elena		POBLACIÓN NO POBRES	POBLACIÓN POBRES	Total
		Colonche	3.386	27.800	31.186
		Manglaralto	2.678	26.412	29.090

Fuente: INEC Censo 2010

Elaborado por: FBU-Costa

Appendix 2: Interview guide

English version

Socio-demographic characteristics: Who are they?

Aim: Profile of individual

- Age
- Gender

- Education (formal and informal)
- Marital status
- Number of children
- Type of work
- Years in occupation
- Religion (?)

Background and life history

Aim: background story & life experience

- Please tell me something about your background and how you became involved in your current business: whose idea was it? What led you to it? What motivated you to open your own venture?
- What hurdles did they encounter on the way?
- Who supported you the most?
- How did you get financial support? Is it the only financial source you used?
- Did you financially support any of the other fellow entrepreneurs? Did you receive support by any of them?

Work experiences and work practices

Aim: job description

- Please tell me about a typical workday. What do you do? How many hours do you work?
- Do you sell only one product? If so, why? Has it always been like that?
- What do you like about your job?
- Can you make a good living from your activity?
- (How much does the weather impact your activity?)
- What are the key challenges of the job?
- Do you think the job or your experience with it changed over the year? (covid maybe)

Skills

Aim: understand their conceptualization of skills and whether in their opinion their conditions depend on the resources owned

- What are the key skills & resources needed to become a farmer / artisan?
- How did you learn these skills/acquire the resources?

People / Relations

Aim: understand who how many and which type of ties they have. Identify Network size, density & diversity

- How many people work in your business? How did you recruit them? (family, friends etc)
- Do you have suppliers? If so, how many? Since how long are you working together? How / What started your business relationship? What made you change / did not make you change?
- Do you know who your competitors are (other farmers / artisans)? How is the relationship with them? Do you help each other? (See whether (s)he sees other farmers / artisans of different products as competitors or different business)
- Are you a member of an organization / cooperative? What are your benefits of being part of it if any? (What networks of support do you draw on? Church? Friends? Cooperative? Family?)
- Since when are you member? Since how long has the organization been there? Do you know if there are many other similar ones?
- How important do you think trust is within business relations?
- How involved are your family members within the activity? Is it a choice or an obligation you feel? Would you like them to be entirely taking it over in the future?
- Do you recall any close relationship (friend, family, colleague) which then turned out damaging for your business? (aim: constraining effects of SC)
- Some question on information: not sure how to frame it but to understand where they get which type of info from

Community

Aim: identifying role of local community and values at society level

- For how long have you lived in this community?

- Is there anybody within it that helped you significantly, or which you consider important for the fate of your business? Or opposite
- Have you lived/worked elsewhere? Please explain (where/what/why/when/with whom?)
- Would you consider moving elsewhere? Why/why not?
- Do you think the situation here is worse / better than other parts of Ecuador /Santa Elena? Would you say it is very specific of this area?

Ent. Dimensions / outcomes

- Would you say in last years you are selling more/ less? Do you see it related to any personal acquaintances you made?
- Do you feel greater need of local support to your business? Do you feel represented? Has your commitment or business performance changed since you became part of something?
- Do you feel like these relationships (suppliers, competitors, local instit) make it easier for you to conduct your business? Do you feel safe in this environment or left on your own?
- Would you accept external funds or would it need to be somebody you trust closely?

Governance

Aim: identify institutions' role and partner's role within society

- Who are the main decision makers within your sector?
- Is it regulated? Are there norms which strongly influence your business?
- Are there unwritten rules among competitors or partners?
- What is the feeling towards the local administration or the regional one? Have you received support?
- Do you know CFV (Futuro Valdivia, i.e., local NGO partner)? Would you say it plays an important role within the community?

Future

Aim: growth margins within the sector and people's thoughts on future outcomes or trends

- Would you ever consider changing job? If so, why and to what?
- Do you see your children taking over from you?

Spanish version

Características sociodemográficas: ¿Quiénes son?

Objetivo: Perfil del individuo

- Edad
- Sexo
- Educación (formal e informal)
- Estado civil
- Número de hijos
- Tipo de trabajo
- Años en la ocupación
- Religión (?)

Antecedentes e historia de vida

Objetivo: historia y experiencia de vida

- Por favor, cuéntame algo sobre tus antecedentes y cómo te involucraste en tu negocio actual: ¿de quién fue la idea? ¿Qué le llevó a ello? ¿Qué les motivó a abrir su propia empresa?
- ¿Qué obstáculos encontraron en el camino? Ejemplos
- ¿Quién les apoyó más?
- ¿Cómo obtuvieron el apoyo financiero? ¿Es la única fuente de financiación que utilizaron?
- ¿Ha dado soporte financiero a algún compañero empresario o vecino o conocido? ¿Recibió apoyo de alguno de ellos?

Experiencias y prácticas laborales

Objetivo: descripción del trabajo

- Por favor, cuénteme un día de trabajo típico. ¿A qué se dedica? ¿Cuántas horas trabaja?

- ¿Vende sólo un producto? Si es así, ¿por qué? ¿Siempre ha sido así?
- ¿Qué te gusta de tu trabajo?
- ¿Puedes vivir bien de tu actividad?
- (¿En qué medida influye el clima en tu actividad?)
- ¿Cuáles son los principales retos del trabajo?
- ¿Crees que el trabajo o tu experiencia en él ha cambiado a lo largo del año? (tal vez covid.)

Habilidades

Objetivo: comprender su conceptualización de las habilidades y si, en su opinión, sus condiciones dependen de los recursos que posea

- ¿Cuáles son las habilidades y recursos clave necesarios para convertirse en agricultor/artesano?
- ¿Cómo aprendió estas habilidades/adquirió los recursos?

Personas / Relaciones

Objetivo: comprender cuántos y qué tipo de vínculos tienen. Identificar el tamaño, la densidad y la diversidad de la red

- ¿Cuántas personas trabajan en su empresa? ¿Cómo las ha contratado? (familia, amigos, etc.)
- ¿Tiene proveedores? Si es así, ¿cuántos? ¿Desde cuándo trabajan juntos? ¿Cómo / qué inició su relación comercial? ¿Qué le hizo cambiar / no le hizo cambiar?
- ¿Sabe quiénes son sus competidores (otros agricultores/artesanos)? ¿Cómo es la relación con ellos? ¿Se ayudan mutuamente? (Vea si ve a otros agricultores / artesanos de productos diferentes como competidores o como negocios diferentes)
- ¿Usted pertenece a alguna asociación, sindicato o cooperativa de agricultores/artesanos? ¿Cuáles son los beneficios de formar parte de ella, si es que hay alguno? (¿A qué redes de apoyo recurre? ¿Iglesia? ¿Amigos? ¿Cooperativa? Familia).
- ¿Desde cuándo eres miembro? ¿Desde cuándo existe la organización? ¿Sabe si hay muchas otras similares?
- ¿Qué importancia crees que tiene la confianza en las relaciones empresariales?
- ¿Qué grado de implicación tienen los miembros de tu familia en la actividad? ¿Es una elección o una obligación que sienten? ¿Te gustaría que en el futuro se hicieran cargo por completo?

- ¿Recuerda alguna relación cercana (amigo, familia, colega) que luego haya resultado mal para su negocio?
(objetivo: efectos limitantes de la SC)
- Cuales personas le dan informaciones importantes para su negocio? Por ejemplo: ¿Quién y que tipo de informaciones?

Comunidad

Objetivo: identificar el papel de la comunidad local y los valores de la sociedad

- ¿Durante cuánto tiempo ha vivido en esta comunidad?
- ¿Hay alguien dentro de ella que le haya ayudado significativamente o que considere importante para el destino de su negocio? O al contrario
- ¿Ha vivido/trabajado en otro lugar? Por favor, explique (¿dónde/qué/por qué/cuándo/con quién?)
- ¿Consideraría la posibilidad de trasladarse a otro lugar? ¿Por qué/por qué no?
- ¿Cree que la situación aquí es peor / mejor que en otras partes de Ecuador /Santa Elena? ¿Dirías que es muy específica de esta zona?

Ent. Dimensiones / resultados

- ¿Diría que en los últimos años está vendiendo más/menos? ¿Lo ve relacionado con algún conocido personal que haya hecho?
- ¿Siente mayor necesidad de apoyo local a su negocio? ¿Se siente representado? ¿Ha cambiado su compromiso o el rendimiento de su negocio desde que forma parte de algo?
- ¿Siente que estas relaciones (proveedores, competidores, institutos locales) le facilitan el desarrollo de su negocio? ¿Se siente seguro en este entorno o se queda solo?
- ¿Aceptarías fondos externos o tendría que ser alguien en quien confíes estrechamente?

Gobernanza

Objetivo: identificar el papel de las instituciones y el de los socios en la sociedad

- ¿Quiénes son los principales responsables de la toma de decisiones en su sector?
- ¿Está regulado? ¿Existen normas que influyan fuertemente en su negocio?
- ¿Existen normas no escritas entre los competidores o socios?

- ¿Cuál es el sentimiento hacia la administración local o la regional? ¿Ha recibido apoyo?
- ¿Conoce a CFV (Futuro Valdivia, es decir, la ONG local asociada)? ¿Dirías que juega un papel importante dentro de la comunidad?

Futuro

Objetivo: márgenes de crecimiento dentro del sector y opinión de los ciudadanos sobre los resultados o tendencias futuras

- ¿Consideraría alguna vez cambiar de trabajo? En caso afirmativo, ¿por qué y a qué?
- ¿Cree que sus hijos le sustituirán?

Appendix 3: Interview transcripts

In separate file