# The function of Social (and Human) Capital as antecedents on Indigenous entrepreneurs networking

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#### **Abstract**

A possible knowledge gap in entrepreneurship literature became evident during a comparative qualitative study of two Indigenous groups of entrepreneurs; Australian Aboriginal and New Zealand-Aotearoa Māori entrepreneurs. When the relationship between networking and social and human capital attainment was addressed within the majority settler society business culture it would appear that the networking attributes of Indigenous entrepreneurs differ. This suggests that the underlying social and human capital attainments are unique to their individual cultures. Possible differences between the attainment of social and human capital is directly related to the ongoing impact of colonial practice which has directly influenced the networking ability of the Indigenous entrepreneurs and their business positioning within comparative markets. This paper seeks to provide discussion and preliminary data for future modelling and development of human, social, financial and natural capitals for Indigenous entrepreneurial success.

#### Introduction

Indigenous enterprise development has been a catch cry for successive governments around the globe that strive to repair the poverty and social injustice that have been forced on Indigenous people under the tyranny of colonial dominance combined with the desire among many of the world's 300-500 million Indigenous people to rebuild their communities or to provide for their families (University of Minnesota 2003; Peredo, Anderson, Galbraith, Hoing, & Dana, 2004). Within this process, all too often, government practice is short-term, reactionary, lacking empirical evidence to support economic and social policy. It is proposed, if in this work we can understand the interrelationship between human and social capital and Indigenous entrepreneurial activity, then Indigenous driven research may assist program development to deliver rigorous Indigenous economic reform for Indigenous business based on socio-cultural understanding. As Brough and Bond have argued, a problem exists whereby;

"...the deficit-based, non-Aboriginal ideologies surrounding Aboriginal identity and communities, social capital can be in danger of simply being added to a long list of shortfalls in Aboriginal resources ... Poor social capital becomes a marker

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of inactive citizenship ... it is not long before the inferior characteristics of Aboriginal social formations once again become the source of scrutiny from a 'superior' non-Aboriginal position' (Brough & Bond 2009: 248-9)

This is compounded by the limited research in Australia into social capital (Brough & Bond 2009) and this is why Australia and its near neighbour Aotearoa (New Zealand) have been chosen for this study. The aim of this project is a comparative analysis that examines Indigenous networking, levels and types and any connection between human capital and social capital. Understanding Human capital is important from the Indigenous standpoint as the majority of our Aboriginal youth still only obtain a primary level education (Australian Bureaus of Statistics 2008). Prior to 1972<sup>1</sup> most of the authors' own generation were institutionally un-educated – educated only to be labourers, unskilled people with nominal human capital. When you are socially stratified at the sub-terrain of human society; the difficulty of the climb up, out of poverty and freedom from welfare dependency is then exacerbated. If we can understand how successful Indigenous entrepreneurs overcome this colonial impediment and multi-generational manufactured social phenomena then, as mentioned previously, we can better inform the policy maker.

Previous studies (Evald, Klyver & Svendsen 2006; Foley, 2005b; 2006) have shown that cross-cultural interaction and the legacy of colonisation can impact on the Indigenous entrepreneur's day-to-day operations. An important finding of this research, which has to date received little attention – an exception being the Australian Taxation Office (2009), is the possible relationship between human and social capital and environmental factors such as discriminatory practices and racial stereotyping in business. This social impediment, when combined with reduced levels of business expertise (when the Indigenous entrepreneur is compared to settler society) and vastly inadequate financial resources both in savings and access to borrowings, is the environment within which Indigenous entrepreneurs operate (Australian Taxation Office, 2009; Foley 2008a) highlights the difficulty that the Indigenous entrepreneur faces. Social norms and cultural practice shape business practices and decision-making processes, and these are the key attributes to social capital for mainstream settler society (Burt 2005; Keast, Brown & Guneskara 2009; Putman 1993). Yet for the Indigenous entrepreneur little is known.

#### **Literature Review**

The wealth of literature on social capital is described as a slippery concept (Jones, 2005), and those who use it are often accused of adopting questionable means of measurement without sufficient regard to the theoretical underpinnings to ensure its validity or reliability. A lack of theoretical precision has led to general confusion about what is social capital (Durlauf, 1999; Portes, 1998; Stone, 2001). It seems that it has also been so widely applied that it is often referred to as an elastic term, or umbrella that can account for a wide range of socially based phenomena (Keast et al, 2009). It is acknowledged that there is no consensus on the aspects of interaction, validity and merit that the label 'social capital' describes (Grootaert, 1998), however, it does deserve investigation, especially when applied to Indigenous economic development.

A comprehensive literature review is beyond the scope of this paper so a focused review of literature will be applied. A solid knowledge base exists in the literature about social networks and entrepreneurship (see Hoang & Antoncic, 2003 and O'Donnell, Gilmore, Cummins & Carson, 2001) and it is generally accepted that social networks can have a strong influence on entrepreneurial activity, influencing the decisions which entrepreneurs take and their chances of success (Davidsson & Honig, 2003; Evald et al, 2006; Greve, 1995; Jack & Anderson 2002; Jenssen, 2001; Jenssen & Greve, 2002; Jenssen & Koenig, 2002). Entrepreneurs obtain resources from those in their social networks (Greve & Salaff, 2003; Jenssen, 2001; Jenssen & Koenig, 2002) and it is the composition of an entrepreneur's network that determines available resources. Different social networks provide different resources. However, this paper does not address social networking, for to do so would complicate the key issues, and it will be evident that the Australian Indigenous entrepreneur has two distinct social networks in the early stages of the business lifecycle; the cultural - community, family kinships, and the business networks that are within the dominant 'settler society' society. The Māori social networks between family and business are more homogenous – blurred somewhat, so that business networks are an extension of cultural networks.

Developed social networks for the Indigenous Australian incorporating both cultural and business networks appears to be a stage *after* the entrepreneur acquires satisfactory levels of human and social capital, possibly related to a mature phase of the business life-cycle (and the subject of future research).

To discuss the function of social (and human) capital as antecedents on Indigenous entrepreneurs networking in general, it is important to understand the distinct relationship between human and social capital in the Indigenous scenario.

#### What is Social Capital?

Social capital can be a set of horizontal associations between people consisting of networks and associated norms that have an effect on the productivity of those involved, limited to positive associations in the development of participants (Grootaert, 1998; Putman, 1993). From an economic perspective, social capital can be framed in the context of the distribution of knowledge. Leibenstein's (1968) X-efficiency theory focused on the role of information and the inefficiency of dissemination, acquisition and collection of information that leads to gaps in knowledge within networks of people, thus creating entrepreneurial opportunities. Yet, how do you measure it as "... there has been little agreement in its measurement, or in terms of which elements of social capital are core to the concept, and which are peripheral (Onyx, Bullen & Edwards, 2009: 152)

The complexities of measuring social capital were partly addressed in Australia when Onyx and Bullen (2000) developed a scale of social capital aimed at the community structure. Their more recent work involves the examination of empirical data of casual paths towards social capital development. Significant findings indicate social agency and

trust as the most important casual factors (Onyx, Bullen & Edwards, 2009). These findings, however, are based on the examination of community participation linking to family, friendship and neighbourhood connections without ethnic sample data or specifically analysis of the individual. The findings suggest that communities differ in their social profile and the factors contributing to "social capital development also vary from community to community" with "historical factors" influencing the process (Onyx, Bullen & Edwards, 2009: 166). They espouse firstly that, "the structure of social capital is remarkably stable across communities and groups" and secondly "it is possible to identify plausible causal paths to the development of social capital" (Onyx, Bullen & Edwards, 2009:168). This research appears unrelated to this paper, however, their need to identify the implications of the causal paths in the development of social capital is indirectly the very aim of this paper. Before we address these issues further, exploration is required defining social capital.

A simplified entrepreneurial scholarly definition of social capital is "... investment in social relations with expected returns in the marketplace" (Lin, 2001:19). This definition reflects the entrepreneurial school of scholarship writings on social capital (Bourdieu, 1983; Bourdieu and Kreckel, 1983; Burt, 1992; Coleman, 1988; Lin, 1982; Portes, 1998). Burt (2000), however, distinguishes two classes of model of social capital. One is based on network closure as a contingency factor essential to realising the value in agency and is derived from the writings of Bourdieu and Coleman (1991). The second focuses on structural holes and advantage through social structure that accrues through brokerage or combination of resources (Burt, 2005). When this literature is applied to Indigenous entrepreneurs, social capital is the complex interaction of networks that channel and filter information about the Indigenous entrepreneur's cultural identity — the complex brokerage or combination of resources described by Burt (2005). This controls the allocation of the meagre resources that are available to Indigenous entrepreneurs (Foley, 2000). If social capital shapes behaviour (Fernandez-Kelly & Schauffler 1994), one would expect a positive interaction with cultural values; hence the stronger the presence of social capital, the result is an increased level of cultural values. Correspondingly, the utility function of a 'relationship good' that is found within culture ensures that it is consumed only with others and is trust-intensive in both its production and the corresponding consumption of the relational good (Antoci, Sabatini & Sodini, 2009).

It would seem that the stronger the presence of social capital within Indigenous groups then the stronger the level of cultural values. This is **a** positive foundation that enables policy makers to build a platform from which to understand Indigenous economic development. Yet in doing so, it is important to include Schuller's (2007) argument that social capital cannot be reduced to economic capital alone. For the values of social capital may depend on human, financial and natural capital and social capital are, indeed, capable of producing positive outcomes beyond economic advantage such as improved health, good educational outcomes, lower incarceration and crime rates and a stronger community overall (Halpern, 2005). These are findings commensurate with the author's previous publications on the social impact, or 'outcome' of successful Indigenous entrepreneurs (Foley, 2000; 2003a; 2005ab; 2006; 2008abc).

If we accept that positive social capital development is attributable to positive social attributes (Halpern, 2005) then we need to define social capital from the Indigenous entrepreneurs' standpoint. Commencing with the well known Naphapiet and Ghoshal's (1998:243) definition of social capital as a platform, which is:

"the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network"

When we begin to understand the impact of continuous colonisation (Pearce, 2010:14) on the Indigenous entrepreneur that is touched on in the following case studies and based on the authors previous research in the specialised area of urban based Indigenous entrepreneurs, then a definition of social capital from the Indigenous standpoint would be:

"For the Indigenous entrepreneur social capital is the sum of the actual and potential resources, both embedded within and available through their own socio-cultural networks, that to a large degree is subject to colonisation and the contemporary socio-cultural environment within the dominant society. The dominant society determines the Indigenous entrepreneur's ability to function outside of or within structures of cultural oppression, often born of negative stereotypes. Social capital is also subject to both 'material' and 'relational' functions within a varying trust-intensive relationship between the subject parties".

If you are Indigenous, social capital is a variable dependent (Halpern, 2005; Schuller, 2007) subject to the levels of 'social inclusion' within the wider 'settler' society which is in the two case studies the dominant culture. It is important to remember that Bourdieu (1986) was among the first to discuss social capital as a concept in other than economic terms, encompassing elements that include trust, common values, norms and social resources within a social structure. We have taken this to include both 'material' and 'relational' functions within a varying trust-intensive relationship (Antoci et al, 2009). Indeed, social capital is "iterative" as the more it can be developed then the more can be developed (Onyx et al, 2009:166). The specific definition of social capital used in this paper is a development of this concept based on Indigenous entrepreneurs obtaining resources from their social networks that allow them to survive within a post-colonial environment, which will differ from country to country and possibly region to region depending on the social carnage that is the direct result of aggressive colonisation practices (Reasons & Pavlich, 1995). For the nascent Australian Indigenous entrepreneur, financial capital and natural capital and to an extent developed human capital within their own cultural 'kinship' networks is very low to non-existent (Foley, 2008c; Fryer-Smith 2002). The emphasis in this discussion is that the Australian Aboriginal entrepreneur is forced to develop social capital connections from outside of their own cultural base (Foley, 2008c).

Before closing this section, it would be remiss of me not to repudiate one of the urban myths held by some within the Academy. Not all Aboriginal people have access to strong kinship systems and networking alliances through 'community' associations as commonly believed. My research over the last 15 years (Foley, 2000; 2003a; 2005ab; 2006; 2008a) has revealed that the majority of Australian Indigenous people have relatively low social and human capital within their Indigenous personal networks that are applicable to commercial 'business' undertakings. In traditional (pre-European contact) Aboriginal social networks through complex kinship, relations were well established. However, the impact of colonisation, dispossession and urbanisation has resulted in the destruction of many cultural ties and traditional practices (Fryer-Smith, 2002). Traditional kinship based levels of social and human capital are diminished to unrecognisable levels in the colonised urban environment (Fryer-Smith, 2002). In an entrepreneurial context, the urban Indigenous business person is forced to seek social capital, business assets and human capital in business expertise from within the dominant settler society networks through a shared relationship (Klyver & Foley, 2010; Ottoson & Klyver, 2008).

In conclusion, it is important to recognise that the majority of literature, to date, on social capital has been based on the loosely defined and conceptualised "virtuous cycle" (Onyx et al. 2009: 166) called the 'community' which in reality is, "... largely [a] white, middle-American notion ... romanticised, ethnocentric ideal" (Brough & Bond, 2009: 248). Having stated this as the foundation or basis of much of the known social capital research to date, it is also despairing to read that it would appear that social capital as a concept in Australia is in decline, reminding "us of the unfortunate resemblance between scholarship and fashion" (Brough & Bond 2009: 247). It is not surprising to read that there has been "... limited research into the nature of social capital and its meanings for Aboriginal [people]" (Brough & Bond, 2009: 249). It is important that the reader recognise that this paper qualifies the individual Indigenous entrepreneur and is seeking to understand qualitatively social capital issues impacting on the Indigenous entrepreneur, not 'community' issues. This paper is striving to achieve scholarship that Altman, Biddle and Hunter (2008) write of, in that it is seeking a new discourse emphasising "evidencebased" over "anecdote or ideology" (2008:18). The lack of evidence based research has plagued Indigenous research and neo-conservative assumptions (Brough & Bond, 2009)

# The Influence of Human Capital on Social Capital

It is the author's belief that if we are to discuss social capital regarding Indigenous entrepreneurship, then we should include a consideration of human capital literature, as one has an impact on the other (Ottoson & Klyver, 2008). Social capital is, to some extent, predicted by human capital (Boxman, Degraaf & Flap, 1991; Ottoson & Klyver, 2008) as, while we acquire human capital, social capital is co-produced. Classical sociological literature links the two as complements (Rooks, Szirmai & Sserwanga, 2009). To take education as an example, it not only creates human but also social capital (Fedderke, De Kadt & Luiz 1999; Ottoson & Klyver, 2008). Human capital, in economic terms, generally describes a person's productive attributes. In entrepreneurial terms, it is

measured by classifying the elements of human capital that include the investment in education, the cost of attaining management skills and training, acquiring industry knowledge, obtaining entrepreneurial knowledge and skills, the cost of business start-up experience, and how these can be translated into increased economic returns on the investment (Becker, 1993; Dyke, Fisher & Reuber, 1992). To extend this, some scholars (Greve, Benassi & Sti, 2006; Ottoson & Klyver, 2008) postulate that entrepreneurs need the investment in human capital to take advantage of social capital.

As mentioned in the introduction, for Indigenous Australians the ongoing colonisation process until the late 20th century ensured human capital was only developed in education that relegated Indigenous Australians to menial labour and transient existences (Connell et al, 2007). These educational policies are seen as a major contributing factor to the enforced welfare dependence of Indigenous Australians, a history that continues to contribute to socio-economic disadvantage (Beresford and Partington 2003).

Understanding this aspect of Australian history, we must then consider the development of Aboriginal human capital in relationships that matter based on people's happiness or overall well-being. The individual's social sphere will influence their economic position and action (Antoci et al, 2009). Antoci et al state that "... a social environment rich of participation opportunities which allow people to meet frequently, creates a fertile ground for nurturing trust and shared values" (2009: 4). Social interactions are a vehicle in the diffusion of information and trust that impacts on economic activity, creating social well-being (Smith, 1763/1978).

Accepting that social capital emerges from the norms, networks and relationships of the social structure (Coleman, 1988), we must consider ethnicity as a distinct form of social capital constructed on people's cultural endowments, obligations and expectations, information channels and social norms (Giorgras, 2000; Zhou & Bankston III, 1994). The hypothesis is that colonisation destroys or subjugates most if not all Indigenous nations, and eradicates whole generations, destroying the complex Indigenous social networks that pre-existed the colonisation process and obliterating Indigenous educational practices. Hence, the human capital that once existed to nourish and endow the resource base of Indigenous social capital would evaporate following ongoing processes of genocide, denial of language, destruction of habitat, incarceration (including on missions and reserves), which would ensure that any attempt to resuscitate social capital would be difficult and dependent on the benevolence of the dominant – 'settler' – society. This paper allows the reader to gain an 'insider' view into Aboriginal society through the pen of the Aboriginal researcher. How this is achieved is explained in the methodology.

#### Methodology

Exploring phenomena in theoretically sparse fields involves moving from empirical data outward toward generalised theory and is referred to as an inductive process (Eisenhardt, 1989; Glaser & Strauss, 1967; Strauss & Corbin, 1990). For this research, a cross-comparative case study approach has been applied (Yin, 2002; Eisenhardt, 1989) to

emerge theory through the empirical examination of data. Two representative independent groups of minority/dominant contextually located cultural case-studies were contrasted. These were characterised by 60 Indigenous Australian, and 25 Māori entrepreneurs. Each study involved a range of data collection techniques such as review of official documents, review of mass media documents, society observation, interviews with experts, and interviews with the entrepreneurs.

Grounded theory (Strauss & Corbin, 1990; 1998) provided a useful base that informs the study. However, the research departs from the strict application of grounded theory by adopting a semi-structured interview format with the individuals representing each case study to attain commonality in key data sets and strengthen validity, consistency and reliability (Weiss, 1994). A two-step process was then used to analyse the one-on-one interviews with Indigenous entrepreneurs who were representative of the minority/dominant cultural cases and the official and media documents, observations and expert commentary. First, substantive coding (open coding and constant comparative coding) was used (Glaser, 1992) and second, theme analysis was applied to collate and contrast the findings between the representative data sets of the two individual countries.

Due to the relative low number of Indigenous entrepreneurs and the specialised methodology required in identifying them and gaining their participation in research, it was considered that a quantitative research approach at this point of time would not be rigorous or effective. Instead, this research employed qualitative methods to explore, in relative simple parameters, the existence and use of social capital by examining the networking activity of Indigenous entrepreneurs in contrasting cultural environments. An important contribution is the use of Indigenous Standpoint Theory (IST) (Foley, 2002; 2003bc) that features an epistemological process that respects Kaupapa Māori epistemology (Smith, 1999). IST is flexible and applicable for numerous Indigenous if not all-Indigenous nations. It is deliberately emancipatory and not a blanket clone of existing discourses. The theory has arisen from discussions with Indigenous peoples of several lands, from Indigenous academics, the 'educated', the non-educated in western formal schooling (but well versed in Indigenous knowledge), and seniors including 'Elder' Indigenous advisers.

The Australian study is ongoing and is based on several prior research projects (Foley, 2000; 2003a; 2005ab; 2006) spanning a period of approximately 10 years. It involves sixty 'snowball selected' urban Indigenous entrepreneurs from geographical regions ranging from Hobart to Darwin. The participants covered a broad range of industries, several of them far removed from the art, craft and tourism ventures that are stereotypically associated with Indigenous business activity. This included entrepreneurs in the motor vehicle industry, trade and retail in the building industry, manufacturing and service industries. Selective review was undertaken to reduce industry concentrations of participants.

The Aotearoa research is also ongoing, however, for the purposes of this paper, only case studies undertaken from July 2007 until January 2008 are included. Participants were all from the North Island in a geographic area that included the Northlands, East Cape, down

to Napier and Hawkes Bay, and across to Taupo and its surrounds. Snowball sampling was also applied with 25 participants selected, representative of a broad range of industries that included financial services, manufacturing, transport, information technology, and engineering, hospitality - tourism that included bed and breakfasts, motels and established tour operations.

Participants were sole traders, partnerships, and registered corporations. Interviews involved individuals, partners, families or senior corporate partners. No trusts, Indigenous 'community' type groups or Indigenous groups established on a communal basis were studied. Participants were stand-alone commercial operators.

For the purposes of this paper the specific research question investigated is: *How does social and human capital influence the networking of Indigenous entrepreneurs?* 

The research question findings are explained briefly in the following case study summaries and further summarised in Table 1 below.

# Comparing the case studies

On analysis of the data and comparing the two separate Indigenous groups, five key indicators of discussion emerged from the case studies. These are: cultural links with networking; the existence of second generation entrepreneurs; education levels; role of family; the business relationship between social and business spheres. The comparative data is summarised in Table 1 and explained in more detail in the following discussion sections.

Table 1: Comparative analysis of the cases

|                              | Australian Indigenous       | Māori entrepreneurs               |
|------------------------------|-----------------------------|-----------------------------------|
|                              | entrepreneurs               |                                   |
| Cultural links with          | Weak. Subject to acceptance | Very strong. Culturally accepted, |
| networking                   | in dominant society.        | interwoven within existing belief |
|                              | A necessity.                | systems. An extension of daily    |
|                              |                             | practice.                         |
| Whether second               | 16% of total                | Some 80% family members           |
| Generation                   |                             |                                   |
| entrepreneurs                |                             |                                   |
| <b>Education levels</b>      | Approx 75% tertiary         | Approx 20% tertiary               |
| Role of family               | Negligible, most cases      | Very important and                |
|                              | negative.                   | Supportive.                       |
| <b>Business Relationship</b> | Separated. Dependent on the | Highly integrated.                |
| between social and           | dominant society, therefore | Numerous relationships, some      |
| business spheres             | there is a power imbalance  | very personal, they take an avid  |
|                              |                             | interest in their networking      |
|                              |                             | partners                          |

### **Case study 1: Australian Indigenous Entrepreneurs**

To better understand the research findings, let us first understand some brief demographics of Indigenous Australia. The Indigenous Australian population represents only 2.4 percent of the whole (Australian Institute of Health and Welfare, 2003), some 500,000 people of whom:

- 160,000 live and work in cities in towns, and are relatively well educated enjoying a wide range of occupations. Proud of our culture, they enjoy mainstream living standards and participate fully in Australian society. Their children have educational opportunities on a par with suburban middle class Australia.
- 250,000 (approximately half of the population) existing on the fringes of towns and cities or in the major city ghettos. They are the low labour force participants, suffering high unemployment and high welfare dependency with poor education and poor health. They often live in overcrowded derelict public housing with their everyday life prone to violence, substance abuse and societal dysfunctions. Their children have poor access to education opportunities.
- 90,000 live in some 1,200 'homeland' settlements established in remote Australia from the 1970s. These are the most deprived group, usually totally dependent on welfare, with generational gaps in western education delivery, appalling health in sub-standard housing, poor sanitation, even lack of access to clean water in some instances. They live in conditions normally associated with third world countries and suffer preventable diseases that in some cases are worse than third world conditions (Hughes, 2007: 3).

The entrepreneurs subject to this study were found predominantly within the first group, which we could loosely refer to as middle class Aboriginal Australia, and the nascent entrepreneurs within the second group. These are the impoverished, the 'necessity entrepreneurs' who see entrepreneurship as the conduit that enables them to escape the 'welfare rut' (Martin, 2004). Aboriginal entrepreneurs considered networking to be an essential business activity. However, in the Australian study, networking did not take place within other minority groups or their own. Networking was predominately, in fact, exclusively undertaken with the dominant society of Anglo-Australia, or better known as 'settler society'. There were no alternatives for these entrepreneurs. The reality is it was a necessity as their creditors were non-indigenous, their debtors were non-indigenous, and the business environment in general is dominated by the non-indigenous.

One of the most important factors influencing entrepreneurs during their years in business is their identification of role models and networks (Hisrich & Peters, 2002). Now consider, only 16 percent of participants in the Australian study were second-generation entrepreneurs; the remainder had no history of family members in business. The majority of Australian Indigenous entrepreneurs were the first in their respective families to display entrepreneurial tendencies that led to business activity. On entering business,

many felt culturally, spiritually and physically isolated as they were participating in an activity in which they had limited to no previous family history. Their experience conclusively illustrated limited business acumen and reduced social capital. Networking was a key contributor to their survival; however, it was networking involving nonindigenous business people. Most drew on the experiences and the skills of nonindigenous mentors who helped them establish key industry contacts that arguably would not have been possible previously due to negative 19th century stereotypes and discrimination. Networking opportunities with Indigenous peers were non-existent as the entrepreneurs worked within a business environment managed by non-indigenous people. One respondent's Indigenous staff worked in reception or low-level menial positions as the participant felt that the expertise and knowledge that they needed could only be found within the non-indigenous sector. This was a common situation as Indigenous businesses were forced to find expertise outside of the Indigenous community. Necessity drove them to network with mainstream business contacts. The ability to network across cultural and/or racial barriers was essential; however, the more experienced entrepreneurs confirmed that this arose only after years of experience and exposure to the mainstream 'settler society' business world. In general it was only when they became established and successful that they could invest in training Indigenous staff outside immediate family or well-qualified non-indigenous staff to take on more senior/specialist key roles within their businesses. This indicates an initial 'substitutability' of social capital outside of their Aboriginal networks similar to the findings of Rooks et al, (2009) in Uganda – a substitutability not found nor apparently necessary in the Aotearoa case studies. Luthans, Luthans and Luthans (2004) found that when human capital development is aligned with the corporate strategy of the business there is a positive impact on corporate performance. In Australia, this was being adopted in older, well-established businesses, and was evident in the Aotearoa case studies.

The Australian sample highlighted widespread racial discrimination. Female Indigenous entrepreneurs faced additional problems when dealing with male trade suppliers, as many did not seem to want to listen to or communicate with them. The female entrepreneurs recognised the importance of networking, but they were possibly precluded from reaching their full potential due to a general lack of social inclusion be it race and/or gender discrimination.

Networking enabled the participants to develop and make use of relationships with suppliers and other organizations and provided increased opportunities to build credibility, a positive image and customer access (Zhao & Aram, 1995). Building credibility and a positive image were important, especially when one had to confront discrimination within the business world. Networking provided role models, industry advice, the sharing of experiences, and access to suppliers and customers (Dollinger, 2003; Kuratko & Hodgetts, 2001). It is seen as a strategic and a purposeful activity by Indigenous entrepreneurs to gain entry into markets that are non-indigenous, but it is a difficult social decision for the Indigenous entrepreneur to make, to immerse themselves within the dominant society as many in this study received a negative backlash from their Indigenous peers as a result.

How did social capital influence the networking of Australian Indigenous entrepreneurs? The high levels of tertiary/vocational education in the Australian group in comparison with the other studies would indicate that educational attainment was important to access the settler society's social capital. The act of colonisation in Australia was one of open frontier slaughter, of mass killing nothing short of genocide that has reduced Aboriginal populations and social structures to a mere shadow of their former positions. The survivors of the slaughter in most cases were forcibly removed from their lands and placed in missions. This was followed by generations of Government intervention that attempted to 'breed out' the Aboriginal, and there was an almost total disruption to Aboriginal society that has impacted on cultural values (Reynolds, 1981; 1989), thus reducing Indigenous social capital levels. Negative racial attitudes, the lack of social inclusion combined with a lack of business role models, low numbers of second generation entrepreneurs, and a history of racial segregation also support the hypothesis that existing Aboriginal entrepreneurs have limited Indigenous social capital, and therefore the reliance on the social capital of the dominant (settler) society takes precedence in business start-up, as the literature suggests (Fernandez-Kelly & Schauffler, 1994; Grootaert, 1998; Putman, 1993).

Piazza-Georgi (2002) argues that the process of acquiring capital requires an investment, especially in building human capital by obtaining education, and then investing less time in social capital. In the Australian Aboriginal example, the investment is also a development in social capital as there are few pre-existing levels (if any) available to the Indigenous entrepreneur. The difference between the subjects of Piazza-Georgi's (2002) work and those covered in this paper is that his entrepreneurs are not the minority within a dominant society. Bruderl and Preisendorfer (1998) believe that entrepreneurs who lack other sources of capital (including human and financial) will mobilise resources through their core social network. This study shows that in the Indigenous Australian scenario it is in fact the settler society 'social network' that provides other sources of capital. It would appear that for Indigenous Australians social and human capital (and financial for that matter) are entwined, with one generating the other – subject of course to the social inclusiveness of the dominant settler society and its social policies. This is a difficult concept to measure but can be deduced in the comparative analysis of case studies from the two societies.

# **Case study 2: Maori Entrepreneurs**

Based on the data gathered, networking and networking skills of the Māori entrepreneur were essential business attributes and an extension of their cultural life skills. One in seven New Zealanders are Māori, 14 percent of the total population (Statistics NZ, 2002). Most Māori continue to live in northern regions with nearly approximately 90 percent in the North Island and around 60 percent concentrated in the Northland, Auckland, Waikato and Bay of Plenty areas. 'Business networking' is an extension of their existing skills in the interaction with *whanau* (family) and appears effortless and natural; this is supported by the New Zealand Global Entrepreneurial Monitor 2005 study (GEM) (Frederick & Chittock, 2005) which concluded "social-cultural norms such as positive

and confident attitude assist in meeting social-economic expectations" (Reihana, Sisley & Modlik 2007:637). Even in the absence of support from traditional social networks, such as in the case of the urban Māori or the entrepreneurial Māori, they create their own networks and develop new forms of social institutions (Barcham, 1998; Walker, 1995).

The history of colonisation for Māori is very different from that of Australia. In the early years, Māori were allowed economic independence, in fact the survival of both the fledgling New Zealand colony and the Australian colony in Sydney was dependent on Māori commerce and agricultural skill as the Maori enterprise fed and maintained the fledgling settler economies (Petrie, 2006). Māori were the innovators and the leaders in commerce, adopting the plough, flour mills, and boat construction, becoming owners of numerous ocean-going vessels; they were conversant with international trade and intensive land-use management practices (Petrie, 2006). Economic decline commenced in the 1840s for a myriad of reasons. The overall loss of military power in the 1860s and the rapid loss of traditional lands ensured that by the end of the 19th century Māori were facing an ever-decreasing economic base (Maaka, 1997) which was not reversed until the 1980s and 1990s when there was a reversal of government policy (Barcham, 1998). The population during the 19<sup>th</sup> century also followed a rapid decline, a similar fate with other Indigenous peoples colonised by the British (Petrie, 2006). The establishment in 1985 of the now defunct Mana Enterprises programme to assist Māori into business was the beginning of several government and Māori initiatives to promote Māori economic development (Jones, 2007).

The New Zealand study showed that the relationship between power and communication (Orbe, 1998) within the Māori culture is a key factor. Māori display an ability to deal with all layers of society, their businesses are positioned across niches to access resources necessary to exploit opportunities (Waldinger, 1985), showing the applicability of cultural theory to the dominance of a culturally accepted group with a resultant power and communication ability over both Pakeha (non-Māori New Zealanders) and their peers (Orbe, 1998). From the observer's position, the Māori in effect have no peers other than the participants in the economic and cultural circle of Māoridom. Their strong utilisation of Māori resources and networks is synonymous with aspects of Ethnic Enclave theory (Portes & Bach, 1980). This is not suggesting that all Māori entrepreneurs follow Ethnic Enclave theory in their lack of conformity with mainstream (New Zealand 'settler') society; rather, it is their ability to resource goods, services, labour and markets in both mainstream, Māori and other-minority markets that is their strength. Non-Māori in general however, are the consumers of Māori products or services. It is important to understand that New Zealand is multicultural, having the world's second highest proportion of immigrants in its workforce. The census of 2006 showed that only 67 in every 100 New Zealanders were of European ethnicity.

Māori entrepreneurs did not normally experience discrimination in their business pursuits; when specifically asked, they said that only when racism was physical or exclusionary was it apparent. In business undertakings, none had specific examples; rather, their experiences were in the social services, education or in dealing with

government institutions. Racism (or social exclusion) in New Zealand was thought to be more covert than in Australia.

How does social capital influence the networking of Māori Indigenous entrepreneurs? Very few Māori entrepreneurs had tertiary education; the existence of second-generation entrepreneurs was very high, and it would appear they had suffered the least social destruction in the colonisation process. Social capital in business appeared highest in the Māori case studies when compared with the Australian. Gaining an education and thereby increasing human capital was far less important, as social capital levels were already high – as shown by Coleman (1988), social capital in the family and community promotes the formation of human capital, with the two complementing each other (Burt, 2001).

#### Conclusion

The importance of networking is universally accepted in literature as a key prerequisite to business success and entrepreneurial activity. This paper provides the reader with a new perspective on aspects that involves Indigenous networking. The existence and relationship between social and human capital combined with the historical legacy of the impact of colonisation influences the capabilities and networking environment of the Indigenous entrepreneur. The study of Indigenous entrepreneurship is more than a research area based in Management studies; it is a diverse research area requiring the understanding of several literature bases.

This paper illustrates Indigenous Australian entrepreneurs experience reduced social capital that results in active social networking in the settler society culture (or dominant society) as a necessity in their basic business functions. The role of the family was negligible to negative, they were dependent on racial acceptance and social inclusion (a fragile sociological relationship), and they experienced little diversity in their networking while their business relationships were often that of dependence, with a distinct separation between social and business networking interactions. Education attributes became important in order to access the settler society's social capital resources.

Māori displayed a solid cultural and social capital base. Networks were culturally accepted, the family role was supportive, and a dynamic networking interaction ensued with strong economic motivators. Networking was diverse and well-maintained, entrepreneurs taking an avid interest in their networking relationships which are culturally supported. In general, networking relationships were highly integrated between both their social and business spheres. In Māori the attributes of formal education was less important in comparison to the Australian, with it being least important in the strongest cultural and social capital base of the Māori. Yet the high levels of formal education for the Indigenous Australians (a group that statistically experiences very low educational achievement in both K-12, trade and tertiary), indicating that their human capital and corresponding social capital required formal education to supplement the lack of pre-existing human and social capital levels that the other group enjoyed. Based on supplementary questioning it would appear that education was not for any formal

business content, rather it provides many attributes, the most important appearing to be the skill in dealing with people especially the 'settler society'.

The practical implication of this research is an increased understanding of the business environment for policy makers, for Non-Government Organisations (NGOs), business support organisations and the Indigenous entrepreneurs themselves. In Australia organisations such as Indigenous Business Australia, the premier 'business' funding body, can now begin to understand sectors of their lending portfolio that will enable them to work with educators to ensure the development of social capital and understand the dependency in Australian business circles on the dominant society and the corresponding impact of racial attitudes. If we can understand how business relationships are stimulated or reduced by the presence of varying levels of social capital, then we can and will assist the Indigenous entrepreneurs in their business planning and economic development.

Research on the Indigenous cultures of Australia and Aotearoa within such a short paper involves generalisations and limitations. Perhaps the key finding of this paper is that Australian Indigenous entrepreneurs are embedded in a minority culture which must interact simultaneously within the dominant settler society culture if they are to survive in business. The level of this interaction, and the power imbalance within entrepreneurial networking that correlates to the entrepreneur's level of social capital demands further detailed study. This opposes Onyx et al's finding that social capital is "remarkably stable across communities and groups" (2009: 168). This, together with the marked difference in education attainment in the Australian group highlights that compared to Aotearoa, indicates the need for a different interpretation of literature across disciplines, to understand a complex issue – the relationship between human and social capital in a postmodern, allegedly post-colonial world. The casual paths to the development of social capital in the Indigenous situation are dependent on historical factors; the impact of colonisation, removal, limited to no intergenerational business expertise, discrimination, limited financial reserves that result in a casual path in Australia that is dependent on non-indigenous mentors, financiers and business partners and so on. The significant findings by Onyx et al, (2009) indicating social agency and trust as the most important casual factors are the same as those by Bourdieu (1986), for it would appear the trust, common values, norms and social resources within the social structure of 'settler society' form the Indigenous Australian entrepreneurs business social capital structure. This includes both 'material' and 'relational' functions within a varying trust-intensive relationship as supported by Antoci et al, (2009).

The Australian Aboriginal business sphere within the dominant society will influence their economic position and actions (Antoci et al, 2009), the direct casual path as defined by Onyx et al (2009). In effect, this is the "... social environment rich of participation opportunities which allow people to meet frequently, creates a fertile ground for nurturing trust and shared values" (Antoci et al, 2009: 4). Yet the Māori social interactions are so different as the Māori trust and shared values comes not only externally from settler society it also comes from within their own Indigenous and family networks indicating as Onyx et al (2009) would write as their (Māori) social capital is stable, within their own cultural and economic spheres even though they endure colonial

practices. It is the social interaction of the non-indigenous business community in Australia that creates a vehicle in the diffusion of information and trust that impacts on the Aboriginal entrepreneurs economic activity, creating social well-being (Smith, 1763/1978). Further analytical and quantitative research needs to be undertaken to more fully test and confirm these ideas; however, this paper provides a foundation from which academic debate can proceed to understand the relationship between human and social capital and its impact on Indigenous entrepreneurs.

## Notes

<sup>1</sup> The policy of 'Exclusion on Demand' was not removed from the New South Wales Teacher's Handbook until 1972. Equitable education was denied to Indigenous Australians throughout New South Wales for 70 years. Other states implemented similar frameworks that excluded Indigenous Australians based on the pretext of racial inferiority. (Connell, Campbell, Vickers, Welch, Foley & Bagnell, 2007).

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