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# The effect of social capital and identity factors on Latino/a business network success in new destination communities

Bridget K. Welch  
*Iowa State University*

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**The effect of social capital and identity factors on Latino/a business network success in  
new destination communities**

by

**Bridget K. Welch**

A dissertation submitted to the graduate faculty  
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

Major: Sociology

Program of Study Committee:  
Terry L. Besser, Major Professor  
Sharon R. Bird  
Alicia D. Cast  
Jan L. Flora  
Carl W. Roberts

Iowa State University

Ames, Iowa

2010

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**DEDICATION**

To my husband, Robert Welch, whose love makes everything I do possible and gives me the reason to do it.

To my mom, Judith Diamond, who may not have been able to bring herself to be here to see me finish, but who made me believe that I could.

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**ABSTRACT**

Most of what is currently known about the success of immigrant businesses was developed out of research focused on ethnic entrepreneurs embedded in cities. These entrepreneurs are able to draw on ties to co-ethnics to achieve advantages – a result of social capital. What is known about Latinos in rural new destinations suggests that they will not be able to develop these co-ethnic ties. As such, other avenues for Latino/a business success need to be found. One such avenue is membership in a business network. The same factors that make it difficult to develop social capital for these entrepreneurs (particularly cultural impediments to developing trusting relationships outside of family relations) also make membership and sustainability of a business network problematic. This dissertation proposes that trusting relationships (or social capital) can be developed through assurance from a trusted third party that others in the network can be trusted, a history of interaction between members, and a sense of “we-ness” (or, in this case, self-identification as “Latino/a”). As this sense of “we-ness” is usually based on a shared ethnicity (a requirement lacking in new destinations which are composed of Latinos from many different nations), a theory of how to develop a sense of shared identity is proposed. A multi-method analysis of qualitative, survey, and network data collected between 2003 and 2010 on a Latino/a business network in Ottumwa, Iowa, is utilized to test these predictions. Results showed that trust could be developed between Latino/a network members through a third party and a history of exchanges. While there is mixed support for the theory addressing the formation of a sense of “we-ness,” self-identification as Latino/a also increased trust between network members. Further, trust was found to be related to increased perception of business benefits, increased resource exchanges, and network sustainability.

## CHAPTER ONE: NEW DESTINATIONS

America's racial and ethnic composition is shifting. With the end of the Bracero Program in 1964, legal and undocumented immigration from Mexico surged (Massey, Durand and Malone 2002). Upheaval in Cuba (1960s through the 1970s) and civil wars in El Salvador, Guatemala, and Nicaragua also spurred immigration of Latinos to the United States (Portes and Rumbaut 2006; Sánchez Molina 2008; Zarrugh 2007). The settlement patterns of these immigrants have also undergone major shifts. Since the 1990s, Latinos are moving into rural communities (called new destinations) in unprecedented numbers. This pattern of settlement has partially occurred because the increase in overall numbers has led to "immigrant niches" in areas where Latinos have traditionally settled (called gateway cities) becoming "saturated" making "labor-market opportunities in other areas seem more attractive" (Hirschman and Massey 2008: 3).

New destination communities often lack the infrastructure to incorporate new residents (Griffith 1995; Guthey 2001; Kandel and Parrado 2006). Providing education, health care, and housing are just a few of the areas where these communities struggle to provide services to new residents. Research frequently focuses on these and other challenges faced by new destinations and devotes less time analyzing the benefits of these immigrants to the communities. One under researched benefit is the increase in Latino-owned businesses that open in these rural communities. As a potential benefit to new destinations that may help offset the changes brought about by the Latino/a population, it is vital to understand how to aid these businesses to encourage their stability and increased likelihood to positively contribute to the affected rural economies. The purpose of my dissertation is to add to the literature that addresses Latino/a entrepreneurial success in new destinations.

Before exploring Latino/a businesses in particular, I will address reasons for the shift in immigration patterns towards new destinations. These include factors that encouraged movement away from gateway communities (such as changes in immigration law) and those that provided incentives for immigrants to move into new destinations (such as changes in the meatpacking industry and the draw of these communities). The subsequent chapter will focus on what is known about immigrant entrepreneurship (focusing on Latino/a owned businesses) and how theories proposed about immigrant business sustainability in gateway communities can or cannot be applied to new destinations. As gateway communities vary substantially from new destinations and thus have different structural capabilities to provide sustainability to immigrant entrepreneurship, I will then suggest a theory of how Latino/a immigrant businesses can develop sustainability in new destinations. Finally, I will test this theory with data from a Latino/a business network located in Ottumwa, IA (in Wapello County).

Before moving into the discussion of the demographic changes that have increased Latino/a settlement in new destinations, it is first necessary to discuss what is meant by the terms Latino/a and Latinos. Latino/a and Hispanic are somewhat ambiguous terms utilized to refer to “a person of Cuban, Mexican, Puerto Rican, South or Central American or other Spanish culture or origin regardless of race” (U.S. Census Bureau 2006a: 2). This dissertation adopts the term Latino/a to widely refer to this collection of individuals as a linguistic shortcut. This term was selected (rather than Hispanic) because the business network under study here has adopted this term in their newsletters to describe their group. Furthermore, following Spanish grammar rules, “Latino” refers to men of this descent and “Latina” refers to females. When referring to both men and women, I will use “Latino/a” to capture both

sexes. Furthermore, consistent with Spanish grammar, “Latinos” is the plural form and captures both males and females.

### ***Demographic Shifts in Latino/a Immigration***

Achieving an exact count of Latino/a immigrants in the United States is challenging as this population includes both documented and undocumented residents. Reports from the *Office of Immigration Statistics* (now a subsidiary of the *U.S. Department of Homeland Security*) estimated that in 2008 over a third of all legal permanent residents and legal residents who are eligible to naturalize (7,570,000 people out of a total 20,760,000) were from Latino/a nations (such as Mexico, Cuba, El Salvador, and Guatemala) (Rytina 2009). The *Office of Immigration Statistics* also estimates the number of undocumented immigrants in the United States. As of January of 2009, more than three-fourths of all undocumented immigrants (8,300,000 of 10,750,000) were from Latino/a nations (Hoefer, Rytina, and Baker 2010).

Analyses of these estimates further reveal fundamental shifts to both the numbers of Latinos arriving in the United States and to patterns of geographic settlement. First, due to the economic downturn in the United States, there has been a recent decline in the number of new Latino/a arrivals to the United States between 2007 and 2009 and a marked increase in those already here returning to their native countries (Camarota and Jensenius 2009; Hoefer et. al 2010). Second, since the mid-90s, a growing number of immigrants have been moving away from the traditional, or “gateway,” metropolitan areas in Arizona, California, New Mexico and Texas and settling in “new destination” communities. Research indicates that about half of all Latinos are now living in rural communities in such states as Kansas, Iowa

and Nebraska (Kandel and Comartie 2004; Parrado and Kandel 2008).<sup>1</sup> Large scale structural changes to immigration policy and labor market conditions underlie both trends and further impacts the demographic make-up of communities on a local level. Demographic change results in social change, providing both challenges and opportunities to affected communities. This chapter will utilize Iowa as an example of a new destination state to explore these structural reasons for the shift in settlement and will further highlight the local effects of this pattern on communities and their members.

**Table 1. Iowa Counties with Highest Percent of Latino/a Settlement: 2000 and 2008**

	1990*		2000**		2008***	
	Latino/a Population	Percent of Population	Latino/a Population	Percent of Population	Latino/a Population	Percent of Population
Allamakee	40	0.29%	520	3.5%	1,170	8.0%
Buena Vista	158	0.79%	2,565	12.6%	4,099	20.8%
Clarke	19	0.23%	369	4.0%	637	7.1%
Crawford	98	0.59%	1,486	8.8%	3,284	20.0%
Dallas	174	0.58%	2,228	5.4%	3,640	6.1%
Emmet	63	0.54%	475	4.3%	636	6.1%
Franklin	152	1.34%	642	6.0%	1,295	12.4%
Louisa	420	3.62%	1,539	12.6%	1,840	15.7%
Marshall	291	0.76%	3,538	9.0%	5,794	14.7%
Muscatine	2915	7.30%	5,008	12.0%	5,894	13.9%
Polk	6249	1.90%	16,823	4.5%	28,438	6.7%
Wapello	224	0.63%	799	2.2%	2,358	6.6%
Woodbury	2733	2.78%	9,530	9.2%	12,231	11.9%
Wright	92	0.65%	706	4.9%	1,131	8.8%
<b>Iowa Total</b>	<b>32,822</b>	<b>1.2%</b>	<b>83,166</b>	<b>2.8%</b>	<b>126,453</b>	<b>4.2%</b>

\*Source: U.S. Census Bureau (1990).

\*\*Source: U.S. Census Bureau (2009b).

\*\*\*Source: U.S. Census Bureau (2009c).

The case of Iowa is illustrative of the population growth in new destination communities. In 1990, there were very few Latinos in the state of Iowa. As a result of several factors (discussed below), this population has steadily grown and continues to do so. For example, Buena Vista County had a very low number of Latino/a residents in 1990 (see

<sup>1</sup> There is evidence that the U.S. Census Bureau underestimates the actual number of Latinos both in the United States in general and, specifically, in new destination communities (Gouveia and Saenz 2000).

Table 1). Recruitment of Latinos to work at the Iowa Beef Packers plant in Storm Lake increased this population throughout the 90s (Wells and Bryne 1999). There are similar stories for Marshall County (Grey and Woodrick 2002, 2006; Griffith 2008) and other counties in Iowa as well (Cantú 1995; Flora, Flora and Tapp 2000; Naples 2000).

In order to explain the shift in population patterns with Latinos now choosing to settle in states such as Iowa and Nebraska, researchers have discussed a variety of factors including structural conditions that “push” immigrants away from traditional settlement areas, structural conditions that “pull” immigrants into new destinations, and micro-level considerations that affect migration and immigration choices (Gouveia and Saenz 2000; Leach and Bean 2008). A complete detailing of all these factors is beyond the scope of my purpose here. In the next section, I will focus on the three factors that have generally been accepted as the reason for the formation of new destinations: the change in immigration policy, labor market forces, and community pull factors. While these are trends that affect all new destination communities, I will highlight research on Iowa.

### **Immigration Policy**

While tracing the history of Latino/a (mainly Mexican) immigration from the early 1900s through the Bracero Accords that provisioned migration for farm workers (1940s-1960s), sociologists have argued that the Immigration Reform and Control Act (IRCA) of 1986 has been the most influential policy shaping current settlement patterns (Durand, Massey and Capoferro 2005; Durand, Massey and Charvet 2000; Durand, Parrado and Massey 1999; Massey and Capoferro 2008; Massey, Durand and Malone 2002). Gradually implemented between 1986 and 1990, among other provisions, the legislation legalized

around 2.3 million previously undocumented Latinos and increased border control in selected high traffic areas (Durand, Parrado and Massey 1999).

Massey and his colleagues argue that this policy resulted in the mass movement of previously geographically bound Mexicans from traditional settlement areas. According to these authors “illegal migrants generally seek to find and hold a steady job, avoiding mobility to minimize the risk of detection” (Durand, Parrado and Massey 1999: 9) which resulted in historical settlement in a few areas. No longer in fear of arrest and deportation, newly documented Mexicans now were able to seek out different opportunities. This new found freedom was coupled with an economic downturn creating conditions where there were fewer jobs available, more legal workers to fill the existing positions after the IRCA, and an increase in anti-immigrant sentiment partially resulting from these new market conditions (Light 2003) – all substantial push factors that motivated leaving these traditional settlement areas. A case study of a carpet factory in Georgia highlights this pattern. Hernández-León and Zúñiga (2000) found that the majority of migrants were post-IRCA arriving in Georgia from traditionally settled U.S. states (such as California, Texas and Illinois – Chicago area).

Selected increased border patrol along previous high traffic crossing areas (near El Paso and San Diego) also contributed to the change in settlement patterns. Durand, Parrado and Massey argued that one effect of this was that “flows of undocumented migrants arriving at the Mexico-U.S. border were diverted away from California and Texas towards less intensively patrolled regions in Arizona and New Mexico” (1999: 10). The argument is that this new flow funneled undocumented immigrants to previously unsettled areas in both the Southeast and Midwest.



The increased cost of crossing also is believed to have changed settlement patterns. This is not only the financial cost of aid (paying coyotes or smugglers), but also the increased risk to life faced by these migrants (Baker 2004; Champlin and Hake 2006; Cornelius 2001; Massey, Durand and Malone 2002; Parrado and Kandel 2008). The acceleration of cost per border crossing has resulted in removing some of the traditional pulls to stay in traditionally settled locales. Portes and Rumbaut argue that first arriving immigrants tended to settle in “proximity to the homeland” to defray financial costs of travel to and from their country of origin (2006: 38). The shorter the trip, the lower the cost, and most early immigrants planned on making multiple trips across the border. The IRCA, and further border measures following the passages of this legislation, increased these risks. Not only did a single trip cost more, each trip carries with it a higher chance of death, capture, or serious injury (Champlin and Hake 2006; Cornelius 2001; Massey, Durand and Malone 2002).

In no way does the higher cost of crossing the border encourage movement of Latinos into new destinations – making this not a true push factor. Instead, what it does is decrease incentives to stay near the border while increasing motivation to remain in the United States for longer periods of time (Parrado and Kandel 2008).<sup>2</sup> It is possible that with the decrease in incentives to stay in traditional settlement areas, the new destination pull factors exerted more force on Latino/a immigrants encouraging the settlement trend to shift to these rural areas. These pull factors will be discussed next.

### **Labor Market Forces**

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<sup>2</sup> Changes in American policies are not sufficient conditions to fully explain these trends. Authors also discuss political, economic, and social changes in sending countries that concurrently affected these patterns. For example, an economic depression in Mexico (e.g. Massey, Durand and Malone 2002) and El Salvadorian and Guatemalan civil wars (Portes and Rumbaut 2006; Sánchez Molina 2008; Zarrugh 2007) served as “push” factors encouraging immigration from these countries to the United States.

Lacking the strong incentives to stay in traditional areas combined with the economic and social conditions that push immigrants away, changes in new destination labor markets provided a strong incentive (or pull factor) that encouraged settlement in these communities. Though employer recruitment of Latino/a immigrants is nothing new (Rodriguez 2004), the passing of IRCA in the mid-80s occurred concurrently with a restructuring in meat processing industries.<sup>3</sup> Changes in the industry resulted in an increase demand for workers in rural areas willing to take low paying, dangerous, and non-unionized jobs. As the changes in this industry spread through meat packing companies, Latinos were pulled to these communities with a promise of jobs.

In a discussion of the evolution of meatpacking plants in the United States and Canada, Broadway (2007) notes that this industry has historically relied upon immigrants for its labor force. According to historian Cronon who writes on the history of meatpacking in Chicago (1991), prior to the mid-twentieth century meatpacking was centralized at the end of rail lines in large cities such as Chicago and Kansas City. Large, multi-story operations relied on gravity to move carcasses through the slaughtering process. These operations employed Eastern European immigrants who, after a decades' long struggle, had largely won the right to unionize making meatpacking one of the highest wage manufacturing jobs in the United States. The concentration of packing plants in these large cities would end due to changes in technology. As Cronon writes:

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<sup>3</sup> Labor market determinates of resettlement patterns are highly geographically dependent. For example, Latinos were pulled to Louisiana to work in the offshore oil and gas industry (Donato, Bankston, and Robinson 2001; Donato, Stainback, and Bankston 2005) and to Georgia to work in textiles (Hernández-León and Zúñiga 2000, 2005). The focus of this research is on Latino/a immigration to Iowa communities. The industry shaping settlement patterns in the Midwest is meat packing and thus will be the focus of discussion here.

Electrical refrigeration freed the packers from having to collect ice, and combined with diesel trucks and paved rural highways, made smaller plants more efficient. By the middle of the twentieth century, the immense packing operations of nineteenth-century Chicago no longer made economic sense (1991: 375).

Technological innovations that allowed movement of packing plants to rural areas – what Cronon would call Chicago’s hinterland (areas such as Iowa, Nebraska, and rural Illinois) – combined with other structural factors (such as closeness to animals for slaughter and a destabilized workforce) to encourage this movement. In 1961, Iowa Beef Packers (IBP) would act on these new technological advances and change meatpacking and its labor practices for the entire industry. I will discuss three interrelated changes to the meatpacking industry – the so-called “IBP Revolution,” how wages were cut through undermining unionization; and the increase in hiring of Latinos for the meatpacking workforce.

### **The “IBP Revolution”**

The design of the first IBP plant and the implications arising from it in terms of meat processing and labor practices would prove to be the start of a fundamental shift in meatpacking. The so-called “IBP revolution” (Broadway 2007; Schlosser 2002; Stull and Broadway 2004) was “modeled after the assembly lines used in the automobile industry” (Rodgengen 2000: 28). Described in detail in ethnographic work by Stull (1994); the new style factory would apply the “disassembly line,” first pioneered by Armour and Swift, to unprecedented levels. Combined with an increase in line speeds made possible by electronic conveyer belts, each carcass moves through the single-story plant along the chain through different stations in which workers repeat the same cuts over and over again. One of the largest impacts of the increase in line speeds combined with the adoption of the disassembly

lines, in the words of IBP's production superintendent Bob Gardner, was that these practices "enable the plant to kill more cattle per man, per hour in the same space" (quoted in Rodgengen 2000: 29).

The second part of the IBP revolution would come out of the Dakota City, Nebraska plant in 1967. At this time, IBP introduced boxed beef – a process whereby the carcass is "fabricated into smaller cuts and then vacuum packed" (Broadway 2007: 562). Choosing only to use prime beef for these cuts and an innovation in packing materials would lead to success for IBP where other meatpackers had failed (Rodgengen 2000). Not only was IBP reducing their transportation costs by not paying to ship bone and fat that were removed in the boxed beef products, they also received a greater market share as retailers were able to deskill their workforce by not having to hire unionized and trained butchers to disassemble the carcass (Broadway 2000, 2007). The new boxed products (first beef and then pork) would also gain support as an increase of dual-earner and single-earner households lead to consumers being less willing to spend time preparing their meat for consumption (Barkema and Cook 1993).

While the implications of the faster processing rate and the greater demand for IBP's product are wide and varied, one of the most important impacts is that IBP was able to vastly increase the number of carcasses processed. Plants that could produce more, faster, gained a competitive edge in the market through economies of scale as efficiencies in slaughtering produce financial advantages to factories that could process more carcasses in an hour (Broadway and Stull 2006; MacDonald, Ollinger, Nelson, and Handy 1999; Stull and Broadway 2004). In an industry where "profits ... run between 1 and 2 percent of sales" and "more than 90 percent of sales are eaten up in direct production costs" (Broadway and Stull

2006: 56) decreased output costs in processing and transportation provided a strong competitive edge to IBP and those plants that quickly followed suit. These innovations did not just provide these monetary benefits. In meatpacking, one of the largest costs (about 50% of all costs) to the plant is paying for labor (Omidvar, Brewin and Carlberg 2006). Relocation away from traditional meatpacking locales and faster paced disassembly lines would provide another financial benefit – a vast cut in wages paid to meatpacking laborers.

### **Cutting Wages**

In a corporate history of IBP, Rodengen (2000) aptly summarizes the two primary motives of opening a new plant in Iowa (see also Whittaker 2006). While the first reason, locating a plant where there would be a local supply of animals for slaughter, is frequently discussed as the primary rationale for the location; many academics have argued that the true reason was an attempt to undermine unions (Broadway and Stull 2006; Schlosser 2002; Whittaker 2006). Indeed, Rodengen provides evidence for this underlying motivation when he describes the “significant hurdles” the founders of IBP “overcame” to open the plant in Denison, Iowa. In particular, IBP was attempting to open a plant at a time when “the big unions were so powerful they virtually held major packers hostage to wage and work rules that kept the industry stagnant” (2000: 25). IBP would actively work to limit unionization in meatpacking over the next few decades. With its anti-union stance, it is not surprising that IBP would choose to open its first meatpacking plants in Iowa and Nebraska which were right-to-work states (Broadway and Stull 2006).<sup>4</sup> Both rationales, and the effects they had on labor practices and wages, will be discussed in turn.

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<sup>4</sup> Right-to-work states are states that have laws that while legalizing unionization also provide legal protection to workers who choose not to join a union. In other words, these laws protect workers by preventing union membership from being a term of employment. Both states adopted right-to-work laws in the 1940s.

IBP would lead the movement to open meatpacking plants in areas with a ready supply of cattle. While their initial plants were cattle processing, this trend would later affect hog processing plants as well (Barkema and Drabenstott 1999). In an analysis of price competition in meatpacking, it was found that in order for scale economies to provide profit advantages to plants, it is necessary that there is a ready supply of livestock to keep the factory producing at close to capacity (MacDonald et al. 1999). Money is also saved through decreasing the distance the cattle needs to be shipped and reducing bruising which reduces meat quality (Broadway 2007; Gabriel 2008; Rodgengen 2000).

The impact this has on labor practices is not immediately evident. Yet, movement into rural areas with easy access to large cattle and hog feed lots would have large implications for labor practices. Broadway reports that the “towns where IBP has constructed or purchased old plants have populations of less than 25,000 and are isolated from major population centres” (2000: 38). Many of these towns were located in areas that underwent a large population loss due to the farm crisis of the 1980s as citizens left to pursue employment elsewhere (Cantú 1995; Grey and Woodrick 2002, 2006; Naples 2000). Initially, these plants would draw on a workforce made eligible by the job loss that occurred with the farm crisis. As the economy rebounded, community members would have more opportunities for work outside of these plants. Reduction in the power of unions, spearheaded by IBP, caused the pay for meatpacking jobs to drop dramatically and working conditions in the plants to deteriorate. Having other economic opportunities, locals were much less likely to accept or stay in these jobs, creating a need for a workforce that was willing to take the low paying and dangerous jobs. These changes will be discussed in detail below.

In conflicts between IBP and meatpacking unions starting in 1965, IBP would repeatedly argue against meeting the master contract (including wages) set by the union because the new “single-species plants operated differently and its workers didn’t require the same level of skill” (Rodgengen 2000: 44). IBP would also argue for the ability to fire workers involved in strikes. Firing striking workers, closing plants that were heavily involved in union activities, bringing in strike breakers, and other attempts to destabilize the unions resulted in IBP coming “to symbolize, in the Midwestern United States, the worst excesses of 1980s corporate arrogance” (Fink 1998: 2). Successful attempts at undermining unions throughout the 1980s and 1990s would increase the number of cattle and hog processing firms in new destination communities.

This fight against unions would extend beyond IBP with other meatpacking plants needing to compete against the new style packer or end up out of business (Broadway 2007; Gabriel 2008; Whittaker 2006). More than extreme union busting activities, IBP used the strategy of buying pre-existing plants and as part of the contract insisted upon new union contracts (ones with lower wages) or no union at all. Other plants would take up this tactic to undermine the meatpacking unions. This process would culminate during the 1980s and 1990s when, through a process of mergers and buyouts, meatpacking was highly consolidated into four big plants (Cargill, ConAgra, IBP, and Smithfield) (Grey 2002). While this would mark the end of the “IBP revolution,” the change in practices solidified by IBP would be carried on by other packers. A case in point would be Excel Corporation’s (a subsidiary of Cargill) purchase of the Hormel plant in Ottumwa, IA, the community of study here.

Following IBP's example, when Excel began hiring workers for its plant they advertised a new wage scale: "\$5.50 per hour for new workers and \$6.50 for workers with Hormel experience" (Warren 2000: 128). Excel had originally promised to give preference to the former Hormel employees. Yet, their contract did not require any such preference and, while hundreds of former Hormel employees applied for these jobs, the eventual workforce that started in mid-October of 1987 was hired at the \$5.50 per hour rate. The Excel plant was eventually unionized, but the union contract stipulated low starting wages – so low that in 1990 it had the "third-lowest starting wage rate, \$7 per hour, among Iowa and Minnesota packing plants, behind only the IBP plant in Perry and Dakota Pork's plant in Sioux City" (Warren 2000: 129).

The pattern of union breaking and negotiating for lower wages would be repeated in factory after factory across the Midwest (see Whittaker 2006 for many other examples). The result of this pattern would be a huge decrease in unionization and a subsequent loss in wages. An analysis of unionization and wages by MacDonald et al. (1999) found that 46 percent of meatpacking workers were unionized in the 70s through the mid-1980s. Wages were an average of \$10.69 an hour in 1982. By 1987, only 21 percent of the meatpacking workforce was unionized. Wages would also drop, between "1980 to 2002, real average hourly wages fell from \$10.30 to 6.46 in 1982-1984 constant dollars" (Champlin and Hake 2006: 58).

As unions lost power in the meatpacking industry, they would lose control not only over wages but also over working conditions (Gabriel 2008). Disassembly lines and the increase in line speeds led to a sharp increase in on-the-job injuries (Champlin and Hake 2006). For example, the Excel plant in Ottumwa would double their line speeds from the



original Morrell plant (the corporation that owned the plant before Hormel). The decline in unionization and type of work required led to a situation where “on-the-job injury and illness rates in meatpacking rose sharply to a peak in 1991 of 45.5 for every 100 workers” (MacDonald et al. 1999: 15).<sup>5</sup> Again, the Excel plant proves illustrative. According to Carol Hammersley, the occupational health nurse at Excel in the 1990s, there were around 900 injuries (of all types – carpal tunnel syndrome, cuts, and any other problem reported to her) in the plant in 1997 alone (in a plant that had around 1000 employees). She argued that “the high rate of speed associated with work on the kill and cut lines made cumulative trauma injuries [such as carpal tunnel syndrome] inevitable” (Warren 2000: 130). Partially as a result of these injuries and illnesses, turnover rates at meatpacking plants can reach 100 percent a year (Champlin and Hake 2006; MacDonald et al. 1999).

### **The Influx of Latino/a Workers**

The low rural populations, decline in wages, and the dangerous nature of meatpacking work created a high turnover rate and made these jobs undesirable for many American workers (Champlin and Hake 2006, Gouveia and Stull 1997, Grey and Woodrick 2002), meatpacking plants needed to find a source of renewable labor. Further requiring recruitment of this labor is the increased reliance on economies of scale for profit. As packing plants followed IBP into faster line speeds and greater rates of production, the packers need an ever expanding low skilled workforce that is easily replaceable. Again, Excel provides an apt example of this phenomenon.

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<sup>5</sup> Some reports indicate that there has been a decline in on-the-job injury and illness since the early 90s. While there may be an overall decrease, part of this trend has been argued to be because workplaces no longer have to report repetitive injuries as part of on-the-job injuries – one of the most frequent issues with meatpacking work (Horowitz 2008).

In 1998, Excel would announce that the local community could not supply the labor needed to run its plant. At this time, Excel desired to increase production and wanted to hire between 500 and 700 more workers to enable the plant to process more to stay competitive with other processing plants. In order to fulfill this order, Excel turned to recruiting immigrant workers. While they initially would discuss recruitment of “Russian[s], Polish, Eastern Europeans, Southeast Asians and/or Hispanic[s]” the workers that would eventually fulfill these jobs would be largely Latinos (Warren 2000: 130).

Excel was simply following the pattern of recruitment established by IBP and other meatpacking plants. The “IBP revolution” had ended at this time, but the movement towards consolidation that occurred at the end of the revolution made expansion of production (and thus the need for more workers) necessary for firms in order to remain competitive. While the initial solution to this problem was to recruit African Americans from urban areas, by the 1990s, Midwestern meatpacking plants began actively recruiting Latinos from California, Texas and Mexico (Broadway 1994; Chaplin and Hake 2006; Gabriel 2008; Gouveia and Saenz 2000; Gouveia and Stull 1997; Naples 2000).

These jobs do not require the ability to speak English, prior work experience, or formal education, making them well suited for many undocumented and documented Latino/a workers (Grey and Woodrick 2002). Yet, beyond this suitability and the willingness of these immigrants to work these types of jobs, meatpackers found Latino/a immigrants to be better suited for working on the line than African Americans for other reasons. Meatpacking plants recruit Latino/a workers because they are seen as easier to control than other workers, less likely to unionize (Kandel and Parrado 2006), and are often stereotyped by management to be suited to the rough labor (for example see Maldonado’s [2006, 2009]

studies of agricultural employers in the Northwest). A Latino/a workforce also enabled packers to maintain their high rate of turnover, which is beneficial for the companies for a multitude of reasons. In 1984, Arden Walker (IBP's former head of labor relations) commented on the benefits of turnover:

We found very little correlation between turnover and profitability. An employee leaves for whatever reasons. Generally, we're able to have a replacement employee, and I might add that the way fringe benefits have been negotiated or installed, they favor long-term employees. For instance, insurance, as you know, is very costly. Insurance is not available to new employees until they've worked there for a period of a year or, in some cases, six months. Vacations don't accrue until the second year. There are some economies, frankly, that result from hiring new employees (quoted in Whittaker 2006: 37).

There are direct economic benefits for keeping turnover high and Latino/a immigrants, while being in abundant supply, also help maintain the plants because they help to recruit their own replacements. Once hired at the plant, workers are encouraged to actively recruit family members to come from Mexico to join the meatpacking labor force (Gouveia and Stull 1997, Naples 2000). After Latinos settle in an area they create self-sustaining job recruiting networks (Flora, Flora and Tapp 2000; Gouveia and Saenz 2000; Gouveia and Stull 1997; Grey 1999; Grey and Woodrick 2002, 2006; Rodriguez 2004).

Further, while meatpackers disavow any desire to hire undocumented workers – going so far as arguing that dealing with these workers is an undesirable reality (Rodengen 2000) – evidence that plants recruit in Mexico and encourage family recruitment from Mexico suggests that this public stance is quite different from private practices. In an

environment where it is very difficult for the federal government to fine or find legal fault with corporations guilty of hiring undocumented workers (Grey, Devlin and Goldsmith 2009), Latino/a immigrants are a more vulnerable workforce and undocumented immigrants even more as they have few legal protections. Chaplin and Hake summarize this best when they explain that:

while low-wage, unskilled workers are often faced with low bargaining power vis-à-vis employers, the situation of unauthorized workers is even worse. That is, the legal status of unauthorized workers as defined by existing immigration law further reduces their bargaining power, makes unionization more difficult, keeps turnover high allowing wages to remain at entry level, and removes any pressure on the industry to improve working conditions. In short, US immigration policy makes life particularly difficult for workers while simultaneously making it easier for this industry to find the low-wage labor it depends upon (2006: 62-3).

In fact, it is estimated that between 25 to 50 percent of meatpacking workers are undocumented. Given the anti-union stance begun by IBP and adopted by other meatpacking plants attempting to compete, it is not surprising that measures are put in place to keep workers from becoming organized. This ensures that wages stay low. Hiring Latino/a workers, particularly undocumented workers, is one such strategy.

### **Community Pull Factors**

As previously mentioned, the post-IRCA era in traditional settlement was also marked by an increase in anti-Latino/a sentiment. Many Latinos left those traditional areas for new destinations because they were drawn to the safety of these communities and by the possibility of purchasing a home (Flora, Flora and Tapp 2000, Gouveia and Saenz 2000,

Gouveia and Stull 1997). In Baker's qualitative study of a new destination in Iowa, she found that Latinas come to the United States largely to secure a better future for their children through having enough income to support their families and taking advantage of the school systems. Keyes (2009) qualitative study of Ohio found that Latinos frequently did experience their lives as stable in these new destinations when compared to their previous work and living arrangements. Heavy, dangerous, and draining work at a factory is experienced as less difficult, not as dangerous, and more predictable (in terms of being able to work despite weather) when compared to migrant farm labor. Low pay is experienced as rewarding when they compared that wage to what they would have made in Mexico. Flora, Flora and Tapp (2000) tell the story of a husband and wife who through living frugally and saving their \$6.00/hour wages were able to save enough money for a down payment on their own home.

While Latinos perceive many benefits to settling in these areas, there are several problems as well. For example, Baker (2004) notes that while Latina mothers believed their children were receiving some benefits; they worried about their children's change in values. These women frequently expressed severe loneliness because of their isolation from family and friends who had not resettled in the new destination community. Similarly, in their studies of Iowa, Cantú (1995) and Naples (2000) found that many of these new residents – particularly those who are undocumented – lived in almost constant fear of INS and the police. Furthermore, these studies show that Latinos in Iowa perceive that they faced daily discrimination from their Anglo neighbors. To some extent, the unwillingness on the part of Anglos to develop relationships with members of the Latino/a community creates discriminatory conditions and can partially rob the community of the benefits of Latino/a settlement (Shutika 2008: 304).

One benefit Latinos can provide to new destination communities is economic in nature. Many of these communities have one main industry – the meatpacking plant. Without Latinos to staff the plants, researchers argue that the communities would flounder (Grey, Devlin and Goldsmith 2009; Grey and Woodrick 2002; Warren 2000). In turn, meatpacking plants are dependent upon Latino/a workers. Yet, more than just a supply of workers, Latinos provide consumers for businesses, buyers for homes, among other benefits.

In demographic studies of new destinations communities, researchers find that many rural areas would be losing population if not for Latino/a immigrants. There are some communities (several in Iowa) that have not stabilized their populations even with the influx of Latinos (Donato et al. 2006, 2007; Economic Research Service 2005; Lichter and Johnson 2006). This growth provides economic benefits to the community. Broadway (2007) argues that when Latinos come to new destinations they provide a stable source of employees for the meatpacking plants and also create more jobs in other industries and services. With this employment expansion, there is also community growth with new construction. Jones argues that immigrants “found businesses, create new jobs, and revitalize neighborhoods. Their social costs to local areas are temporary, and in whatever time frame, are exceeded by their economic benefits to these same areas” (Jones 2007: 292). Gouveia and Stull note that this growth is central to economic stability for new destinations, where “efforts toward the development of an economic base not centered solely on meatpacking can diminish the risk of economic stagnation and social instability” (1997: 16).

The extent that Latino/a owned businesses can provide the variation necessary for further community stability is in question and will be explored more fully below. As with most small businesses, Latino/a owned businesses are highly vulnerable and many do not

succeed. In order to add to the health of these communities, researchers argue that new destinations must find ways to support and aid Latino/a entrepreneurship (Gouveia and Stull 1997; Jones 2007). The purpose of this dissertation is to partially explore factors that could increase Latino/a entrepreneurship in new destinations. The next section will present a brief overview of the scholarship on Latino/a entrepreneurship; a topic that will be covered more in-depth in the second chapter.

### ***Latino/a Entrepreneurship in New Destinations***

There has been a recent expansion in Latino/a owned businesses in the United States. This growth, an increase of 31 percent from 1997 to 2002, is more than three times the growth rate of the national average for all businesses (U.S. Census Bureau 2006a). While some of this growth is occurring in traditionally settled areas such as California, Texas and New Mexico (Garcia 2005), the number of Latino/a businesses in new destinations communities is also expanding (Millard and Chapa 2004). This pattern is reflected in Iowa, with an 87.5 percent increase in the number of Latino/a owned firms between 1997 and 2002 (with 1,536 firms in 2002) (U.S. Census Bureau 2006a).

While not focusing on Latino/a business owners specifically, ethnographic researchers in new destinations frequently note that these businesses accompany the increase of Latino/a workers in processing plants. This was the case for research in “Carpet City”, Georgia (Hernández-León and Zúñiga 2000); Garden City, Kansas (Broadway 2007); Kennett Square and Toughkenamon, Pennsylvania (Garcia and Martinez 1999); Lexington and South Omaha, Nebraska (Gouveia and Stull 1997; Gouveia and Saenz 2000); and Marshalltown, Iowa (Griffith 2008). These researchers also argued that Latino/a businesses keep consumers in the new destinations which increase local sales and the collection of sales

taxes, revitalize downtown areas and provide employment for some community members.

The extent that this occurs is still an open question.

According to the Iowa Center for Immigrant Leadership and Integration (2006), Latino/a businesses are vital to long-term economic support of new destination communities. This is because they can simultaneously provide a model for other immigrants that entrepreneurship is possible and because they meet needs that larger corporations cannot. Furthermore, they provide economic diversity in areas that traditionally rely upon one large employer – a reliance that leaves communities vulnerable to economic downturns that may result in that employer exiting the community. Even a small number of Latino/a businesses in these communities can help protect these communities from such a downturn.

While this argument is compelling, the work of Grey, Devlin and Goldsmith (2009) partially challenges the assumption that Latino/a businesses provide economic diversification and stability in communities dependent upon meatpacking plants for their industry. Months after the raid on Agriprocessors in Postville, Iowa, where about half the workforce at the plant was arrested; the town experienced downturns in the economy and population to the extent that the mayor requested that the town be declared a disaster area (Grey, Devlin, Goldsmith 2009). Within days of the raid, Latino/a owned businesses were forced to close their doors. The housing market was affected as people left town or were not able to pay their rent. People who formerly were employed now had no income and needed public support.

In this context, it seems clear that Latino/a owned businesses in new destinations are largely dependent upon a sufficient Latino/a population to patronize their stores (and thus the meatpacking plant that provides the pull for these immigrants to move to these areas). Yet, as Grey, Devlin and Goldsmith (2009) make clear, Postville pre-raid (while it still had its



troubles); was a strong model of how small towns can successfully incorporate many different cultures and move towards economic diversification. It seems that Latino/a businesses may be able to diversify and strengthen the local economy. To fulfill this promise, they would need to expand their customer-base beyond the local Latino/meatpacking workers and enter industries other than retail and personal services. In order to achieve this wider customer-base, Latino/a businesses must become more effective, innovative and sustainable. One way to accomplish this is to form strong business networks. Because Latino/a entrepreneurs represents an economic opportunity for new destination communities, it becomes vital to understand factors that affect Latino/a business success in new destinations.

In order to explore these factors, I will discuss the two primary ways that the current literature explains small business success (Chapter 2). The first, the ethnic enclave hypothesis (Wilson and Martin 1982; Wilson and Portes 1980) focuses on factors that aid the viability of immigrant businesses. The second, strategic network theory (Gulati and Gargiulo 1999; Gulati, Nohria and Zaheer 2000) focuses on small businesses in general. As I will discuss, neither can adequately account for the unique experiences of Latino/a entrepreneurs in new destinations. After discussing these shortcomings, I will suggest a theoretical model (utilizing identity theories) that can contribute to an understanding of factors that aid the sustainability of immigrant businesses in new destinations (Chapter 3). Utilizing a mixture of qualitative, quantitative and network analysis methodologies (detailed in Chapter 4), I will describe one Iowa community and report findings from the quantitative and network analysis (Chapter 5). Finally, I will suggest future directions for researching Latino/a entrepreneurship in new destinations (Chapter 6).

## **CHAPTER TWO: LATINO/A ENTREPRENEURSHIP IN NEW DESTINATIONS**

Research on Latinos/as in new destinations largely concentrates on two topics. Analysts attempt to explain the reasons and patterns of the population shift – describing the demographic characteristics of the new residents (e.g. Donato et al 2007, 2006; Durand, Massey and Capoferro 2005; Gouveia and Saenz 2000). Second, scholars elaborate the economic forces that draw Latinos into these areas, specifically focusing on the failure of employees to adequately support new residents which leads to conflict between Anglos and Latinos (e.g. Baker 2004; Broadway 2007; Cantú 1995; Grey and Woodrick 2002, 2006). Overall, attention is on new destination Latinos as workers. Not surprisingly, this has resulted in the view of Latinos as primarily a labor supply and not as entrepreneurs (Zarrugh 2007).

While ethnographic researchers do note, often peripherally, that new destination communities have a Latino/a entrepreneurial presence that is beneficial, researchers are just beginning to examine new destination entrepreneurship. Research subjects consist of describing the characteristics of Latino/a entrepreneurs, specifically where they come from; why they open their businesses; how they manage to open a business; who they rely on for customers and aid (Grey, Rodríguez and Conrad 2004; Griffith 2006; Rochín et al. 1998; Zarrugh 2007). Although this is an important first step, what is currently lacking is theorizing about how these businesses become sustainable.

This is not to say that there are not relevant theories that can provide insight into these processes. Research on immigration has offered descriptions of the conditions that are likely to support ethnic entrepreneurship. Two approaches, ethnic economies (e.g. Light 1972; Light and Bonachich 1988) and ethnic enclave economies (e.g. Wilson and Martin 1982; Wilson and Portes 1980) have long centered on the characteristics of the social context that

impacts business success. The ethnic economy is a term that encompasses the self-employed, employers, and employees (including unpaid family labor) of any ethnic or immigrant group. Those who work outside of this (such as employees of a large scale meatpacking plant) are not a part of the ethnic economy (Light and Gold 2000).

Providing a definition of an ethnic enclave is more difficult as this concept has been referred to as a “rubber yardstick” because of the myriad of definitions provided and the change in these definitions to suit the research (Light, Sabagh, Bozorgmehr, and Der-Martirosian 1995: 30). Citing the work on Little Havana (e.g. Portes and Bach 1985; Portes and Manning 1986), Chinatown in New York (Zhou 1992; Wong 1982), Koreatown in Los Angeles (Light and Bonacich 1988); Raijman and Tienda (2000a) attempt to provide clarity through delineating the three necessary and sufficient conditions for an ethnic enclave. These include: a large and spatially concentrated presence of co-ethnic immigrants; population growth through immigration; and a large and varied co-ethnic business presence which enables self-sufficiency within the enclave.

Tied closely to both of these literatures is the argument that the success of ethnic economies – particularly ethnic enclaves – is dependent upon social capital. The definition and benefits of social capital is discussed in detail below. Furthermore, I will discuss the extent to which the ethnic enclave and social capital literatures can be applied to Latinos in new destinations.

Research on small businesses in general can also provide insight. Discussions of immigrant businesses in economic sociology frequently draw on the conception of networks (Portes 1995). Strategic network theory (e.g. Gulati and Gargiulo 1999; Gulati, Nohria and Zaheer 2000) discusses how network connections can be utilized to gain business viability

for all small businesses. I will also discuss this approach and analyze the extent to which its insights can be applied to Latino/a owned businesses in new destinations.

### ***Social Capital and Ethnic Entrepreneurship***

The benefits of ethnic economies and ethnic enclaves in particular, are derived primarily from two interrelated sources: ethnic solidarity and social networks. Since the inception of the ethnic enclave hypothesis, researchers have stressed that ethnic<sup>6</sup> entrepreneurs are able to open profitable businesses because of co-ethnic ties (connections between individuals of the same ethnic group). As will be discussed below, this includes a dependence upon co-ethnic customers (who buy “exotic” goods); co-ethnic employees (who serve as a cheap source of labor); co-ethnic businesses in the same industry (who agree on set prices); co-ethnic businesses in outside industries (who provide goods and services necessary for the running of the business); and other co-ethnics (who may provide a source for start-up capital). This reliance on co-ethnics is actually a reliance on the characteristics of relationships between the owner and other co-ethnics – the core of social capital.

While there are a wide variety of definitions proffered for social capital (see Portes 1998 for a review), for the purpose of this work, social capital is defined as relationships characterized by trust and norms of reciprocity which can be used to realize collective or individual goals (Putnam 1993; 2000). This definition of social capital aptly separates social capital itself from its benefits and, as will be discussed later, its detriments. Many definitions of social capital include both characteristics of relations and the resources that become available because of these relationships – a problematic tautology (Paxton 1999, Portes 1998, Stone 2001). Further, Putnam’s definition of social capital recognizes the importance of

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<sup>6</sup> See Chapter 3 for a complete discussion on who is ethnic and Latino/a as an ethnic group.

norms of reciprocity and trust to social capital. These characteristics of relationships have been argued to be the most influential for the development of social capital in ethnic economies and ethnic enclaves in particular (Portes and Sensenbrenner 1993).

Social capital has long been tied to explanations of immigrant entrepreneurial opportunities (Li 2004). In the remainder of this section, I will discuss how social capital provides benefits (and disadvantages) to immigrants who live and work within ethnic economies. I will further discuss how this research can be applied to Latino/a businesses in new destinations.

### **The Ethnic Economy**

There are a large variety of Latino/a entrepreneurial endeavors in the United States. Research has ranged from studying the Cubans in Little Havana (e.g. Portes and Stepkick 1993), Mexican day laborers and domestic workers (e.g. Hondagneau-Sotelo 2001; Valenzuela 2001), and Latino/a entrepreneurs who span borders (Portes, Guarnizo and Haller 2002; Valdez 2008). Most recently added to this list are small business owners in rural new destinations where “[n]early every week another storefront somewhere in the region hangs up a sign that reads “Tienda, Abierta [shop open]” (Griffith 2006). All of these businesses are part of what has been termed the “ethnic economy” (Bonacich 1987; Bonacich and Modell 1980; Light 1972; Light and Bonacich 1988).

While first defined by Bonacich and Modell (1980)<sup>7</sup>, Light’s (1972) work, *Ethnic Enterprise in America*, was instrumental in the development of this concept. Looking at the development of self-employment enterprises of Chinese, Japanese and African Americans

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<sup>7</sup> Researchers in this area have frequently presented their own definition of the ethnic economy in their work. For example, Reitz (1980) added all employees who, while on the job, spoke a foreign language (see Light and Karageorgis 1994; Zhou 2004).

between 1880 and 1940, Light made the case that ethnic groups have resources that they can draw on to aid the development of businesses. His now classic description of rotating credit associations provided an orientation towards understanding ethnic enterprises that still very much shapes the terrain of ethnic economy literature.

Light draws on the work of Ardener to define the rotating credit association as “an association formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation” (Ardener 1964 quoted in Light 1972: 22). Tracing these organizations throughout China (*hui* or club), Japan (*tanomoshi, ko,* or *mujin* – all various forms) and Nigeria (*esusu* – so chosen because of its significance for African Americans in Harlem); Light makes the argument that shared ethnicity forms the basis for trust. Chinese and Japanese were able to draw on trust (a feature of social capital) as their forms of credit rotations remained culturally salient while in the United States. African Americans, however, were argued not to have access to rotating credit associations because they were no longer culturally relevant (Light 1972). This research has shaped the understanding about ethnic entrepreneurs in important ways.

Immigrants (in general) have higher rates of entrepreneurship than non-immigrants because they can draw on what would later come to be referred to as ethnic resources. Ethnic resources are “any and all features of the whole group which coethnic business owners can utilize in business or from which their business benefits” (Light 2002: 185; Light and Bonacich 1988). These ethnic resources are separate from class resources – resources that are both material (e.g. human capital and financial resources) and cultural (e.g. the transmission of knowledge via socialization) in origin. Arguably, most important of these resources is trust based “on the strong, informal, and moralistic social relations” between co-ethnics (Light

1972: 59). With the emphasis on trust and ethnic resources, Light's work would clearly be a precursor to developments in social capital (Light and Gold 2000).

The work also made clear that not all ethnic groups have equal access to these resources. While Light's initial formulation was dependent upon the "supply side" of supply and demand (Light and Gold 2000; Valdez 2008); it spurred the development of more complete models which examined cultural and ethnic resources in terms of structural conditions – thus adding the demand side of the equation (Aldrich and Waldinger 1990; Portes and Rumbaut 2006 [1990]; Waldinger et al. 1990). This would later be termed the "interactive approach" to ethnic economies (Light and Gold 2000; Waldinger et al. 1990).

Waldinger and his colleagues propose three interacting components to explain ethnic entrepreneurship in the ethnic economy: opportunity structures, group characteristics, and ethnic strategies. To make their case, they draw on ethnic economy research and, reflecting the literature of the time, their examples are mostly drawn from metropolitan areas. Indeed, very little attention in the literature has been paid to immigrant entrepreneurs in rural areas, making entrepreneurship occurring in rural areas easy to overlook (Zarrugh 2007). Yet, I argue that new destination Latino/a entrepreneurs have their own ethnic economy, the conditions of which we are just beginning to understand. In order to make this case, I will utilize Aldrich and Waldinger's (1990; Waldinger 1987; Waldinger et al. 1990) framework to detail what is known about Latinos in new destination ethnic economies.

### **Opportunity Structures**

Opportunity structures are "historically contingent circumstances" that place limits on available resources in terms of market conditions and access to ownership (Aldrich and Waldinger 1990: 114). In terms of market conditions, Aldrich and Waldinger (1990) draw on

Light (1972) and Aldrich et al. (1985) to discuss how ethnic entrepreneurs have advantages in fulfilling the market requirements of immigrants in “protected markets.” Ethnic entrepreneurs have knowledge of the buying habits and preferences that non-ethnic entrepreneurs do not share. This is as true for new destinations as previously studied urban settlements.

For example, in Iowa, local Latino/a owned grocers and restaurateurs have entered into a partnership with a small scale family farm featuring goat meat production to supply the new and growing demand for goat meat (Lewis and Wells 2006). Zarrugh (2007) found that Latino/a owned businesses in Harrisonburg, Virginia were able to supply culturally desired goods and services to the Latino/a population otherwise not available in the community. Part of the function of businesses is apparently to create a piece of home in the newly settled areas. Not only is this through consumables but also through the very environment of the store. Latin music, informational bulletin boards spreading community news in Spanish, television sets tuned to Spanish channels – all to make it “just-like-home” (Zarrugh 2007: 240). Many of these stores provide the services needed by new residents. Griffith (2006) discusses one store that provides translation services, travel arrangements, immigration aid, money transfers, and postal services. Understanding the unique needs of immigrants in these rural areas, Latino/a entrepreneurs are able to capitalize by meeting the unique needs of the immigrant community (Aldrich and Waldinger 1990).

Aldrich and Waldinger further argue that ethnic populations often create opportunity niches for those willing to take on more risk than larger non-ethnic enterprises. In particular, new destinations provide niches to those willing to serve unstable or uncertain markets – when demand fluctuates and can be unpredictable – and markets for “exotic goods” (Aldrich



and Waldinger 1990). For example, Griffith (2006) found that many Latino/a businesses were set up to cater to populations that were only seasonally present. The market for goat meat is likewise seasonal (Lewis and Wells 2006).

Having the ability to provide unique or “exotic” products is not enough to open a business. Starting a business also relies upon competition between ethnic groups and state policies (Aldrich and Waldinger 1990). In terms of the former, Waldinger (1987) views entrepreneurship as a zero sum game. There are only so many opportunities for business, and the more the majority members take these (and restrict access to minorities), the less available they will be for Latino/a entrepreneurs. While little is known about the level of competition in new destinations, conditions in many of these states seems promising. For example, outmigration after the farm crisis in the 1980s resulted in the immediate loss of many local businesses (Cantú 1995; Grey and Woodrick 2002, 2006), thereby expanding opportunities when the populations began to recover with food processing plant recruitment. Yet, the more established the destination, the more likely chain stores (such as Wal-Mart and Hy-Vee – a Midwest grocery chain) will carry ethnic foods and goods (Griffith 2006). Small businesses owned by non-ethnics are also beginning to see the financial benefits of carrying products such as goat meat (Lewis and Wells 2006, Zarrugh 2007).

In terms of state policies, Aldrich and Waldinger (1990: 121) make the argument that countries “like the United States, place virtually no formal barriers to immigrant geographical or economic mobility and thereby increase the potential of immigrant business start-up rate.” However, they do recognize that there are informal practices that may make ethnic entrepreneurship difficult. One such barrier may be the lack of community support provided to Latino/a entrepreneurs in new destinations. In Grey, Rodríguez, and Conrad’s

(2004; see also Griffith 2006) survey of 51 immigrant business owners in Northeast Iowa (not solely limited to Latinos), they found that only 10 had any form of help from the local chamber of commerce or a small business development center (SBDC). The authors state that there was “some anecdotal data that suggests some SBDC directors and staffs are not interested in working with newcomer populations due to the small-scale of their operations, cultural bias, or unwillingness or inability to overcome language and cultural barriers” (Grey, Rodríguez, and Conrad 2004: 39). While there are elements of social capital in the above discussion – for example the ability to rely on other co-ethnics as consumers – it is the group characteristics and ethnic strategies described below that make the role of social capital in immigrant business sustainability clearer.

### **Group Characteristics**

Aldrich and Waldinger (1990) consider certain group characteristics as important antecedents of ethnic entrepreneurship. They separate group characteristics into two dimensions: predisposing factors (“the skills and goals that individuals and groups bring with them to an opportunity”) and resource mobilization (labor and capital utilized through networks of co-ethnic ties) (Aldrich and Waldinger 1990: 122). For the former, the authors stress that ethnic entrepreneurs gain the skills needed to run a business from prior experiences. They use the examples of Chinese immigrants in Paris and Senegalese immigrants in American cities. However, research indicates this is also frequently the case for Latino/a entrepreneurs in new destinations. Both Zarrugh (2007) and Griffith (2006) found that business owners often gained these skills through: working for another entrepreneur in the same type of business, working for their parents in their home country; or even having owned businesses before coming to the United States. In fact, Grey, Rodríguez,

and Conrad (2004) found that a quarter of all immigrant businesses in their study had previously owned a business before arriving in the Iowa community.

Prior experience is considered an aspect of human capital. Aldrich and Waldinger (1990) argue that other kinds of human capital (such as education levels and English speaking ability) can also be important factors in influencing entrepreneurship. Indeed, research on Latino/a immigrants has stressed that low education is a reason for the low level of self-employment. Some research has cast doubt on the effect of education levels on entrepreneurial endeavors. Raijman and Tienda (1999) found that while Latinos had lower levels of education and English proficiency than other immigrant entrepreneurial groups (Arabs, Koreans and South Asians), they were more likely to have gained previous experience working in a similar business.

In one of the few studies of Latino/a entrepreneurs in rural areas, Rochín et al. (1998) found that Chicanos opened businesses despite low levels of education and English proficiency. The authors conclude that the training received through working for other Latino/a owned businesses was what enabled their entrepreneurship. This suggests that an important predisposing factor for Latinos in new destinations is the skills they gain through previous work experience.

Resource mobilization is also an important group characteristic for Aldrich and Waldinger (1990). Latino/a business owners, as well as all other businesses, share a reliance on family members for labor and for start-up capital. The difference between immigrant entrepreneurs and others is how the resources of labor and capital are gained and utilized. Researchers exploring factors encouraging immigrant entrepreneurship consistently emphasize the primacy of co-ethnics as the source of these resources (Aldrich and Waldinger

1990). For immigrants, co-ethnics (people who have the same ethnicity as the entrepreneur – generally not referring to close friends or family) are the primary source for employees (e.g. Bailey and Waldinger 1991) and start-up capital (Light 1972). The ability to rely upon co-ethnics is an advantage for immigrant businesses in enclaves that other businesses do not have. Ethnic businesses in new destinations cannot draw upon co-ethnics to the extent to which those in enclaves can. Instead, Latino/a businesses in new destinations almost exclusively depend on family and close friends for start-up capital and employees (Grey, Rodríguez, and Conrad 2004; Griffith 2006; Zarrugh 2007).

Ethnic economy literature strongly concentrates on the connections ethnics have to other co-ethnics. Co-ethnicity is argued to be a source of trust, as it was for the rotating credit associations discussed above (Light 1972). The idea that co-ethnics should be able to draw on their shared ethnicity as a basis of trust has been challenged for Latinos in general (Chinchilla and Hamilton 1989, Pessar 1995, Villar 1994) and Latinos in new destinations specifically (Zarrugh 2007). In both cases, the argument is that Latinos trust only family and close friends. Trust does not extend past these individuals to co-ethnics in general (discussed further in the section on Latino/a trust below). While this is contrary to Aldrich and Waldinger's (1990) argument, there is other evidence that suggests that relationships between co-ethnics are a source for immigrant resource mobilization (reviewed in the ethnic enclave section below). We are left with conflicting research findings on the subject of whether ethnic entrepreneurs trust co-ethnics to provide resources for business success.

### **Ethnic Strategies**

Ethnic strategies are the final component in the interactive framework. These are strategies that develop as a result of an interaction between opportunity structures and group

characteristics. Thus far, it seems the main ethnic strategy for Latino/a entrepreneurs is to draw on familial resources to operate their businesses and rely on mostly other Latinos for customers (Griffith 2006; Zarrugh 2007). As such, Latino/a owners tend to start businesses that fit within the ethnic niche (providing exotic goods and services) with only a few expanding out to serve the general population. Those that do report having a mixture of Anglo and Latino/a customers (or mostly Anglo customers) tend to be restaurants (Grey, Rodríguez, and Conrad 2004). This makes sense, as Anglos do like to eat ethnic foods (Millard and Chapa 2004). This could be problematic for business viability, as a wider base than co-ethnics is necessary to make businesses profitable (Aldrich and Waldinger 1990). At the same time, this research argues that the purpose of starting a new business is not upward mobility, but rather to escape working in processing plants and to garner upward mobility for their children (Iowa State University Extension Keokuk County 2001; Zarrugh 2007).

Latino/a entrepreneurs in new destinations are a part of an ethnic economy. Yet, it appears that new destinations constitute a special type. Latino/a businesses in rural communities rely on social capital derived from ties to family and close friends rather than draw benefits from non-familial co-ethnics. Latinos within enclaves, however, are able to draw on co-ethnic ties for many advantages. As will be discussed in detail below, new destinations cannot support ethnic enclaves. At the same time, it is possible that businesses in new destinations could obtain the same benefits as those in an enclave – adding to their ethnic strategies. In the next section, I will discuss ethnic enclaves and the role of social capital for the ethnic businesses.

### **The Ethnic Enclave**

The ethnic economy makes “no claims about the locational clustering or density of firms” nor does it make claims “about the level of ethnicity within the ethnic economy or between buyers and sellers”– claims that are central to the ethnic enclave (Light et al. 1995: 26). First termed the “immigrant enclave” by Wilson and Portes (1980), this view of immigrants in the economy was an attempt to contribute to the dual labor market literature (e.g. Averitt 1968). Basically, this research notes that there are two economies in the United States. The core economy consists of large firms that are both horizontally integrated (ties within the same industry that result in cooperative pricing and production practices) and vertically integrated (ties between different industries that result in the control of the supply and sale of end products). Ties between firms in the peripheral economy, conversely, are non-hierarchically integrated. These firms are usually tied to businesses in the core economy through a structured hierarchical arrangement. The quality of the jobs in the primary and peripheral economies also differs greatly and will be discussed below.

Wilson and Portes (1980) argue that before their research, newly arrived immigrants were assumed to be predestined to work in jobs similar to those available in the peripheral economy – work that is low in pay, satisfaction, occupational prestige, and that gives little opportunity for returns on human capital. In their study of Cuban immigrants in a Miami enclave, the authors argue that many immigrants living in areas with a concentration of co-ethnics are not trapped in the peripheral economy. The argument is that the immigrant enclave creates a separate (open only to co-ethnics and thus “closed”) economic structure whereby immigrants can gain the same benefits as workers in the primary economy – receiving similar returns on human capital and opportunities for advancement through entrepreneurial investment.

This initial research theorizes that the ability for workers to find better jobs is due to social capital in the form of support for co-ethnics in hiring practices and through support of co-ethnic businesses (Wilson and Portes 1980). Subsequent studies on enclaves would specifically discuss entrepreneurship in order to see if business owners would also benefit from these types of relationships (Portes and Bach 1985; Wilson and Martin 1982). In a comparison of an African American and a Cuban enclave in Miami, Wilson and Martin (1982) note that immigrant enclaves may form a new type of economic sector separate from the dual economy. In their research, they found initial support for the idea that ethnic firms in enclaves fall into neither the core nor the peripheral economy. Rather, they found that Cubans (to a larger extent than African American entrepreneurs) achieved some measure of vertical and horizontal integration through forming productive ties between many different types of firms, rather than ties being within one firm as the case for monopolistic enterprises in the primary market (Wilson and Martin 1982). An example from research in Chinatown (Wong 1982) makes this clearer. The Chinese entrepreneurs rely on Chinese farmers, noodle companies, interior decorators, transport services, and other co-ethnic firms in order to supply their own business needs – indicative of vertical integration. While taking issue with some claims of the ethnic enclave literature (see below), in an analysis of Little Havana (Cuban populations in Miami and Hialeah, Florida) and Chinatown in San Francisco, Sanders and Nee (1987) comment that shops in an enclave come to agree on prices to ensure a profit margin on goods – indicative of horizontal integration. Thus vertical and horizontal integration rely on the relationships between co-ethnics and, thus, social capital.

Immigrant workers outside an ethnic enclave do not enjoy the same potential for greater job satisfaction and upward mobility. Portes and Bach (1985) compared Cuban

workers in the enclave and Mexican men working in the Southwest. They found that the ethnic enclave encouraged Cuban self-employment (an increase of self-employment from around 8 percent at the beginning of the study to about 21 percent three years later – an increase that the authors contribute to the strengthening of the enclave) while Mexicans, who were not living in an ethnic enclave, started very few businesses (from 2.4 percent at the beginning of the study to 5.5 percent three years later). Key to the development of an enclave in Miami was the fact that Cubans, unlike Mexicans, immigrated to this area with intentions to live there long-term. Furthermore, the pattern of settlement for Cubans in Miami reflected a high degree of spatial concentration – a necessity of the formation of an enclave that the Mexicans in this study lacked. In reviewing qualitative evidence for the creation of “Little Havana,” Portes (1987) concludes that immigrants gain information about available work and sources of start-up capital that they could easily tap because of shared ethnicity. In other words, they gained advantages through mobilizing social capital.

The most beneficial of these resources is the experience garnered by working in a co-ethnic firm. For example, Portes and Bach (1985) found that previous work for a coethnic entrepreneur is the best predictor for self-employment three years later – less available to Mexicans (at least those in this study) because they did not have an enclave. According to these authors, entrepreneurs are able to hire co-ethnic employees to work for long hours and little pay as long as there is a tradeoff where these employees are given access to advancement, training, and support when the employees decide to open their own businesses. The argument becomes that ethnics working in enclave businesses may be working for low pay but that they only do so for a short time, in order to gain experience and training in order to open their own firms. This tradeoff exists for non-family members working in co-ethnic



firms. As argued by Portes and Bach (1985: 343), offering these benefits provides motivation for workers to “accept their own exploitation” and not leave these low paying, long hour jobs for work outside of the enclave.

Bailey and Waldinger (1991) tested the role of employee training in a case study of the garment industry in New York. The authors trace the importance of social networks in creating flows of labor into a firm, whereby current employees refer family and friends for employment. These social networks not only provide a source of labor, but also create the desire for employees to stay in co-ethnic shops. According to the authors, this creates a continual chain of movement – new employees come in and begin training as older employees capitalize on the training they have received by opening their own businesses (see also Waldinger 1985; Zhou 1992).

Since its inception, the ethnic enclave literature has spurred intense debate surrounding the benefits of being embedded within this environment for owners and workers. This is consistent with the recognition in the literature that social capital also has a “dark side” that can disadvantage workers and entrepreneurs (Portes and Landolt 1996; Putnam 2000; Schulman and Anderson 1999). One of the earliest criticisms was by Sanders and Nee (1987) who found that immigrants working in the enclave made less than those employed outside of it. While horizontal integration did allow businesses to work together and set prices to ensure some profit, profit was still low. Low profits were argued to be a motivator for owners to take advantage of co-ethnic employees’ willingness to be exploited. The authors conclude that there are advantages to location in an enclave for owners, but not for workers. Sanders and Nee (1987) also expressed doubt that ethnic enclaves could serve to foster entrepreneurship for the low wage workers in co-ethnic businesses through a program

of training. They note that an enclave can only support so many businesses, indicating the argument that newer immigrants are just serving their time in low wage labor before opening their own shop has questionable validity (see also Gold 1994; Lee 1999).

Other research has found support for Sanders and Nee's (1987) doubts. For example, Nee, Sanders and Sernau (1994) utilize qualitative interviews and data analysis to examine work trajectories of Asians in Los Angeles.<sup>8</sup> New arrivals with low human capital (limited English, education, and lack of work experience) do find initial employment with co-ethnics. Most of this initial employment (if not working for family) had low pay and little room for upward mobility. The path to entrepreneurship was not a result of one co-ethnic job and then opening a business, rather it is a process whereby workers simply moved from one low paying job to another within the enclave. The series frequently included work in the core economy and, once this occurred, immigrants were not likely to return at all to the ethnic economy – not even to open their own businesses. One reason to leave the ethnic economy is to gain skills denied by the employers within the ethnic workplace. The researchers note that, despite the discussion of the training that occurred on the job for co-ethnics in the enclave, this training was often only given to family members because entrepreneurs were not interested in supporting the development of possible competition.

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<sup>8</sup> Importantly, they do not attempt to classify their domain of research as the ethnic enclave. Part of the reason for this is the lack of conceptual clarity of the ethnic enclave. Another part seems to be a critique of the ethnic enclave literature, whereby they suggest that it ignores that an ethnic enclave is not completely insular (see also the 1987 debate on the Nee and Sanders article in the *American Sociological Review*). They give the example of Koreatown in Los Angeles and argue that while there is spatial concentration, many businesses and residences do not fall within those confines. The ethnic economy approach gives “the appearance of being separated from the dominant society” which “belies the fact that contemporary ethnic economies are deeply embedded in the metropolitan economy in which they are located” (Nee, Sanders and Sernau 1994: 850-1). In reality, the enclave (and its businesses and workers) crosses co-ethnic lines in the pursuit of economic opportunity (see also Pessar 1995; Waldinger 1993, 1996). As such, their findings are relevant to this discussion.

Raijman and Tienda (2000a) similarly find that family relationships were more likely to result in learning skills that can be adapted to business ownership. For Mexicans in the “Little Village” enclave of Chicago, those that had worked in a co-ethnic firm were more likely to acquire the training and other assistance (financial and technical) than those who did not. At the same time, more than half of Mexican entrepreneurs with previous experience in a co-ethnic firm had worked for family or close friends and thus received this assistance from those close tied others.<sup>9</sup> However, this is not the main path towards entrepreneurship for Mexicans in this enclave. Less than half had this previous experience, and without it, one-fourth of these entrepreneurs turned to the informal economy to acquire skills – reflecting findings of Raijman and Tienda’s (2000b) research that compares entrepreneurial paths across ethnic groups in Chicago.

The resulting picture is mixed. Some research supports the idea that ethnic enclaves provide immigrant entrepreneurs with low wage labor that is repaid to employees through training and other assistance that aids them in eventually opening their own firms (e.g. Zhou 1992). Some researchers concentrate on the low wages received by workers in the ethnic enclave (Gilbertson 1995; Hum 2000; Logan, Alba and McNulty 1994; Nee and Sanders 1987) and cast doubt on returns in terms of training (Nee, Sanders and Sernau 1994; Pessar 1995). Model (1997) found that these benefits depend on employment sector and historical context. There is general agreement that self-employment is beneficial for entrepreneurs in enclaves (but see Logan, Alba and Stults 2003). For many studies that find negative outcomes in enclaves, Portes and colleagues are quick to point out problems with the

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<sup>9</sup> It is unclear from their analysis how many of the business owners who reported helping a former employee start a business in some way (60 percent) were helping a former employee who was a family member or close friend.

conceptualization and measurement of an enclave (e.g. Portes and Jensen 1987; Portes and Shafer 2007). Enclaves are few and far between, the exception rather than the rule (Logan, Alba and McNulty 1994; Portes and Shafter 2007).

Clarity surrounding the issue of conceptualization can be achieved by viewing ethnic economies as having an underlying continuum concerning the degree of residential concentration. In Aldrich and Waldinger's (1990) interaction model, group characteristics vary in terms of size and concentration for the settlement. From a small group spread across a sprawling urban setting to a large group centralized in a specific spatial space, these differences array on a continuum from one extreme form – an ethnic enclave community (Aldrich and Waldinger 1990) to the other – a population spread across an area with no concentration. This is consistent with the repeated claim that ethnic enclaves are a small subset of ethnic economies – a subset which requires a greater concentration of co-ethnics (at least in terms of their businesses) in a definable geographic space (Light and Gold 2000; Zhou 2004).

The question then becomes: To what extent are the benefits of living in an ethnic enclave available (if at all) in areas with lower ethnic group spatial concentration? In order to address this question, the next section will examine how social capital is created in ethnic enclaves and the extent that these sources of social capital are available in new destinations without ethnic enclaves. I will discuss how new destinations differ from ethnic enclaves and what that differentiation means for the mobilization of social capital by Latino/a entrepreneurs in new destinations.

### ***Social Capital and New Destinations***

There is general agreement in the literature that there are two types of social capital – bonding and bridging (Gittell and Vidal 1998; Putnam 2000). Bonding social capital refers to connections between people who are similar along an important dimension – such as race or ethnicity, while bridging social capital derives from connections to people who do not share that similarity (Putnam 2007). While closely related to Granovetter’s concepts of strong ties (bonding) and weak ties (bridging) (1973, 1983, 1985), there is one essential difference. According to Putnam’s argument (2007), when an ethnic individual is able to tap into social capital due to a tie to a co-ethnic, this is the result of bonding social capital – regardless of the social distance between the two individuals.

Yet, the similarity has to be more than simply a shared ethnicity or race. If bonding social capital was merely determined by shared ethnicity or race, every White person who ever received information from a friend (White) of a friend (White) of another friend (also White), would be utilizing bonding social capital – an acknowledgement that does not reflect the literature. What is missing from this recent definition of social capital is whether a person recognizes him or herself as a member of a group – a component of that has been included in many previous definitions (Adler and Kwon 2002, Leonard 2004; Putnam 2000). In these definitions, bonding social capital refers to ties between ingroup members while bridging refers to ties between outgroup members. Importantly then, bonding social capital depends upon the acknowledgement of shared group membership (explored more fully in the next chapter). In fact, while not using the term “bonding social capital,” Portes and Sensenbrenner (1993) argue that it is this awareness of shared membership which is essential to the development of social capital for immigrants.

Portes and Sensenbrenner (1993) argue that there are two main sources of social capital in immigrant communities – bounded solidarity and enforceable trust. Bounded solidarity is a group-orientation, or a “we-ness” that results from shared experience. Most commonly, this shared experience is prejudice or exclusion from the overall community. This results in isolation from the overall community which creates “norms of mutual support” between those who share these experiences (co-ethnic immigrants). Norms of mutual support are a principled motivation – people feel they need to meet group expectations based on their sense of themselves as members of the group. Key to the formation of bounded solidarity is a shared ethnicity which is mobilized in response to the isolation or prejudice from the larger community to help create a group-orientation. In contrast, enforceable trust does not rely on a principled motivation to regulate behavior, but instead is instrumental in its motivations. Simply put, individuals act to obtain rewards and escape punishment. Enforceable trust can give rise to social capital when an immigrant collectivity has the ability to reward and punish its members. In the next section, I discuss the extent that bounded solidarity and enforceable trust can operate as sources of social capital in new destinations.

### **Conditions in New Destinations**

Both bounded solidarity and enforceable trust were theorized as sources of social capital from analyzing and observing conditions within ethnic enclave communities (Portes and Sensenbrenner 1993; Portes 1995). As such, these preconditions for social capital require community conditions that are available in ethnic enclaves, which do not fit conditions in new destinations well (Grey et al. 2004).

Bounded solidarity requires that immigrants experience prejudice and isolation from the overall community. Furthermore, bounded solidarity requires that a shared ethnicity is

available for immigrants to draw on to create a shared group identity. Enforceable trust requires that the co-ethnic communities be able to sanction its members. Resources available for sanction in ethnic enclaves include, but are not limited to: financial capital for providing loans; media outlets to publicly sanction members; and the extent to which co-ethnics are reliant upon the immigrant community for economic and social rewards. While these may exist in areas that have historical patterns of immigration and large populations of one particular ethnic group – such as Cubans in Miami (Wilson and Portes 1980; Wilson and Martin 1982) or Mexicans in Chicago (Zhou 2004) – these criteria are problematic for social capital formation in new destinations. I will discuss each in turn.

First, bounded solidarity in ethnic enclaves is dependent upon shared ethnic identities for successful operation. The development of bounded solidarity requires: difficulty of exit from this new community; co-ethnics having similar experiences as targets for discrimination by the majority group (often referred to as “Anglos” in this literature); and a shared sense of culture (Portes and Sensenbrenner 1993).

The extent to which Latino/a business owners in new destinations (the population of concern in this research) are unable to exit their new communities is still an empirical question. There are some indications that Latino/a business owners are too financially invested in their new communities to easily depart. In a study of immigrant entrepreneurs in Iowa, Grey et al. (2004) found that 41% of the entrepreneurs (out of a sample of 51) owned the building in which their business was housed; 55% had remodeled part of the building; and 88% of the owners (only 31 owners answered this questions) utilized their own funds to start their business. With the median cost of starting a business for these immigrants running

around \$18,000 and the cost of owning and improving real estate, there is some evidence that exit from these communities would be difficult.

Research has indicated that Latinos do have shared experience in terms of isolation from the Anglo community. In their extensive study of the acceptance of Latinos into rural Midwest communities, Millard and Chapa's (2004) ethnography uncovered extensive prejudice by long standing community residents against the new population of Latinos. The result of the prejudice, according to the authors, is the separation of "old timers" and "new comers" spatially and in economic and social spheres. According to Grey et al. (2004), discrimination not only occurs to the Latino/a populace at large – but can also be directed towards business owners by the Anglo community. Facilitating shared experience is the tendency for Anglos to not differentiate between separate Latino/a ethnic groups and thus treat them all the same (Howard 2000).

The diversity of Latino/a ethnicities in new destinations challenges the ability for bounded solidarity to develop as there is a lack of a shared culture. Although the majority of Latinos in Iowa are from Mexico, there is also a significant population from countries such as Guatemala and El Salvador. Furthermore, as discussed above, Mexicans often differentiate themselves based on state of origin rather than country of origin and the length of time they have been in the U.S. (Grey et al. 2004). As such, there is no underlying shared identity on which to base bounded solidarity. Portes and Sensenbrenner (1993) recognize that it is possible for shared discrimination to serve as the basis for the formation of a shared culture which may have little basis in fact. It is unclear how this might occur for Latinos. In all of the examples provided by these authors of a created shared cultural identity (regarding identities that were "made in America") the immigrants in question were at least unified by country of



origin. Latinos, however, may not only come from different countries – but, at times, different continents. The question becomes: How can a pan-ethnic identity be created for Latinos in new-destination communities? The next chapter will propose a theoretical answer to this question – providing the basis for another route to bounded solidarity and, thus, social capital.

Second, the resources required for enforceable trust are frequently not available in new destinations. Community characteristics are vital for the development of enforceable trust. Specifically, the extent to which co-ethnics can rely on the co-ethnic community to provide “valuable resources” to its members (including everything “from social approval to business opportunities”) determines how much enforceable trust exists (Portes and Sensenbrenner 1993: 1336). When the outgroup members provide access to these resources, enforceable trust is low.

For example, credit associations frequently discussed in the ethnic economy literature seem not to be available in new destinations while they are available in the Dominican enclave in New York and the Cuban enclave in Miami (Portes and Sensenbrenner 1993). Instead, Latinos in new destinations need to rely on family members and, to a small extent, non-ethnic banks and community agencies for capital. The co-ethnic community does not have the available resources to provide this reward to its members – eliminating one possible sanction to ensure enforceable trust. The obstacle keeping new destinations from providing sufficient resources to its members is partially based on the small population size. Many communities – while experiencing a record growth – still have a very small Latino/a population and/or a small proportion of Latinos when compared to the total population (see Table 1). This small population has not been in these communities for a long time (less than

ten years in many communities) (Grey et al. 2004) and, thus, has not been able to build up resources.

Further complicating this picture is the reliance Latinos have in new destinations on Anglo institutions – such as their reliance on the school system. It is often in the second generation of immigrants in a community that the resources necessary for sanctioning members can be built enough to provide the basis for enforceable trust (Portes and Sensenbrenner 1993). The second generation is being educated in Anglo schools, which can prove problematic for the future development of a strong co-ethnic community. Portes and Sensenbrenner (1993) make this case through the example of Haitians in Miami. The children of Miami Haitian immigrants go to school with outgroup members. Through learning to internalize mainstream values and their realization of the “poor and politically weak” status of their parents, they are left with little impetus to stay within the co-ethnic community (Portes and Sensenbrenner 1993: 1337). Latinos in new destinations face the same type of situation, making the development of enforceable trust in future generations problematic.

While it is possible that enforceable trust may become a viable source for social capital in the future, as conditions currently stand, neither bounded solidarity based on shared ethnicity (as currently understood in the literature) nor enforceable trust can serve as the source of social capital for immigrants in new destination communities. In particular, I am interested in how Latino/a entrepreneurs can develop the trust component of social capital. Furthermore, I will argue that trust is vital to the development of business networks. Inclusion in a business network is another possible factor influencing the sustainability of small businesses. Before discussing either a possible path to bounded solidarity in new

destinations (Chapter 3), or the possible role of business networks (discussed below), it is first necessary to examine possible sources of trust for Latinos in business networks.

### ***Trust and Business Networks***

The discussion of the benefits of networking for small businesses will be left for the next section. However, in order to address trust in networks, some definitions are necessary. Business networks can be defined as “interorganizational ties that are enduring” and that “are of strategic significance for the firms entering them” (Gulati, Nohria, and Zaheer 2000: 203). Trust in business networks can be defined “as the expectation held by one” entrepreneur “that another will not exploit its vulnerabilities when faced with the opportunity to do so” (Krishan, Martin and Noorderhaven 2006: 895). As will be explored below, trust helps to reassure businesses that they will not be taken advantage of by other network members. The purpose of this section is to discuss Latino/a cultural proclivities surrounding trust and examine how that effects the creation of trust in a Latino/a business network.

There are many types of trust that make connections between individuals possible. Trust can vary from nothing more than a belief that unknown others will not take advantage of you – called generalized trust (Yamagishi and Yamagishi 1994) – to a reliance on rules and regulations to bind others into behaving as expected – called deterrence-based trust (Gulati 1995). Which type of trust is necessary for networking depends upon who is to be trusted and your cultural proclivities towards trust.

According to Fukuyama (1995), trust is the result of belonging to a community and internalizing the norms for behavior and obligations in that community. As such, who people are likely to trust depends on the culture in which they are socialized. There are some cultures that have a high level of generalized trust where individuals are likely to trust

unknown others regardless of previous contact (Putnam 1993, 2000; Uslaner 2002; Yamagishi and Yamagishi 1994).

In cross-national comparison of generalized trust, Latin American countries rank among the lowest in the world (Bjørnskov 2006, Nannestad 2008, Uslaner 2002). In more recent research, Uslaner (2008) finds that these low levels of trust remain even after Latinos immigrate to the United States (a country with relatively high levels of generalized trust) – regardless of how long they have lived here. His explanation for this phenomenon is based on the experience of discrimination. He argues that the experience of discrimination creates a sense of shared fate and thus results in the sense that only those others who face the same type of discrimination who can be relied upon. This suggests to co-ethnics (business owners and others) that they should trust one another based solely on their joint membership in the same ethnic group. What he seems to be suggesting is that generalized trust is different than trusting co-ethnics. Yet both rely upon trusting unknown others. If Latinos have low levels of generalized trust in their home communities, and this carries over with their movement to the United States, there is a basic contradiction in his argument. Zarrugh (2007) points this out in her case study of Latino/a businesses in Harrisonburg, Virginia, where she notes that while a person may have more trust in a co-ethnic than in others, this is not sufficient to create enough trust to facilitate business relationships. In fact, almost universally, the Latinos in her study relied solely on close familial relationships for employees or for “helpers” around their businesses. This suggests that although shared experience of discrimination may be a necessary condition for the development of trust, it is not sufficient in and of itself. This will be explored further in the next chapter.

This lack of sufficiency is because Latin American countries are societies where trust is traditionally only located within families, and as such make the development of trust between non-family members (such as the trust necessary for business networks) difficult (Abom 2004, Barone 2001, Fukuyama 1995, Gaines et al. 1997). In a discussion of organizational life in Latin American cultures, Osland, De Franco, and Osland (1999) find that Latinos will only trust close family to help them when aid is needed. The authors further observe that business owners are unlikely to trust their employees (and their customers) not to steal or otherwise defraud the business – an argument reflected in Zarrugh’s (2007) work. This is problematic because, as will be discussed more fully below, it is trust in other members of the business network that is required to achieve the maximum benefits of network membership for each business owner. This leads to the following hypothesis:

Hypothesis 1a: Latino/a entrepreneurs are more likely to rely on family members for business aid than they are to rely on network members.

Yet, the proclivity towards trusting only close family and friends may not preclude the development of trust between network members. It is possible that trust may develop over time through either having a third party facilitate trust development or simply through getting to know other network members. Each of these bases, and how they may work in new destination Latino/a business networks, will be discussed below.

Third parties can act as “conduits of trust” (Kramer 1999: 576). A person (called Y – the third party or “go-between”) is already trusted by two other individuals (X and Z). In a situation where X and Z have no previous basis to trust each other and both X and Z already have a trusting relationship with Y, Y can serve as the basis to form a new trusting relationship between X and Z. Based on work by Uzzi (1997), X and Y have a previous

existing relationship where X has a duty to meet Y's expectations in exchange. Y basically instructs X that X needs to meet that obligation through exchanging with Z. As X and Z begin to exchange, and do so successfully, trust develops.

In the formation of business networks, often there is one person who serves as a catalyst. The catalyst is an individual who is invested in developing a strong and lasting network (Besser et al. 2006: 6). While the catalyst does not necessarily need to become a member of the network, when they do that person may become central to the network's functioning. In some instances, network members become reliant on the catalyst for continued functioning. It is possible that such a person is necessary for the initial stability of the network for Latino/a businesses. Indeed, in a comparison of four networks (one a Latino/a business network), Besser and Miller (2010c) argued that if this central person (called the "convener") left the Latino/a network that the network members probably would not have the required level of commitment to contribute sufficient personal time and energy to keep the network functioning. In fact, they hypothesize that when members of the network trust the convener he can act as the third party to create trust between other network members enabling resource exchanges between members (Besser and Miller 2010c). The catalyst can serve as the go-between for members and gradually facilitate inter-member trust. This go-between would make future exchanges possible and increase the likelihood of trust developing between members.

Social capital also suggests another type of trust. This is a trust that is created through getting to know each other and based on personal knowledge of the other individual (Besser and Miller 2010a). Known as history-based trust, it is developed as individuals interact overtime and see through that interaction that the other individual is trustworthy (Kramer

1999). Much like third party trust development, this type of trust depends on previous exchanges for the basis of trust development. People come to learn about each other and form relationships based upon their previous history (Gulatai 2007; Macaulay 1963; Shapiro, Sheppard, and Cheraskin 1992).

The need for personal relationships in order to develop trust is frequently reported by network scholars. For example, Palay (1985) argued that personal relationships made it possible for businesses to rely on informal contracts to facilitate exchange instead of requiring extensive formalized assurances. BarNir and Smith (2002) found that the managers of businesses frequently drew on their own personal ties in order to gain benefits for their businesses. Gulati (2007) noted that personal ties facilitate the development of trust as having personal knowledge of the other person minimize fear that the person will act opportunistically. Supporting this literature, Besser and Miller (2010c) discovered that the Latino/a network they studied demonstrated a slow development of trust between the network convener and potential members which over time led to trust between network members.

In Osland, De Franco, and Osland's (1999) argued that strong personal relationships are necessary for business relationships to develop in Latino/a communities. In new destinations, Latinos are frequently spatially (and otherwise) segregated from the Anglo population (Lichter et al. 2007). Neighbors, friends of their children, co-workers, and fellow church members are likely to be Latino/a (see Chapter 3 for further discussion). Therefore, business network members interact with each other in domains outside of their business

interactions. This could result in ample opportunity to develop personal relationships which can facilitate trust. The previous discussion suggests the following hypotheses<sup>10</sup>:

Hypothesis 1b: Network members' trust in the convener will be positively associated with trust in other network members.

Hypothesis 1c: Interactions with other network members in day-to-day life will be positively associated with trust in other network members.

In this way, third parties and history-based development can provide the mechanisms for trust formation between non-familial co-ethnics in a Latino/a business network. From this discussion, what is not clear is the importance of trust for business benefits and network sustainability. In the next section, I will develop hypotheses relating to the importance of networking for small businesses and how networking may benefit Latino/a businesses.

### **Strategic Network Theory**

Just as the social capital resulting from bounded solidarity and enforceable trust helps ensure the success of businesses within ethnic enclaves, membership in business networks has been argued to be essential for small business success in general (BarNir and Smith 2002, Szarka 1990). Interactions and exchanges that occur in networks can provide several advantages to businesses. These advantages are derived from: cost sharing, information sharing, risk sharing, knowledge about technology information, and the increased access to resources that can occur in networks (BarNir and Smith 2002; Dennis Jr. 2003; Greve and Salaff 2003; Gulati and Gargiulo 1999; Gulati, Nohria and Zaheer 2000).

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<sup>10</sup> Due to the type of data available for analysis (discussed in Chapter 4), hypotheses will be stated as associations even when the theory suggests a casual relationship as it does here. This is the case for all proposed hypotheses.



Even though business networks are highly advantageous for its members, only about 58 percent of small businesses in the U.S. belong to one (Dennis Jr. 2003). While there are a variety of reasons businesses decide not to join networks, most important for my purposes here is that some businesses decide not to join networks because they believe that the cost and risks associated with networking are prohibitively high (Curran et al. 1993, Malecki and Tootle 1996). The extent that a particular business receives benefits from joining a network that they believe outweighs the costs depends upon how strongly embedded they are in the network and how other businesses in the network behave (BarNir and Smith 2002).

My work will examine the relationships and trust between networked business owners. Specifically, I will be discussing these factors in terms of Latino/a businesses – as that is the main concern of this work. The discussion of the first factor will focus on exchanges between members. In terms of the second factor, what becomes important is the idea of whether the business owners in the network can be trusted to not exploit the vulnerabilities of other businesses through opportunism – “taking advantage of the close relationship to use resources or information in ways that may damage the partner’s interest” while furthering his/her own interests (Gulati and Gargiulo 1999: 1442). Another challenge to the development of trust is the possibility of free riding (gaining the benefits associated with membership without actively contributing to network maintenance or without reciprocally providing information and resources to other members). If a member of the network perceives other members as behaving this way, they may question whether the gain realized is worth the cost of belonging. Offering information and resources opens a business owner up to opportunistic behaviors on the part of other network members. Members of networks with low level of governance and minimal power differentials in relationships are

particularly vulnerable to these possible disadvantages (Farrell and Knight 2003; Gulati 1995; Gulati and Gargiulo 1999; Inkpen and Tsang 2005; Kale et al. 2000; Zaheer, McEvily and Perrone 1998). Community business networks, the type of network of interest here, is one type of network that fits these characteristics (Besser and Miller 2010a).

Both free riding and acting in opportunistic ways require a pre-existing level of trust (Farrell and Knight 2003; Gulati 1995; Gulati and Gargiulo 1999; Kale et al. 2000; Steensma, Marino and Weaver 2000; Zaheer, McEvily and Perrone 1998). Trust, then, is a double edged sword. In order to obtain the most benefits from networking, members have to trust the other members of the network. Trust, then, leaves network members open to the greatest levels of risk by providing other members the greatest opportunities for free riding and opportunism (Steensma, Marino and Weaver 2000).

Yet, even as trust makes entrepreneurs vulnerable, it is trust that makes the achievement of benefits from network membership possible. Trust in networks facilitates the exchanges of resources such as: cost sharing, information sharing and risk sharing which are the sources of benefits for network members (BarNir and Smith 2002; Dennis Jr. 2003; Greve and Salaff 2003; Gulati and Gargiulo 1999; Gulati, Nohria and Zaheer 2000). This suggests the following hypothesis:

Hypothesis 2a: Higher levels of trust between members of the network will be associated with the perception of greater benefits from network membership.

Different types of exchanges create greater vulnerabilities than other types through providing more opportunities for exploitation of one business by another. In other words, some exchanges are inherently more risky than others. As “trust entails risk” (Brockner et al. 1997: 558), it becomes clear that the more risky the exchange – the greater the ability to

behave opportunistically – the more trust is required for the exchange to occur (Besser and Miller 2010a; 2010b). When there is a low level of trust between network members, exchanges that occur should require lower levels of risk. Indeed, research indicates that in most networks, the exchanges that most frequently occur are low-risk exchanges such as shared marketing or referring customers to each other's businesses (Besser and Miller 2010a). When trust is higher, higher risk exchanges (these include sharing employees and the cost of consultants) become possible. This suggests the following hypotheses:

Hypotheses 2b: The majority of resource exchanges between members will be low-risk.

Hypothesis 2c: Higher levels of trust between members of the network will be associated with a higher level of participation in high-risk exchanges.

Hypothesis 2d: Higher levels of participation in exchanges will be associated with the perception of greater benefits from network membership.

The exchanges that require greater vulnerability (the higher risk exchanges) are the most beneficial for network members. It is this type of exchange that provides the most return on the investment (the time given to membership, the financial cost thereof, as well as other investment costs) for network members. Higher risk exchanges can offset these investment costs increasing perceived benefits to network membership, which creates a reason for businesses to maintain membership in business networks (Besser and Miller 2010a). This suggests the following hypotheses:

Hypothesis 2e: High-risk exchanges will be associated with the perception of greater benefits from network membership more than low-risk exchanges will be.

The willingness of business owners to maintain their membership in the network ensures the continuation of the network. When individuals feel they cannot trust other members of the network, they are unlikely to engage in beneficial resource exchanges and therefore, are likely to terminate their membership (Besser and Miller 2010b; Steensma, Marino and Weaver 2000). It is in this way that trust makes networking possible. Absent shared ethnic identities, business networks may provide a mechanism to build trust between Latino/a business owners and facilitate resource exchanges and thus help them be successful. The research in this dissertation will test this logic. Hence, the above discussion suggests the following hypotheses:

Hypothesis 2f: Perception of greater benefits from network membership will be associated with the perception that the network is sustainable.

Hypothesis 2g: Higher levels of trust between members of the network will be associated with the perception that the network is sustainable.

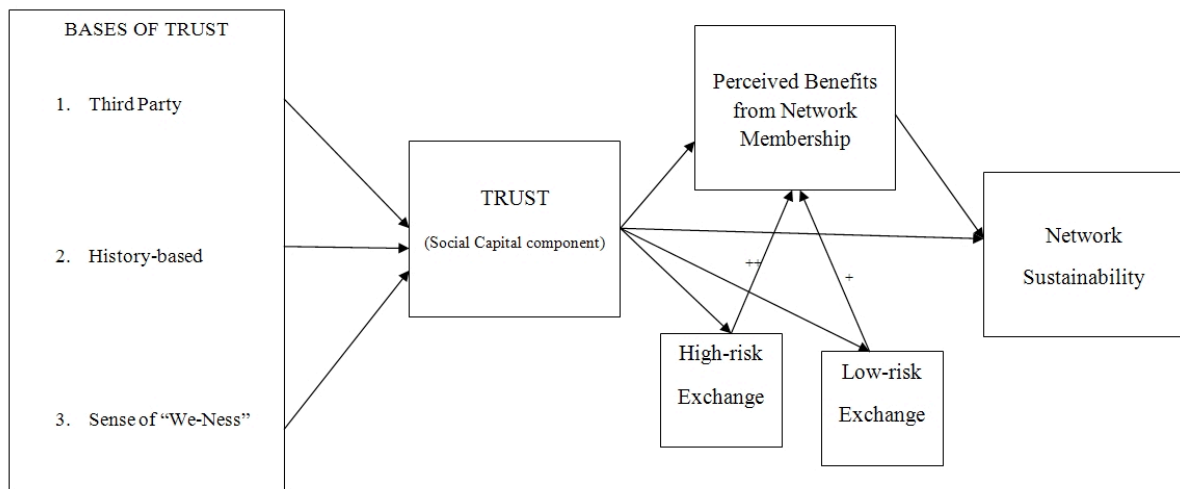
The trust that exists in networks is social capital (Putnam 2000). The difference between social capital approaches to co-ethnic businesses and research on strategic networks is that the former stresses the importance of the development of a “we” for trust development while the latter provides a wider understanding of how trust can develop. With the review of both literatures, there are three basis of trust that can aid in the development of social capital in new destination Latino/a business networks. These bases of trust provide several paths to perceptions of both benefits to businesses from network membership and network sustainability (see Figure 1).

***Theorized Bases of Trust for Latino/a Entrepreneurs in New Destinations***

With cultural impediments to the development of trust outside of the family and the lack of structure to provide enforceable trust in new destination communities, current social capital perspectives on the source of trust for immigrant entrepreneurs become untenable. Networks literature provides two other sources of trust development – third party and history based. Chapter 5 will provide a test of the ability of these bases to form trust in an Ottumwa, IA, based Latino/a business network.

Social capital perspectives do provide a source of trust that may be important to new destination Latino/a networks. That is the idea that trust can be developed through a sense of “we-ness” (Portes and Sensenbrenner 1993). In the next chapter, I will develop a framework to show how a sense of “we-ness” can be developed as a basis of trust in on-ethnic enclave locations.

**Figure 1. The Path from Trust Development to Network Sustainability**



### **CHAPTER THREE: SHARED IDENTITIES AND BOUNDED SOLIDARITY**

The previous discussion focused on Latino/a immigrants in new destination communities and the implications this social context has for the formation of bounded solidarity and the ability to form sustainable business networks. Specifically, I proposed three bases of trust: third party, history based, and a sense of we-ness. As I argued in the last chapter, it is currently unclear how bounded solidarity can be developed in new destination communities. The purpose of this chapter is to examine the underlying processes that can function to create a sense of we-ness for Latinos in new destinations. I propose a theory of the formation of identities that are simultaneously racial and ethnic. I begin by defining ethnic and racial identities. I then explain the reasons for the formation of this type of an identity and the implications thereof. In doing so, I argue that the formation of this type of identity can create another path to bounded solidarity which can support both business networks and entrepreneurial success.

#### ***Structure, Agency and Identities***

Sociological theorists have long argued that peoples' identities – the meanings they hold for themselves as particular kinds of persons (Burke 1991, 2004) – are largely a result of their placement in the social structure (for the clearest statement of this see Stryker 1980). Meanings are assigned by culture and have a reality outside of the individual (Burke 2004; Heise 1979; MacKinnon 1994). This is complicated by the recognition that meanings and expectations held for individuals at the cultural level are largely determined through interaction between individuals within their local contexts (Coleman 1990; Ridgeway 1991, 2000; McCall and Simmons 1966; Ridgeway and Correll 2006).

Starting from their local context, individuals (re)negotiate and resist structural meanings, attempting instead to select and negotiate their own identities. Thus, as Stone (1962: 94) argued, “[i]dentity is established as a consequence of two processes, apposition and opposition, a bringing together and setting apart.” This struggle occurs between the meaning an individual holds for herself at an individual level and the meanings held for her at the structural level, which largely is revealed in her interactions with others within her local contexts. It is in these interactions that she attempts to define herself in ways that may be in opposition to social structural meanings. This process makes clear that identity is the “site where structure and agency collide” (Bhavani and Phoenix 1994: 6).

In a recent special issue of *Ethnicities*, the guest editors Vö and Torres (2004) argue that the “browning of America” through the rising population of Latinos and Asians in the United States, makes the negotiation of immigrant racial and ethnic identities particularly revealing to this process. Immigrants, coming from a variety of backgrounds, have lived their lives outside of the cultural meanings structurally held in the United States, “creating more opportunity for identity management for these groups” (Itzigshon et al. 2005: 51; see also Almaguer 2003, Gosfoguel 2004). Before discussing how this management can and has occurred, it is first necessary to define what is meant by the terms racial identity and ethnic identity.

### **Racial and Ethnic Identities**

For most of the history of the United States, race has been understood as an immutable biological fact – a fact that privileged one race (Whites) over all other biological races (Lipsitz 1998; Kushner 2005; Winant 2001). The classical understanding of race is juxtaposed against contemporary understandings which challenge the biologically fixed view

of race (although there is some evidence that the belief that race is biological is still pervasive; see Carter 2007). For example, Winant argues that even though “racial identity remains a major component of individuality and group recognition,” as the biological view suggests, current understandings provide race with “a certain flexibility and fungibility that was formerly rare” (2006: 987). “Fungibility” is a result of understanding race as a social construction. Its remaining power in defining individuals is a result of reification of this construction through the racialization process.

In general, racialization can be understood as the social process through which individuals are assigned to racial categorizations often based on somatic characteristics. While this may be similar to the formation of class and gender identities, racialization is a socio-historical process that stresses phenotypical appearance, such as skin tone (see Oropesa, Landale and Greif 2008), to assign a person into a racial categorization which then interacts with historical patterns of subjugation and impacts life chances. Racialization “structures social hierarchies of power and prestige, determines access to resources, and organizes individual and collective identities and action” (Itzigshon et al. 2005: 51; see also Gibau 2005). While there are a variety of theories of racialization (for examples see: Bonilla-Silva 1997; Miles 1989; Omi and Winant 1994), what is important for the purposes here is that racialization is a process of assignment based on racial categorization. Those with power, resources, and privilege in the racialized social hierarchy are able to define the race of others and, in doing so, maintain systems of inequality that exist based on race (Cornell and Hartmann 2004, 2007).

Race as assigned by more powerful others (reflecting the role of social structure in identity formation) is juxtaposed against ethnicity as asserted through self-selection



(reflecting agentic choice in identity formation) (Cornell and Hartmann 2004, 2007). Just as racialization is how a racial group is formed, ethnicization is the formation of an ethnic group. It can be defined as “the process by which a group of persons comes to see itself as a distinct group linked by bonds of kinship or their equivalents, by a shared history, and by cultural symbols that represent ... the “epitome” of their peoplehood” (Cornell and Hartmann 2007: 35). Cornell (2004) argues that while this recognition of similarity requires some commonality in thinking, the amount of actual similarity can be very minimal. In other words, it is the belief in similarity, not the actuality of it, which matters for the formation of an ethnic identity.

With this basic understanding of racialization and ethnicization and the above definition of identity (Burke 1991, 2004), definitions of racial and ethnic identity become possible. I define racial identity as the meanings a person holds for themselves based on their assignment to racial categories. I define ethnic identity as the meanings a person holds for themselves based on their assertion of ethnic categories. In this way, there is both freedom and constraint within identities. Racial identities are assigned by others and can be oppositional in nature. Ethnic identities are selected by the person, asserted by choice, and thus indicative of agency. Yet, as I mentioned above, racialization is tenacious not solely because of the capability of the powerful to define others. Concurrent with racialization is the reification of this process, where individuals within the structure can come to believe in the naturalness of racial classifications. As such, racial classifications can become adopted by those who are racialized. Furthermore, Cornell and Hartmann (2007) argue that ethnicities can also be constructed by others and subsequently adopted by members of the group. Thus, identities can be both asserted and assigned at once, making them both racial and ethnic.

What is unclear from this discussion is the process through which this occurs. How does a racial identity also become an ethnic identity? The answer to this question will become clearer after examining what racialization and ethnicization have in common.

### **Racialization and Ethnicization**

A central question that we all ask ourselves is “Who am I?” (Kuhn and McPartland 1954). Invariably, to answer this question, we have to ask “Who am I not?” (McCall 2003). The corollary to both of these questions is to answer: “Who are we? Who are we not?” as group-based identities are pervasive in the human self-concept (Hogg, Terry and White 1995; Tajfel and Turner 1979, 2003). In many ways, answering “Who are we/not?” is the driving force behind both the racialization and ethnicization processes (Barth 1969).

Racialization is, at its core, a process of answering these questions. When defining the content of a racial identity, the claim is made that a member of this race has particular characteristics – characteristics that are different from members of other races. This is a dual process most clearly illustrated by Bonilla-Silva who explains that:

the creation of the category of “other” involves the creation of a category of “same.” If “Indians” are depicted as “savages,” Europeans are characterized as “civilized”; if “Blacks” are defined as natural candidates for slavery, “Whites” are defined as free subjects (1997: 471).

Important to this discussion is the concept of the “other.” The “other” is created through a process of “Othering.” This is the process of making a person (or a group of people) different and, often, opposite from yourself (or from people like yourself). Most frequently, “Othering” defines this opposite group in a negative light resulting in your group being constructed in a positive light. A contemporary example of this is the construction of Latinos

as “foreigners” by Euro-Americans (or “Anglos”) which results in them being defined as “natives” (Rocco 2004). This “Othering” could be desirable to Anglos who then are constructed as belonging while defining Latinos as not belonging – making it easier for Anglos to justify laws that: restrict paths to citizenship for Latinos, increase border patrol, and require police to check for legality status on routine stops. Inherent in this process are relations of power, which Cornell and Hartmann (2004, 2007) argue are at the center of racialization processes.

Many studies on racialization focus on how whites “Other” non-whites focusing on how this privileged group has the ability to define. For example, Grosfoguel argues that the host Euro-American population is able to utilize their “racist perceptions” that represent “society’s dominant views” to define Latino/a identities in ways that have implications for “the positive or negative social and economic performance of” Latinos (Grosfoguel 2004: 319; see also Bonilla Silva 1997; Gibau 2005; Lipsitz 1998; Kushner 2005; Winant 2001). Thus, the purpose of “Othering” in racialization is largely understood to be the maintenance of the current system of privilege. In the words of Omi and Winant (1994: 56), the purpose of “Othering” is “simultaneously an interpretation, representation, or explanation of racial dynamics, and an effort to reorganize and redistribute resources along particular racial lines” (see also Winant 2001).

Simply understanding the process of racialization as upholding the current structural inequalities results in equating non-whites as victims and does not allow room for agentic negotiations of identity. It does not allow for the reality that even “[w]hile immigrant groups are racialized by the dominant group, they are simultaneously engaged in defining and

redefining their group identity” (Ngin and Torres 2001: 374). For Cornell and Hartmann (2004, 2007), this is where ethnicization comes in.

Ethnic identities are based upon the perception of commonality requiring a maintenance of the boundaries between who can be in the group (the “We”) and who is restricted (the “They”) (Cohen 1974; Herbestein 1983; Nagel 1986, 1994, 1996). There are three main justifications for the formation of these boundaries: shared interests (political, economic, or status concerns), shared institutions (organizations created to solve problems), and shared cultures (shared ways of understanding the world) (Cornell 1996; Cornell and Hartman 2004, 2007). Each of these foundations “represent different kinds of intragroup ties, and, therefore, constitute alternative potential bases of group cohesion and action” (Cornell 1996: 270). The strongest ethnic groups are those that are strong on all three dimensions and, when working in this way, can challenge the effects of racialization through providing access to resources and other benefits not otherwise available (Cohen 1974; De Genova and Ramos-Zayas 2003; Ricourt and Danta 2003; Roosens 1989).

Some previous research has focused on how Latinos can challenge racialization through selectively adopting components of the racialization, forming an asserted ethnic identity. For example, Beserra (2005) argues that some Brazilians are able to claim Latino status while distancing themselves from “those” other Latinos – such as lower status Mexicans. Bonilla-Silva (1997), Oboler (1995), Itzigshon et al. (2005) and Hernandez (2003) all provide examples of racialized groups who accept part of their racialization (such as referring to themselves as black) but negotiate which part to accept (such as being black ethnically but not an American cultural black). The ability to perform this partial acceptance varies structurally. Beserra finds in her study of the construction of Brazilian identity, that

“those with higher social positions in Brazil have a better chance of negotiating to their advantage, “negative” components of their identities” while lower social status individuals could not achieve the same results even if they appeared white – indicating that class position acts as a structural impediment to identity management (2005: 64).

The above research, demonstrates how racial and ethnic identities can be negotiated to overlap in beneficial ways. Yet, it is not clear from the research how this occurs. A full theory of the formation of a racial and ethnic identity would necessarily have to include and interrelate: (1) The racialization process of “Othering” by those in power; (2) The self-managed selection (or ethnicization) of an ethnicity based on shared interests, shared institutions, and/or shared culture; and (3) A delineation of how the “we” versus “they” dichotomy is constructed. The following section will provide the logic of a theory that seeks to explain the creation of a shared identity for Latinos from a variety of subgroups. The ultimate goal is to explain how these shared identities can be created to serve as a source of trust that will enable sustainable network exchanges.

I utilize the term “shared identity” to refer to identities that are racial and ethnic at the same time. As discussed in the introduction, Latino/a (and Latinos) is a pan-ethnic term that applies to people from a wide variety of possible subgroups, such as “Cuban, Mexican, Puerto Rican, South or Central American or other Spanish culture or origin” (U.S. Census Bureau 2006a: 2). For my purpose here, it is possible to identify at the pan-ethnic level (Latino/a) and/or at a subgroup level (El Salvadorian, Guatemalan, Mexican, and so forth).

### ***Shared Identity Theory***

Sociological social psychologists adhere to Mead’s dictum that “self reflects society” (Mead 1934). Self, like society, “is multifaceted, made up of interdependent and

independent, mutually reinforcing and conflicting parts” (Stryker and Burke 2000: 286). The sources of these parts of self are the others to whom a person is connected. It is through interaction with others, with representations of these groups, that an individual learns what is expected from him and, thus, who he is (McCall and Simmons 1966; Mead 1934; Stryker 1980). An interaction is, at its most basic, an exchange of socially meaningful symbols which telegraphs (among other things) messages of placement and power within the social structure. This is part of the definition of the situation: the who, what, where and when of an interaction (Goffman 1959; McCall and Simmons 1966).

According to McCall and Simmons (1966), there are a variety of “boundaries” to possible interactions which result in a constraint on the identities available to an individual. For example, knowing any component of the definition of the situation will limit the possible arrangements for the other components. In a particular when, there is only a finite set of possibilities for the who, what and where of an interaction. In other words, the social and historical context constrains possibilities for self-meanings as each context has unique “cultural patterns that we learn during socialization” which “further restrict the content of identities and interactions” (McCall and Simmons 1966: 23). These boundaries constrain, but are not impenetrable. Certain systems may be more open to crossings than are others (Stryker 1980). Researchers on the racialization of Latinos argue that America is currently such an open system because of the reconstitution of population (Itzigshon et al. 2005).

When immigrants come to the United States and settle into new destination communities, they have been socialized into racial hierarchies of their home countries which may vary widely from the schemas that exist in the United States (Almaguer 2003, Gosfoguel 2004). They have not been socialized into the interaction and self-meaning

boundaries that other Americans have in terms of racial identities. The argument, then, is that these individuals are able to challenge these constraints. Yet, it has long been argued that the ability to name others is the domain of the privileged (Bonilla-Silva 1997; Cornell and Hartman 2007). This is an indication of the dual process of identification and the conflict between structural assignments (racial identity) and agentic assertion (ethnic identity) (Cornell and Hartmann 2007). In the next sections, I discuss how both processes (assignment by others and assertion by self) play a role in the creation of a shared Latino/a identity.

As previously suggested, the definition of the situation includes relations of power. Central to both the definition of the situation and to relations of power in these interactions are self-meanings (McCall and Simmons 1966). Motivation for actors revolves around their self-meanings. While there is some disagreement as to whether individuals attempt to confirm (verify) (Burke 1980) or to enhance their self-views (Campbell and Sedikides 1999), both theoretical motivations for behavior place relations of power at the center. I will discuss both of these motivations for behavior (self-verify and self-enhance) and their implications for shared identities below.

### **Self-Verification Motivations**

The primary motivation for actors in self-verification theories is for them to confirm the meanings they hold within their identities. Previous research has delved into a wide variety of verification tactics – both social and psychological (see Swann 1990 for review). Of interest here is how individuals construct the “Other” in interaction to encourage verifying feedback. There are two primary opportunity structures that allow this occur: (1) the ability to select only those “Others” who are likely to confirm your self-meanings for interactions; and (2) the ability to force the “Other” into a confirmatory role. I will discuss each in turn.

First, individuals seek out interactions that will verify their self-meanings by selectively interacting with others who support those meanings (McCall and Simmons 1966; McNulty and Swann 1994; Robinson and Smith-Lovin 1992; Swann 1987, 1990). New destinations, even with the low number of Latinos in these communities, still tend towards segregation of Latinos from Anglos (Lichter et al. 2007). The need for Latinos (in their various subgroup identifications) to confirm self-meanings (to self-verify) may lead to self imposed segregation.

Regardless of any segregation that may exist in new destinations, the small numerical numbers makes complete isolation nearly impossible. Therefore, the second opportunity structure becomes vital for explaining the formation of racial identities in new destinations. That is: individuals will seek to define others in ways that complement the identity the individual is trying to enact. More concretely, if an Anglo is attempting to verify him or herself as “native,” one way to do this is to define an interaction partner as “foreign” (Rocco 2004). While all individuals attempt to present themselves in desirable ways (Goffman 1959), the success of this attempt depends on the ability to cast the “Other” in the interaction into supporting roles (Weinstein and Deutschberger 1963). Some individuals are more able to defy this “altercasting” than are others (Cast, Stets and Burke 1999; Turner 1976). In recent research, Cast (2003) showed that the identity meanings held by the less powerful member in an interaction (x) actually change to become closer to the meanings that the more powerful alter held for x.

Part of minority status is a lack of power within the social structure (Phinney 1996). As one researcher argues, “like any other minority, Latinos lack the freedom to choose the



way the larger society configures their ethnic affiliation” (Torres-Saillant 2002: 437).<sup>11</sup> In research by both Grey et al. (2004) and Millard and Chapa (2004), Anglos fairly consistently defined individuals, and thus reacted to these individuals, as “Latino/a” or “Mexican” regardless of the individual’s subgroup identification. That is, Anglos cast these Latino/a appearing individuals (or racialized them) as Latinos, regardless of any self-identification these “Latinos” had. This suggests that, overtime, Latinos who are continually treated *as if* they were Latino/a by more powerful Anglos in the community (or at least perceived that they were treated in this way) would adopt this identity and begin to think of themselves as Latino/a. At the end, Latino/a is then both a racial identity (assigned or cast by more powerful Anglos) and an ethnic identity (as the individuals who are assigned Latino/a come to self-identify with this label). This suggests the following hypothesis:

Hypothesis 3. The perception of more incidents of treatment of self as Latino/a by Anglos will be associated with greater self-identify as Latino/a.

The creation of overlapping racial and ethnic identities starts to become clear. When a person from a sub-group is consistently altercasted by a more powerful person into a pan-ethnicity, this should create changes in self-meaning and self-adoption of the Latino/a identity.

The theoretical requirement of understanding how the racialization process of “Othering” by those in power can help in the formation of a shared identity is thus met. The altercasting component of self-verification theories is, at its core, an argument about structure. Those with more power are able to define what it means to be a person with less

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<sup>11</sup> It is important to note that many researchers define race and ethnicity differently than I do here. For example, Phinney uses the term ethnicity to “refer to broad groupings of Americans on the basis of both race and culture of origin” (1996: 919). Torres-Saillant’s (2002) discussion of power as a component of ethnicity is more compatible with how I define race. Yet, despite these definitional differences, the point remains that certain racial groups have less power to define themselves than do other groups.

power. Or, in the terms of this theory, Anglos in new destinations are able to racialize these immigrants as Latino/a regardless of the initial immigrant self-identification. As discussed above, this racialization functions to maintain the current structure.

What is not clear, however, is the role that immigrants have in their own self-identification as “Latino/a.” While individuals may come to choose what is thrust upon them by others, this leaves little room for the agentic creation of self-meanings. Self-enhancement theories provide insight into this process. In this way, self-enhancement theories aid in meeting the second requirement for an adequate shared identity theory: the self-managed selection of an ethnicity based on shared interests, shared institutions, and/or shared culture.

### **Self-Enhancement Motivations**

Among self enhancement theories, the social identity approaches<sup>12</sup> have often been given credit for revitalizing social psychology in both psychology (Hogg and Grieve 1999) and in sociology (Harrod, Welch and Kushkowski 2009). The impetus for the development of these theories was to explain the conflict between groups (Tajfel 1981, Turner 1996), such as between Latinos and Anglos. Developed out of the social identity perspective, the main goal for self-categorization theory was to explain how social identities are created (Turner 1985; Turner, Hogg, Oakes, Reicher and Wetherell 1987). Below I discuss the implications of this perspective (and approaches that are derived from it) and its relation to the formation of a shared identity.

Every individual has a variety of identities. These identities are based on who we are as individuals with our unique personalities and characteristics (personal identities), the

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<sup>12</sup> Like Hogg (2006), I use the term “approach” or “perspective” when discussing the sets of theories largely derived from the work of Tajfel and Turner (1979). Because of the close relation to these more contemporary ideas and theories to the original formulations by Tajfel, Turner and their colleagues, it is accurate to discuss them as part of the same academic perspective.

positions we hold in society (such as mother, worker, student – our role identities), and the social categories to which we belong (such as religious groups, nationalities, or ethnicities – our social identities). According to social identity perspectives, the basis for a social identity is the perception of the self as a member of a category or group (Hogg and Abrams 1988). But mere membership is not enough to form an identity. This perspective emphasizes that people choose social identities even though category membership can be imposed (Brewer 1991). In terms of the discussion here, Anglos may cast (or impose) Latino/a membership upon the new residents in these new destinations, but this imposition is not sufficient to create a “Latino/a” social identity. Individuals must agentially choose to adopt this social identity for it to become an ethnic identity.

This is not to argue that assignment or casting has no impact without self-selection (see Cornell and Hartmann 2004, 2007). Indeed this would ignore the discrimination faced by individuals because of this assignment (see Millard and Chapa 2004). As I will discuss below, this assignment can create the conditions under which self-identification becomes more likely to occur. Social identities do not exist in a vacuum, with an individual simply choosing any self-meanings desired. Rather the current social structure creates the array of social identities, and the culturally determined self-meanings that come with these identities, possible for selection (Hogg, Terry and White 1995; see also Nagel 1994 for a similar argument made in the research on ethnic identities).<sup>13</sup> The important point remains that,

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<sup>13</sup> Verkuyten comments that social identities can be understood as a “social fact” or “a basic social phenomenon and public thing is decided for an individual externally, by his or her environment” (2005: 61). He argues that there is room for agency in “the way the person *thinks and feels* about a particular social identity” (2005: 61, italics original). For social identity perspectives (coming out of Tajfel and Turner), a social identity does not exist without this thinking and feeling. With the view of racial and ethnic identities adopted in my work, social identity perspectives are consistent with ethnic identities and research emphasizing social identities as “social facts” is consistent with racial identities.

within these structurally defined options, social identification requires a choice to be made. It is this choice of social identity that is central to the formation of an ethnic identity (Banton 1988). This selection depends on a sense of belonging to a group which entails shared interests, shared institutions, and/or shared culture (Cornell and Hartmann 2007).

### **Shared Interests**

Optimal distinctiveness theory (ODT, Brewer 1991) begins with the argument that all individuals have a primary motivation to belong. At the same time, however, this theory recognizes the need for positive distinctiveness from others proposed by social identity theory (Tajfel 1978). Dual motivations interact to predict the selection of a social identity that allows for both motivations to be optimally achieved. The immediate concern is how the adoption of a Latino/a pan-ethnic social identity can create the sense of belonging. While it is also necessary to discuss how distinctiveness is created through adoption of this identity, that discussion will be reserved for later in this chapter.

According to ODT, the creation of an in-group (the adoption of a social identity) is sufficient for creating a sense of belonging. Those who share a social identity form a “we” and define themselves as belonging to that “we.” Ethnicization is a similar process whereby members of an ethnic group create a sense of “we” in terms of their conception of commonalities (Cornell and Hartmann 2007). According to social identity theory, and its companion theory – self-categorization (Tajfel 1982; Tajfel and Turner 1986; Turner et al. 1987), similar experiences and a sense of shared fate will result in the formation of a social identity. Research has indicated that Latinos in new destination communities often face the same treatment, and thus have similar experiences (see Grey, Rodríguez and Conrad 2004; Millard and Chapa 2004). While this is similar to the discussion of altercasting, it is

important to point out that this is the other side of the altercasting coin. As Anglos cast these new residents as “Mexicans” or “Latinos” rather than paying attention to these people’s subgroup identification, “Latinos” are the recipient of a common treatment creating a basis for shared experience and, thus, social identification. A boundary places all “Latinos,” without regard for subgroup identification, into the “them” category and provides to them a similar experience which can result in the adaptation of a boundary for themselves. The formation of an ethnic group, and its component identities, relies upon constructed boundaries (Barth 1969, Cornell 1996; Cornell and Hartmann 2004, 2007; Nagel 1994).

The adoption of boundaries as one’s own, even when it begins with another group defining what those boundaries are, is often argued to be a result of “political, economic, and social circumstances or relationships” which inform “shared material interests” in a particular social context (Cornell 1996: 266; see also Yancey, Erickson and Juliani 1976). For example, Verkuyten (2005) argues that pan-ethnic identities such as Asian American, Hispanic, and West Indian began solely as legalistic terms utilized for political reasons. Despite their origin, labels slowly came to be adopted by those to which they were prescribed (see also Eriksen 1993; Espiritu 1992, Padilla 1985, 1986). The initial, frequently political, utilization of pan-ethnic terms often forms the basis for self-identification into a pan-ethnic social identity to gain access to resources and other advantages (Espiritu 1992, Roosens 1989).

Cornell (1996) argues that Italian Americans immigrants came to the United States much as Latinos do, with regional or local identities. It was the situation that they entered, one where they faced similar discrimination and prejudice regardless of this subgroup identification, that created perception of shared interests (Alba 1985; Cornell 1988, 1996). Ethnic identities are viewed here as mainly rational – individuals will choose to identify in

order to gain advantages for themselves (Nagel 1994). Thus, while forming an ethnic identity serves to satisfy the motivation to belong (Bakalian 1993) it is also motivated by self-interest.

The need to create a “we” in order to obtain benefits is more likely to occur if Latinos in a community feel isolated from Anglos as this isolation would create conditions where Latinos come to the conclusion that “they” (Anglos) will not provide support. Perceived isolation can occur for a variety of reasons. As reviewed extensively in the previous chapter, Latinos tend to only trust family members. Latinos may feel isolated in the community because they do not trust Anglos and believe they cannot rely on them for aid. Furthermore, as discussed above, if Latinos feel that they are targeted for discrimination by Anglos, they are likely to feel isolated. Finally, if in day-to-day life, Latinos are not interacting with Anglos and thus have few ties to Anglos in the community, they are likely to feel isolated. The isolation and separation from Anglos is likely to result in the development of shared interests. This suggests the following hypotheses.

Hypothesis 4a. Network members’ trust in Anglos will be associated with a lower perception that network members have shared interests.

Hypothesis 4b. The fewer the ties to Anglos the greater the perception that network members have shared interests.

Hypothesis 4c. The perception of being targeted for discrimination by Anglos will be associated with greater perception that network members have shared interests.

### **Shared Institutions**

Once shared interests are recognized, shared institutions are frequently created to pursue mutual interests (Espiritu 1992; Nagel 1994). Shared institutions, or “sets of social relations organized specifically to solve the problems group members face or to achieve their

objects,” are another mechanism for creating an ethnic “we” or a social identity (Cornell and Hartmann 2007: 90; see also Cornell 1996). Membership in shared institutions creates a bond between the members who rely on the institutions, and thus the other members of the institutions, to solve their problems. An example of this can be found in Portes and Sensenbrenner (1993) work. These authors point towards the creation of Latino/a radio stations and newspapers to share information with the Spanish speaking populace of a community. In fact, the community under study here also created a Spanish version of the local newspaper to keep the Latino/a population informed of changes occurring in the community and keep them abreast of any concerns that face this population.

Common Ingroup Identity Model (CIIM) research makes a similar argument to explain the formation of a social identity (Gaertner and Dovidio 2000; Gaertner, Dovidio, Anastasio, Bachman and Rust 1993). Drawing on the “contact hypothesis” (Allport 1954), this social identity perspective attempts to explain how prejudice can be reduced between different groups (Gaertner and Dovidio 2005). The main process is recategorization, where two (or more) subgroups come to see themselves as having a common superordinate social identity. While primarily concerned with the reduction of prejudice between majority groups (such as Whites) and minority groups (such as African Americans and Latinos) (for examples see Dovidio, Gaertner, Niemann and Snider 2001; Eller and Abrams 2004, 2006; Gaertner and Dovidio 2005), the logic holds for the creation of a pan-ethnic identity through coalitions of Latino/a subgroups.

The creation of a superordinate group is in response to a wide variety of social conditions (for a complete review see Gaertner and Dovidio 2000). Closely associated with shared interests and shared institutions, are conditions of ingroup interdependence including

cooperation, interaction, and common fate. It has long been noted that competition between groups results in prejudice and discrimination, while cooperation provides the basis for common identification (Sherif, Harvey, White, Hood, and Sherif 1961; see also Bobo 1999; Gaertner, Dovidio and Bachman 1996). Cooperation, which is encouraged by shared interests and is necessary for the functioning of shared institutions, motivates individuals to think of themselves as belonging to the same group and can work to create a superordinate “we” where an “us” and “them” existed before (Gaertner and Dovidio 2000). The cooperation that creates this “we” has two elements – interaction and common fate (Gaertner and Dovidio 2000). In order for cooperation to occur, group members need to interact. The belief that group members have a common fate, or share outcomes, encourages cooperation. Laboratory experiments, field experiments, and field work have found support for these propositions (Banker and Gaertner 1998; Dovidio et al. 2001; Gaertner et al. 1990; Gaertner et al. 1996; González and Brown 2002; Nier et al. 2001). Shared interests and institutions require, to some extent, cooperation which is itself contingent upon interaction and common fate. The more individuals perceive having these in common with a particular group, the more likely they are to identify with that group.

Shared interests, cooperation, and interaction are all components of building a successful business network (a shared institution) as well (Besser and Miller 2010a, 2010b). While the language used varies, the underlying formulations of the concepts are the same. To create a business network, individuals need to come to an understanding that they share common interests and decide that banding together would help them meet these interests (Besser et al. 2006). To make the network successful, members of the network need to



cooperate and interact to achieve network goals. According to social identity perspectives, all of this would work to create a sense of “we” between network members.

Within such a network, the more each member believes that he or she shares interests, has the cooperation of other network members, interacts with those others, and believes that he or she has a common fate with those others, the more he or she will identify with all others in the network which is more than the creation of a business network identity. The criteria for this type of network are racial or ethnic in nature. It is a Latino/a business network (a fact reflected in the network newsletters). The sense of “we” that needs to be constructed then is not just “we” as a business network, but rather “we” as a Latino/a business network. While forces outside of the network also encourage the development of a Latino/a shared identity, it is the perception of shared interests, cooperation, interaction, and common fate that occurs within this shared institution that is vital for the purposes here. It is thus suggested that what occurs within this network, will support the formation of a Latino/a identity. These arguments provide the basis for the following hypotheses:

Hypothesis 4d. Perception that network members have shared interests will be positively associated with greater self-identification as Latino/a.

Hypothesis 4e. Perception that network members cooperate will be positively associated with greater self-identification as Latino/a.

Hypothesis 4f. Interaction between network members will be associated with greater self-identification as Latino/a.

Hypothesis 4g. Perception that network members have a common fate will be positively associated with greater self-identification as Latino/a.

### **Shared Culture**

Finally, Cornell (1996) and Cornell and Hartmann (2004, 2007) argue that shared culture can be a source of ethnic identities. While it is true that “Latinos” in new destinations come from a variety of different countries with a variety of different cultures, the argument is that culture, as a basis for an ethnic identity, is constructed. Nagel expands upon Barth’s (1969) argument that culture is not “simply an historical legacy” but can instead be understood as a “shopping cart”:

We can think of ethnic boundary construction as determining the *shape* of the shopping cart (size, number of wheels, composition, etc.); ethnic culture, then, is composed of the things we put into the cart – art, music, dress, religion, norms, beliefs, symbols, myths, customs... [C]ulture is *not* a shopping cart that comes to us already loaded with a set of historical cultural goods. Rather we construct culture by picking and choosing items from the shelves of the past and present (1994: 162, italics original).

Throughout history, ethnic groups have actively created a shared culture where none has existed before or when what has existed before has been lost. For example, Bakalian (1993: 48) draws on the Thomas theorem to argue that if “ethnics define their identity as real, then it should be real in its consequences, whether or not its content is substantiated by objective definitions of culture.” Thus, when Scots utilize a bagpipe to refer to a shared history (even though it is a modern instrument) (Trevor-Roper 1983); when Irish wear green to connote commonality, or when Italians eat spaghetti to show ties to Italian ancestors (Cornell and Hartmann 2007), the result is the creation of a sense of belonging and, as such, the formation of an ethnic identity.

One way to create a shared culture is to place items from each of the variety of different subgroups into one pan-ethnic cultural shopping cart. Yet, creation requires “propinquity and time” (Cornell 1996: 176). While the relative isolation of Latinos in new destinations and in gateway communities (see Lichter et al. 2007) could fulfill the first requirement, the small amount of time “Latinos” have been in new destinations (see Grey et al. 2004) makes the creation of a shared culture problematic (see Padilla 1985, 1986). As such, while it is theoretically suggested as a component for the development of a pan-ethnic “we,” the focus for the current research will be on shared interests and the cooperation, interaction, and common fate necessary for shared institutions.

The first two requirements for the creation of a shared identity, where the identity is both racial and ethnic at the same time, have been met. Through the processes of power and altercasting, Anglos are able to construct new residents as “Latino/a” racially, regardless of the new residents’ previous self-identifications. Furthermore, the construction of individuals as “Latino/a” results in shared experiences, shared institutions, and shared culture that, through rational self-enhancement interests, results in the choice to self-identify as “Latino/a” ethnically. While the discussion of the boundary between “we” and “them” has necessarily been a part of the previous discussion, I will more fully develop this component of shared identity theory below and explain how it relates to bounded solidarity.

### **Construction of the “We” Versus “They” Dichotomy**

As discussed above, a central component of ethnic identities is the boundary constructed between who is allowed to be in the group and who is not. While ethnic identities provide the basis for belonging (a core component of ODT), individuals are also motivated for distinction – to be unique individuals (Brewer 1991; Brewer and Silver 2000). Research

in this area has indicated that human beings are motivated to satisfy the “opposing forces” of feeling like they belong (assimilation, depersonalization, similarity) and feeling that they are unique individuals (distinctiveness or differentiation) (Brewer 1991; Hornsey and Hogg 2000; Jetten, Spears and Manstead 1997; Maass et al. 2003; Pickett, Silver, and Brewer 2002; Schmitt and Branscombe 2001). For social identities, a distinction is achieved through maintaining an in-group identity in comparison to a particular out-group. Thus, individuals are able to say, “I am like these people, I belong here,” in response to their social identities (sense of belonging); while simultaneously able to say, “I am different from these people, we are not alike,” in response to the out group to their social identities (differentiation). At the center of both the belonging and differentiation motivation is the sociocognitive process of categorization (Oakes, Haslam, and Turner 1994; Turner 1985, 1991; Turner et al. 1987).

Categorization is a process that intensifies both the similarity of all social objects within a particular category (including self and others) and the differences between categories. To extend Nagel’s (1994) shopping cart metaphor, consider two grocery carts. Cart A is the “Latino/a” cart with all the cultural meanings and individuals who self-identify (or are identified) as Latinos. Cart B is the “Anglo” cart containing all of the cultural meanings and individuals who classify as Anglo inside. For example, an “Anglo” man who is sorting individuals into carts would look at a Mexican and an El Salvadorian man and place him into the “Latino” cart and sort himself into the “Anglo” cart. Once those categorizations take place, this “Anglo” would believe that all of the people placed into each cart are similar to one another. Furthermore, he would see the carts as very different from one another. Those in the “Latino” cart would thus be seen as very different from those in the “Anglo” cart. Thus, he derives a sense of belonging from his own cart while simultaneously achieving

differentiation through the contrast with those in the other cart (Brewer 1988; Oakes, Haslam and Turner 1994).

Yet, what determines which carts will be utilized? For example, it would be possible for cart A to be a “male” cart and cart B to be a “female” cart, resulting of the sorting of both men into the same cart and seeing themselves as similar to each other. This is possible as all that is required for the formation of a social identity group is for at least three people to “identify and evaluate themselves in the same way and have the same definition of who they are, what attributes they have, and how they relate to and differ from people who are not in their group or who are in specific out-groups” (Hogg 2006: 115). As such, it is likely that the men in this example have a variety of social identities (including “male” and their racial/ethnic identities) which could be activated for categorization and differentiation.

Which social identity is selected for categorization depends upon the referent group, an idea clarified by Brewer’s (1991) illustration the self as a system of concentric circles with personal identities at the center. Each outward circle represents a social identity at a larger scale. Each level of social identity includes both an ingroup (Who am I like?) and an outgroup (Who am I different from?). This is consistent with the idea of “layering” (McBeth 1989; quoted in Nagel 1994: 154) utilized to explain ethnic identities.

For example, Cornell (1988) discusses how Native American ethnic identities can exist at a subtribal (such as clan), tribal (such as official), regional (such as the Plains) or pan-ethnic (such as Native American) levels. In this example, each successive identity is a larger circle with pan-ethnic being the largest. In her summary of this research, Nagel comments that the identity activated “depends partly on where and with whom the interaction occurs” such that “an American Indian might be a “mixed-blood” when interacting on the

reservation with others in the tribe, “from ‘Pine Ridge’ when speaking to someone from another reservation...” or “Native American” when interacting with non-Indians” (Nagel 1994: 1955, see also Nagel 1996).<sup>14</sup> Padilla (1985, 1986) and Gimenez, Lopez and Munoz (1992) discuss how “Latinos” or “Hispanics” have a similar layering. The central point is that individuals maintain all of their social identities, selecting which one they enact to enable the concurrent maximization of the need to belong and the need for differentiation.

This calls into question some of the research that has denied the possibility of pan-ethnic identities. First among these is the long debate about the utilization of the term “Hispanic” or “Latino/a” as an adequate pan-ethnic term to describe those from Latin American identities. Many have argued that these terms undermine the diversity of cultures, histories, and the personal trajectories of the people it attempts to describe (see Oboler 1995 for a review). Undoubtedly, scholars who make this claim have a point if one considers “Latino/a” or “Hispanic” solely as “social facts” (Verkuyten 2005) that are “assigned” (Cornell and Hartmann 2007), as utilizers of large scale national data frequently do (see Giménez 1989). I argue that when these terms are self-selected by individuals in response to perceived differences from an Anglo outgroup they become meaningful.<sup>15</sup>

Second, some research has highlighted the tendency for people from Latin American subgroups not to identify across subgroups (i.e. Mexicans not placing Cubans in the same

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<sup>14</sup> This is similar to the example given to Brewer (1991) on her own professional identity, further indicating the close overlap between research from social identity perspectives and research on ethnic identities. While this is not surprising, given social identity theorists claim that ethnic identities are social identities, it is surprising in the extent that researchers on ethnic and racial identities (not from the social identity perspective) seem to ignore this research.

<sup>15</sup> The debate does not end here. For example, Hayes-Bautista and Chapa (1987) trace the political history of Latin American subgroups since the Monroe Doctrine of 1823 to make a case for the pan-ethnic term of Latino over Hispanic. I am not attempting to make a claim that any pan-ethnic term completely expresses the diversity of these peoples, rather that there are structural and agentic processes that can result in these terms becoming meaningful for self-definition.

“cart” as themselves). For example, Huddy and Virtanen (1995) found that members of Latino/a subgroups (Cubans, Mexicans and Puerto Ricans) were no more likely to differentiate between the subgroups to which they did not belong than Anglos. This has led some researchers, such as Howard, to argue that “[s]ubgroup identification may be more pervasive than the development of loyalties to the in-group [Hispanic or Latino/a] as a whole” (2000: 375). What this research largely ignores is the concept of layering. When a person adopts a Latino/a social identity, this does not mean that their subgroup identification (as Mexican) is lost. In fact, Huddy and Virtanen (1995) first asked participants about their own ethnicity (in terms of where they were born, where their parents came from, and where most of their ancestors were from). They then asked how similar they saw themselves to a variety of other groups (“How similar do you feel to people who belong to each of the following groups” with the groups including Hispanic Americans, Cuban Americans, Mexican Americans, and Puerto Ricans). This method of research asks participants to compare their own group to other subgroups – creating a situation that asks them to identify at a lower level. The view of ethnic identities as layered, and individuals as motivated to maximize both similarity and distinctiveness, suggests that the respondents would not closely identify with these groups because the question constructed a situation in which these other groups are depicted as the out-group. Research that asks individuals to compare all subgroups to Anglos may find a different answer. This suggests the following hypothesis:

Hypothesis 5a. The salience of reference group (Latino/a or Anglo) will be related to whether an individual Latino/a sees him or herself as similar to other Latino/a subgroups.

Understood in this light, it becomes clear that “the expression of Latino ethnic conscious behavior is *situationally* specific, crystallized under certain circumstances of inequality experience shared by more than one Spanish-speaking group at a point in time” (Padilla 1985: 61, italics original; see also Calderón 1992). Yet again we see how shared experiences create the impetuses for individuals to agentically choose to identify as “Latino/a” when comparing themselves to those perceived as causing this experience (largely the Anglo population).

As should be evident, a “Latino/a” identity (or any other social identity) is situationally dependent upon who else is available for comparison. The implication is that those with a “Latino/a” identity will always have it within their identity repertoires, but it is only one of those possible identities that can be activated. A person’s other social identities (such as Mexican or El Salvadorian) are not lost when he or she also identifies as Latino/a.

For example, a man from Mexico would have the option of enacting his Mexican identity or his “Latino” identity when interacting with a man from El Salvador (who likewise can choose between an El Salvadorian and a “Latino” identity). CIIM maintains that these individuals have a dual identity or “an amalgam of salient categorization and recategorization, in which original group identities are maintained, but within the context of a superordinate identity” (Eller and Abrams 2006: 93-4). Gaertner and Dovidio (2005) explain dual identities as a way of recognizing that while you may have a lower level identity that differs from others in your group, there is a higher level identity that is shared among group members. For example, a Mexican man and El Salvadorian man have different national identities (and thus can perceive themselves as members of different groups). Yet, if (through the processes described above) they come to recognize that they are both Latinos, they can



view themselves as belonging to the same group. This is what Gaernter and Dovidio refer to as the realization that you are “playing on the same team” (2005: 630). As such, it is possible, and sometimes beneficial (see Eller and Abrams 2004), for the superordinate identity not to absorb an individual’s subgroup identity. Previous research has indicated that Latino/a subgroup members tend to think of themselves in terms of those subgroup identities (Grey 2004). Dual identities explain how it is possible for identification to occur, while still creating a pan-ethnic “we.” This suggests the following hypothesis:

Hypothesis 5b. Perception that network members are playing on the same team will be associated with greater self-identification as Latino/a.

The previous discussion has thus satisfied the necessary components for an adequate shared identity theory for the formation of an identity that is both racial and ethnic at the same time. This has included a discussion of: (1) The racialization process of “Othering” by those in power; (2) The self-managed selection of an ethnicity based on shared interests, shared institutions, and/or shared culture; and (3) A delineation of how the “we” versus “they” dichotomy is constructed. Missing from this discussion is an exploration of the effects of the construction of this identity. What are the implications of having such an identity, regardless of whether it is assigned, asserted, or a combination of both? The final section will discuss this as well as tie shared identities to the creation of the trust necessitated for sustainable business networks.

### ***The Consequences of Shared Identity Formation***

When a social identity becomes activated “people come to perceive themselves more as interchangeable exemplars of a social category than as unique personalities defined by their individual differences from others” (Turner et al. 1987: 50). Gaining a sense of

belonging thus means more than simply defining oneself as a part of a “we” and being similar to the others that belong to that “we” – it involves a process of becoming that “we.” When this occurs, the needs of the collective, its goals, and norms for behavior replace the needs, wants and desires of the individual as that actor’s guide for behavior (Verkuyten and Hagoendoorn 1998).

Social identities are relative constructs – that is, they exist in opposition to other social identities (Hogg and Abrams 1988). In this case, the social identity of Latino/a would be relevant compared to the social identity of Anglo. To extend the cart analogy, there are two perceptual carts – Latino/a and Anglo. As a person sorts herself into a cart, she is also sorting all others into their carts. She then sees those residing within each cart as being similar to each other and different from those in the opposite cart. This perceptual process homogenizes both the members of the ingroup (those in one’s own cart) and the outgroup (those in the comparison cart). Deciding who goes into which cart depends upon the group prototype, or “fuzzy sets of attributes” or “an abstraction of properties” that “no real member may embody” (Hogg 2003: 60). Including all components of group membership (such as attitudes, beliefs, behaviors, emotions), the prototype defines what it means to be in a particular category, a member of a particular group, for all group members – including the self.

While there has been some research indicating that individuals tend to homogenize the outgroup more than the ingroup (Judd and Park 1988; Mullen and Hu 1989; Quattrone and Jones 1980), this is not the case for minority group members who may accentuate ingroup similarity for strategic reasons (Simon 1992; Simon and Brown 1987). Race and ethnicity can be understood as a master identity (Charmaz 1994) or master status – a trait that

“tends to overpower, in most crucial situations, any other characteristics which might run counter to it” (Hughes 1945: 147). As such, racial and ethnic identities – especially those of minority groups – are likely to become salient or activated within any given situation making them the basis for categorization. Individuals become depersonalized and think of themselves, and all other group members, in terms of the group prototype.

Indeed, research has shown that minority groups are more likely to go through the depersonalization process than are larger social groups (Mullen, Brown and Smith 1992). Depersonalization results in changing what is meant by self-interest. It no longer refers to the self, but rather to the interests of the group (Brewer and Silver 2000) including an adoption of group norms (Jetten, Spears and Manstead 1997). In the words of Brewer and Silver, “[s]hared social identities define bounded communities of mutual trust and obligation” (2000: 162).

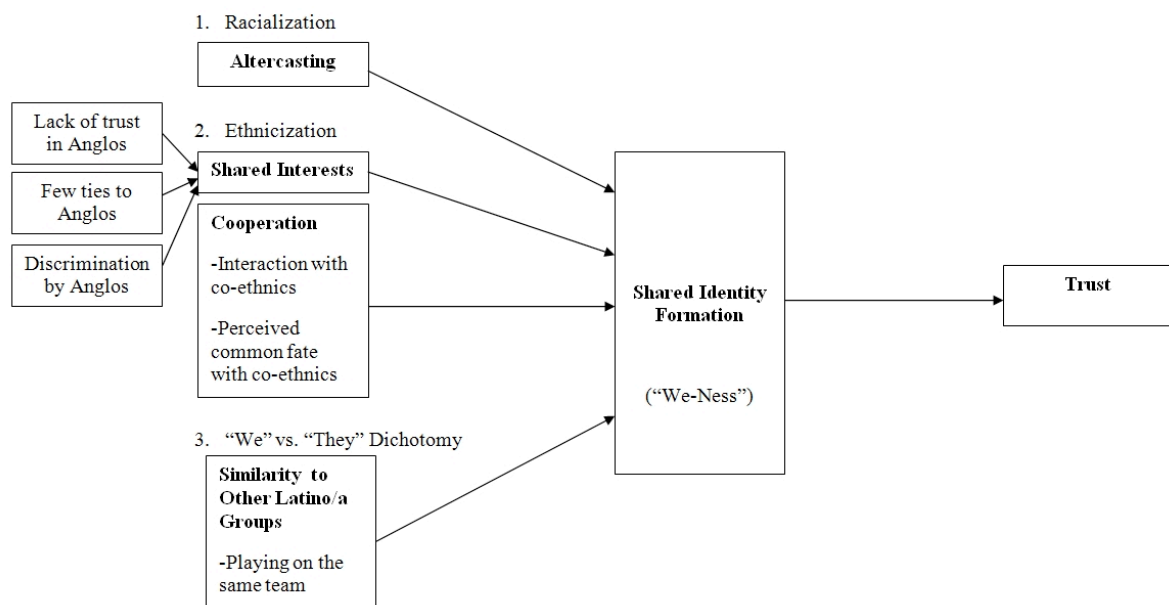
The acceptance of group norms as a moral imperatives are functions of both social identity theory *and* the definition of bounded solidarity (Portes and Sensenbrenner 1993). Thus, it is not just shared culture brought into the new communities that helps create trust and shared norms (components of social capital, see Chapter 2) but also the shared experience of immigrants once they arrive. The creation of bounded solidarity and shared ethnic identities bring also the basis for trust necessary for the successful development of business networks. If group members are more concerned with the needs of the group, rather than their own needs, providing for the “expectation” by one group member (business owner) “that another will not exploit its vulnerabilities when faced with the opportunity to do so” (Krishan, Martin and Noorderhaven 2006: 895). To the extent that a pan-ethnic social

identity is adapted by network members, trust will likewise develop between co-ethnics, providing the rationale for the final hypothesis:

Hypothesis 6. A higher level of self-identification as Latino/a will be associated with higher the level of trust for others categorized as Latino/a.

The underlying argument is that shared experience creates the conditions for the development of trust between business network members. This process is mediated through social identification – whether this identification begins from processes of assignment or from assertion. What may be confusing is the exact relationship of perceived commonality to social identity. Not only does perceived commonality create a shared identity, it is a

**Figure 2. The Formation of a Shared Identity**



byproduct thereof. While seeming tautological, it is important that the type of commonality is different. A source of social identity is perceived shared experiences (i.e., shared interests, shared institutions, and shared culture). The commonality that develops out of a shared identity (such as the adoption of norms or development of trust) exists as a result of group

identification (the process is summarized in Figure 2). Notice that Figure 2 shows the basis for the formation of “We-ness,” one of the bases of trust shown in Figure 1.

Shared identity theory provides an explanation for how an identity that is both racial and ethnic can be formed. Furthermore, I argue that racial/ethnic identities are social identities that can create another path to bounded solidarity when other sources of solidarity are not possible (see discussion in Chapter 2). The explanation of this process is an attempt to explain how “We-ness” (one basis of trust discussed in Chapter 2) can be formed and thus lead to both perceived benefits from network membership and network sustainability.

## CHAPTER FOUR: METHODS

The previous chapters have outlined a theory on the development of trust between Latino/a network members and how that trust can result in benefits to their business and assure network stability. In particular, I proposed that there are three ways that trust can be developed between Latino/a network members (third party, history-based, and a sense of “we-ness”). I then provided a theory for how a sense of “we-ness” can be developed between Latinos in new destination communities. This chapter details how I examined these propositions through exploratory research about members of a Latino/a business network in Ottumwa, Iowa.

These data were collected in conjunction with “Collaborative Research: Small Business Network Creation and Outcomes for Change and Innovation,” a study conducted by researchers at Iowa State University and the University of Nebraska-Lincoln. Four rural business networks were studied from inception to understand the challenges associated with starting new business networks. The four networks were a Community Entrepreneurs and Home Based Business Network (called PRIDE), a state-wide alternative agriculture producers’ network, a state-wide women’s apparel store network, and a Latino/a business network (see Besser and Miller 2010c). The data collected on this last network that are of interest here.

Research presented in this dissertation is a multi-method study with data that consist of interviews and field notes, answers to close-ended survey questions and relationship and exchange information. Different types of data were gathered over three time periods (see Table 2). In the following section, I describe how the data were utilized to elaborate the major theoretical themes presented previously. Then I discuss the quantitative data utilized.

***Time Periods***

Data collection on the Latino/a network began in 2003 and continued through 2010.

Data used in this analysis consisted of field notes from researchers' attendance at meetings

**Table 2. Summary of Data for Exploratory Research**

<b>Data Type</b>	<b>Data Details</b>	<b>Years</b>
Qualitative	<u>Field Notes</u> Researcher notes (from two researchers) on visits to businesses, meetings with conveners, and attendance at network meetings.	2003-2010
	<u>Focus Group</u> Convener interview with two member businesses.	2007
	<u>Network Meeting Transcripts</u> Three meetings.	2003-2007
	<u>Convener Interview Transcripts</u> Transcript of interviews with active conveners.	2006, 2007, 2010
	<u>Interviews with Businesses</u> Transcript of interviews with business owners.	2006-2007
Network Analysis	<u>Matrix Collection</u> Data on amount of morale, information and financial exchange in network.	2006
	<u>Matrix Collection</u> Repeated 2006 with convener included, collected matrix data on trust in network.	2009
Survey Data	Components of shared identity theory, low-risk and high-risk exchange, business benefits, and network sustainability.	2009

and visits to member businesses; transcripts from business network meetings and interviews with network organizers; a focus group with three member businesses; and network member responses to close ended structured questionnaires given in 2006 and repeated again in 2009 (see Table 2). This questionnaire specifically addressed the type and amount of resource exchanges that occurred within the network. The questionnaire given in 2009 went beyond

understanding exchanges and asked about aspects of building trust (i.e. history-based trust and the development of shared identities).

### **Time Period One: 2003 - 2006**

Between 2003 and 2010, the composition of the business network continually changed as businesses opened and closed. According to field notes, when the study began in 2003, there were fourteen Latino/a-owned businesses in Ottumwa. Prior to the start of 2006, field notes indicate that there were about eighteen businesses in operation. The data from 2003 until 2006 are all qualitative in nature – a focus group, transcripts of meetings, and field notes.

### **Time Period Two: 2006 - 2009**

In 2006, there were twelve business owners who participated in a network<sup>16</sup> survey at the beginning of this period. All of the businesses were owned by a family (usually a husband and a wife). Due to constraints in how data could be collected, only one owner filled out the surveys – either the husband or the wife. While it is possible that the answers may have varied due to which partner filled out the survey (for example, women may have tended to answer differently than men, I cannot am not able to analyze any differences that appeared. Future research will need to address this possible concern. From 2006 until 2009, we also gathered qualitative data consisting of field notes, transcripts of interviews with network organizers about the development of the network and the challenges faced. This time period ends with the collection of the final quantitative survey.

### **Time Period Three: 2009-2010**

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<sup>16</sup> There are two ways that I use the term “network.” One is a descriptor that references a voluntary membership organization. The other is a statistical technique that I will describe in detail below. It is this second use of the term network that applies here.



The final phase of data collection began in the fall of 2009 when six businesses were in the network (reasons for the changes in network size are addressed in the social context section of the results chapter). At this time, the last survey was administered which included questions about relationships and exchanges (exactly repeating data collection from 2006 and used for network analysis and further measures addressing low-risk and high-risk exchange level), benefits from networking, network sustainability, and Latino/a self-identification. In 2010, there was a final interview with the network organizer which focused on the hypotheses proposed in this dissertation and the reasons for changes in network composition.

### **Summary of Data**

Research over three time periods resulted in qualitative and quantitative data following seven main themes that will be pursued in the next chapter (see Table 3). First, I utilized census data and qualitative data to describe the social context of Ottumwa, IA during this time period. In particular, I focused on the political and labor market conditions of the community that constitutes the social context in which the network is embedded and how these conditions shaped the development of the business network. Second, drawing on both qualitative and quantitative data, I examined the hypotheses related to trust (hypotheses set one). Third, a mixture of qualitative, survey data, and relationship and exchange data will be employed to investigate the relationship between trust, business benefits, and network sustainability (hypotheses set 2). The network analysis focused on the type and level of exchanges that existed in the network.

The next set of themes focus on the shared identity theory described in Chapter 3. This includes the fourth theme – racialization through altercasting (hypothesis 3). The majority of this section will rely upon quantitative data. Fifth, ethnicization in terms of

**Table 3. Themes for Analysis, Hypotheses, and Data for Analysis**

<b>Theme</b>	<b>Hypotheses</b>	<b>Data</b>
Social Context	N/A	1, 5
Trust	1a: Latino/a entrepreneurs are more likely to rely on family members for business aid than they are to rely on network members. 1b: Network members' trust in the convener will be positively associated with trust in other network members. 1c: Interactions with other network members in day-to-day life will be positively associated with trust in other network members.	1, 4 1, 3, 4 1, 4
Benefits & Sustainability	2a: Higher levels of trust between members of the network will be associated with the perception of greater benefits from network membership. 2b: The majority of resource exchanges between members will be low-risk. 2c: Higher levels of trust between members of the network will be associated with a higher level of participation in high-risk exchanges. 2d: Higher levels of participation in resource exchanges will be associated with the perception of greater benefits from network membership. 2e: High-risk exchanges will be associated with the perception of greater benefits from network membership more than low-risk exchanges will be. 2f: Perception of greater benefits from network membership will be associated with the perception that the network is sustainable. 2g: Higher levels of trust between members of the network will be associated with the perception that the network is sustainable.	1, 4 1, 3 1, 2, 3, 4 1, 4 1, 4 1, 4 1, 4
Racialization	3. The perception of more incidents of treatment of self as Latino/a by Anglos will be associated with greater self-identify as Latino/a.	1, 4
Ethnicization	4a. Network members' trust in Anglos will be associated with a lower perception that network members have shared interests. 4b. The fewer the ties to Anglos the greater the perception that network members have shared interests. 4c. The perception of being targeted for discrimination by Anglos will be associated with greater perception that network members have shared interests. 4d. Perception that network members have shared interests will be positively associated with greater self-identification as Latino/a.	1, 4 1, 4 1, 4 1, 4

Note: Data include (1) Qualitative data; (2) 2006 Relationship and Exchange Data; (3) 2009 Relationship and Exchange Data; (4) 2009 Survey data; and (5) U.S. Census Bureau Data.

**Table 3. (continued)**

	4e. Perception that network members cooperate will be positively associated with greater self-identification as Latino/a.	1, 4
	4f. Interaction between network members will be associated with greater self-identification as Latino/a.	1, 4
	4g. Perception that network members have a common fate will be positively associated with greater self-identification as Latino/a.	1, 4
We Vs. They Dichotomy	5a. The salience of reference group (Latino/a or Anglo) will be related to whether an individual Latino/a sees him or herself as similar to other Latino/a subgroups.	1, 4
	5b. Perception that network members are playing on the same team will be associated with greater self-identification as Latino/a.	1, 4
“We-ness” Based Trust	6. A higher level of self-identification as Latino/a will be associated with higher the level of trust for others categorized as Latino/a.	1, 4

Note: Data include (1) Qualitative data; (2) 2006 Relationship and Exchange Data; (3) 2009 Relationship and Exchange Data; (4) 2009 Survey data; and (5) U.S. Census Bureau Data.

shared interests and common fate drew upon both qualitative and quantitative analysis (hypothesis set 4). Sixth, I inspected the “we” vs. “they” dichotomy and the role it plays in the formation of Latino/a identities for network members (hypothesis set 5). This section primarily relied upon quantitative analysis. Finally, self-identification (this sense of “we-ness”) as a source of trust was examined primarily through quantitative data (hypothesis 6). In the following section, I describe the variables utilized for the quantitative analysis of each theme.

Before proceeding, it is important to note that most of the interviews with business owners and transcripts from network meetings were originally in Spanish and were translated into English for the purpose of analysis. Surveys and the relationship and exchange matrices were written in English and then translated into Spanish. These translations were then checked for accuracy.

### *Measures*

The majority of variables included in the analyses were measured by multiple items. In order to create an overall variable from items, I created summative variables. Items for summative variables were selected to represent their respective constructs based on their face validity or based on prior research. The items utilized in the creation of the summative variables are summarized in the following tables. Also included in these tables are the descriptive statistics for the summative variables. These are included because it is useful to know the overall mean and range of these variables. The variables used to measure the six themes that rely on quantitative data are described below.

### **Trust**

The first theme for analysis focuses on factors that can deter or encourage the development of trust between network members (see Table 4). There are two measures of trust created from the question “As a member of the association, how much do you trust the owner of (business name)” (0 = Not at All to 5 = Very Much). The responses to this item were entered into a 7 x 7 adjacency matrix for the purposes of generating network drawings and allowing network analytic tools (described below). I also created a measure (called “Trust”). This variable was constructed through averaging the responses of each participant across their evaluation of all members of the network (including the convener).

Five questions were asked to determine how likely (1 = Not at all likely to 5 = extremely likely) network members were to turn to a family member or a member of the association for help or advice under various scenarios. The scenarios were water damage to their store; needing to hire someone to help in the store; adding a new product to sell; dealing with vandalism; and hiring an attorney to help adjust the terms of their lease of a building.

**Table 4. Descriptive Statistics for Trust Theme Measures**

	<b>Mean</b>	<b>SD</b>	<b>N</b>
<b>Trust</b> (1 = not at all, 6 = very much)	13.20	6.06	5
<b>Family Trust</b> (1 = not at all likely, 5 = extremely likely)	22.00	2.73	5
1. Money to repair water damage to your store	05.00	0.00	5
2. Hire help to manage your store during busy	04.00	1.67	6
3. Adding another product to sell	04.80	0.45	5
4. Concerned your business will be vandalized	03.83	1.17	6
5. Adjust terms of lease you have on a building	03.67	1.51	6
<b>Association Trust</b>	13.40	6.11	5
1. Money to repair water damage to your store	02.33	1.21	6
2. Hire help to manage your store during busy	02.00	1.27	6
3. Adding another product to sell	02.60	1.14	5
4. Concerned your business will be vandalized	03.00	1.67	6
5. Adjust terms of lease you have on a building	03.83	1.47	6
<b>Third Party</b> (1 = never, 6 = very often)	04.67	0.52	6
<b>History-Based</b> (1 = never, 6 = very often)	01.16	1.00	7

Logically, the items seem to measure a similar construct. I created two variables, family trust and association trust, by summing the response to the questions. Only one question was asked about the development of trust through a third party. It asked, “As a member of the association, how much do you trust (network convener)” (0 = Not at All to 5 = Very Much). The resulting variable is called “third party.” History-based development of trust included a series of items about how much interaction each network member had with each other member of the network. The question asked: “How often do you interact with the owners of (name of business)...” in eight different venues. Participants answered this question (0 = Never to 5 = Very Often) for interactions: outside of network events, at your home, at their home, at church, while working at your business, their place of business, while shopping, and at your child’s school. The network convener was also asked about and answered the history-based trust development questions. His data were included in the analysis.

These data were handled in two ways. First, the responses to the eight items on history-based development were entered into a single 7 x 7 adjacency matrix. In order to make only one matrix, I calculated the average interaction each person had with every other person in the network. The average score was the value entered in the appropriate cell of the matrix. Creating a matrix is a process that allows for representing the data pictorially and for network analysis (described further in the analysis section below). Second, to create a history-based score for each respondent a variable was created for history-based development by averaging a respondent's ranking of everyday interaction for each of the other network members (and convener) resulting in a single score per respondent (called "history-based"). I argue that it is appropriate to combine these items because they all tap the overall idea of interacting with each other in day-to-day life.

### **Benefits and Sustainability**

The second set of hypotheses is related to perceived business benefits from network membership and network sustainability (see Table 5). Following Besser and Miller (2010c), several items measured perceived business benefits. Participants ranked from 1 (no benefit) to 5 (high benefit) the amount of benefit they believed their business had received because of membership in the association for several items. These were: "accessing financial resources," "securing new domestic customers or suppliers," "improving work practices or productivity," and "improving marketing." There were also two measures of network sustainability (Besser and Miller 2010b). Network members were asked: "In the next five years, do you expect your participation in this association to..." expand (1); stay the same (2); or diminish (3). This variable is called "Participation Sustainability." Network members were also asked: "In your opinion, what is the likely future of the association over the next five years? Will it..."

continue to grow (add new members and retaining current members – 1); remain about the same (2); decline (unable to attract enough new members to replace departing members); or discontinue operations (4). This variable is called “Future Sustainability.” There was no variation in either variable with all respondents indicating that they expected their participation to expand (all answered “1”) and expected the network itself to continue to grow (all answered “1”). Each item was left as is, meaning that there are two variables for network sustainability.

**Table 5. Descriptive Statistics for Benefit and Sustainability Theme Measures**

	<b>Mean</b>	<b>SD</b>	<b>N</b>
<b>Perceived business benefits</b> (1 = no benefit, 5 = high benefit)	10.20	6.87	5
1. Accessing financial resources	02.20	1.64	5
2. Securing new domestic customers or suppliers	02.20	1.64	5
3. Improving work practices or productivity	02.60	2.19	5
4. Improving marketing	03.20	2.05	5
<b>Participation Sustainability</b>	01.00	0.00	6
<b>Future Sustainability</b>	01.00	0.00	6
<b>High-Risk Exchange</b> (1 = never to 5 = very often)	06.00	1.15	4
1. Purchased raw material, supplies or equipment together	01.00	0.00	4
2. Shared the cost of training employees	01.00	0.00	4
3. Shared the cost of consultants	01.00	0.00	4
4. Worked together on large or complicated project	02.00	1.16	4
5. Exchanged or shared employees	01.00	0.00	4
<b>Low-Risk Exchange</b> (1 = never to 5 = very often)	08.00	3.16	4
1. Shared resources (like equipment, excess inventory)	01.00	0.00	4
2. Referred customers to an association member	02.50	1.92	4
3. Visited the businesses of other association members	02.50	1.29	4
4. Worked together to influence legislation	01.00	0.00	4
5. Shared information about new techniques, suppliers, customers, or technology	01.00	0.00	4

Besser and Miller’s (2010b) items were adopted to measure the level of high-risk and low-risk resource exchanges occurring within the network. Members of the network were asked how often (from 1 = Never to 5 = Very Often) in the past year have you participated in several different cooperative activities. With their original sample size of 898, Besser and

Miller (2010b) found that these items clustered in two factor scales; high-risk exchanges (i.e., “purchased raw material, supplies or equipment together;” “shared the cost of training employees;” “shared the cost of consultants”) and low-risk exchanges (i.e., “referred customers;” “visited association businesses;” “worked together to influence legislation”). Following their findings, I created two variables: low-risk resource exchanges and high-risk resource exchanges. I also use the 2006 and 2009 data to create a matrix that measures resource exchanges within the network. In 2004, Miller adapted the approaches of Vaux, Burda and Stewart (1986) and House (1981) to develop a scale of network member interaction to measure three types of social support. These include: morale, information, and financial exchange. The names of all members were included in the instrument, rather than having each member generate his or her own list.

For morale exchange, members were asked to rate the amount of informal business-related exchange they participated in with each other network member. Each business owner indicated how often a business owner might give each other member moral support, such as asking about “how’s business” or “sharing how you were feeling about the season’s sales or customers’ shopping behaviors, where 0 is “none” and 5 is “a lot.” According to the discussion above, morale exchange was considered very low-risk.

Information exchange was measured in the same way. Each business owner indicated how often he or she exchanged information such as whether a vendor’s line of goods was worth buying, a new source for merchandising, a tip for doing business that you feel would help others, more details shared with other business owners, where 0 is “none” and 5 is “a lot.” Information exchange requires providing other members with more information than does morale exchange. As such, I considered it a higher risk exchange than morale exchange.



Finally, business owners were asked about financial exchanges between him or herself and all other owners (on a scale that ranged from zero to five). Each business owner indicated how often he or she might exchange financial information consisting of budget numbers, profit or losses, numbers planned for future, percentage of dollars spent on advertising, and a variety of other business numbers. Financial exchanges are the highest risk of all three exchange types.

### **Racialization**

The racialization hypothesis is tested using estimates of altercasting (see Table 6). Altercasting was measured with two items. These included: “Anglos do not recognize that “Latinos” in Ottumwa are from a variety of different nations” and “Anglos cannot tell the difference between a person from Mexico and a person from El Salvador.” Response categories ranged from 1 (strongly disagree) to 6 (strongly agree).

### **Ethnicization**

The fourth set of hypotheses related to ethnicization through shared interests and cooperation (see Table 6). Shared interest was hypothesized to form because of lack of trust in Anglos, few ties to Anglos, and Latinos feeling that they are targeted for discrimination by Anglos. Hypotheses related to cooperation include measures of interaction with other network members and a sense of common fate with co-ethnics.

Shared interest was measured by asking three questions about perception of agreement among network members. Respondents indicated, on a scale from 1 (strongly disagree) to 5 (strongly agree), how much they agreed with three statements: “Most members of the \_\_\_\_ are enthusiastic about pursuing the association goals and mission,” “The members of \_\_\_\_ really care about the fate of my business,” and “I hold the same ambitions

**Table 6. Descriptive Statistics for Racial and Ethnic Theme Measures**

	<b>Mean</b>	<b>SD</b>	<b>N</b>
<b>Altercasting</b> (1 = strongly disagree, 6 = strongly agree)	10.83	1.60	6
1. Anglos do not recognize that “Latinos” in Ottumwa are from a variety of different nations.	05.33	0.82	6
2. Anglos cannot tell the difference between a person from Mexico and a person from El Salvador.	05.50	0.84	6
<b>Shared Interests</b> (1 = strongly disagree, 5 = strongly agree)	10.00	4.58	5
1. Most members of the____ are enthusiastic about pursuing the association goals and mission.	03.40	1.52	5
2. The members of ____ really care about the fate of my business.	03.60	1.95	5
3. I hold the same ambitions and vision as the other members of the _____.	03.00	1.58	5
<b>Trust in Anglos</b> (1 = strongly disagree, 6 = strongly agree)	15.17	3.37	6
1. I can rely on the Anglo members of the community without any fear that they will take advantage of me.	05.00	1.10	6
2. In general, Anglos in the community will always keep their word to me.	05.67	0.52	6
3. If I need something, I wouldn't hesitate to contact an Anglo community member for help.	04.50	1.98	6
<b>Ties to Anglos</b> (1 = never, 6 = very often)	03.38	1.03	6
<b>Discrimination</b> (1= never, 6 = almost every day)	14.80	6.83	5
1. You are treated with less courtesy than other people.	02.40	0.89	5
2. You are treated with less respect than other people.	01.83	0.98	6
3. You receive poor service than other people at restaurants or stores.	02.33	1.51	6
4. People act as if they think you are not smart.	02.17	1.33	6
5. People act as if they are afraid of you.	01.50	0.84	6
6. People act as if they think you are dishonest.	01.50	0.84	6
7. People act as if they think you are dishonest.	02.00	1.01	6
8. People act as if they're better than you are.	01.00	0.00	6
9. You are called names or insulted.	01.00	0.00	5
10. You are threatened or harassed.	01.67	1.63	6
10. You were unfairly stopped, searched, questioned, physically threatened or abused by the police.			
<b>Cooperation</b> (1 = not at all, 7 = very much)	37.25	5.68	4
1. In the network, we expect everyone to assist one another in order to benefit the group.	06.40	0.89	5
2. In the network, we expect everyone to help each other find solutions to their problems.	06.50	1.00	4
3. In the network work, we think that everyone should volunteer to do things for the network (such as host meetings).	06.50	1.00	4
4. In the network, we expect everyone to refer customers to each other's businesses.	06.50	1.00	4
5. In the network, we expect everyone to share information to help each other succeed in their businesses.	06.50	1.00	4

**Table 6. (continued)**

<b>Interaction with Co-ethnics</b> (1 = Not at all; 7 = Very much)	27.60	7.67	5
1. I often go a whole network meeting and never say more than a few words to a member from a different nationality group than my own. (reverse coded)	04.80	2.28	5
2. This is a network in which everybody is encouraged to be friends.	06.60	0.89	5
3. People of different nationality groups just <i>don't</i> like being together. (reverse coded)	05.80	1.64	5
4. The network leaders encourage members to make friends with other network members from different nationalities than their own.	04.20	3.03	5
5. The network leaders do not encourage members to make friends with other network members from different nationalities than their own. (reverse coded)	06.20	1.79	5
<b>Common Fate</b> (1 = Not at all; 7 = Very much)	18.75	3.86	4
1. To what extent do you believe that failing to help other network members hurts us all, not just some of us?	06.25	1.50	4
2. To what extent do you believe that if one of the network members fails you are more likely to fail?	06.25	0.96	4
3. To what extent do you believe that a success for one network member will also lead to success for your business?	06.25	1.50	4

and vision as the other members of the \_\_\_\_.” Trust in Anglos was created from three items measuring respondents’ willingness to rely upon Anglos. On a scale from 1 (strongly disagree) to 6 (strongly agree), respondents indicated to what extent they agreed with the following statements: “I can rely on the Anglo members of the community without any fear that they will take advantage of me,” “In general, Anglos in the community will always keep their word to me,” and “If I need something, I wouldn’t hesitate to contact an Anglo community member for help.”

The variable for ties to Anglos was measured in the same way as history-based trust. There were a series of items about how much interaction each network member had with each other member of the network. The question asked: “How often do you interact with the owners of (name of business)...” in seven venues. Participants answered this question (1 =

Never to 6 = Very Often) for interactions: at your home, at their home, at church, while working at your business, their place of business, while shopping, and at your child's school. A variable was created through averaging a respondent's ranking of everyday interaction across the venues, resulting in a single score per respondent. I argue it is appropriate to combine these items because they all tap the overall idea of interacting with each other in day-to-day life.

Discrimination was measured through a ten item inventory. Adopted from the National Health Measurement Study (2008), the items asked "How often (if ever), has the following occurred?" Some of these items included: "You are threatened or harassed," "People act as if they are afraid of you," and "You are treated with less respect than other people." Response categories included: (1) never; (2) less than once a year; (3) a few times a year; (4) a few times a month; (5) at least once a week; and (6) almost every day.

Also related to the creation of a social identity through ethnicization is cooperation. According to the literature, interaction with co-ethnics and common fate are types of cooperation that can create a sense of "we-ness." To reflect this research, all three of these concepts (cooperation, interaction with co-ethnics, and common fate) are operationalized.

There were five questions asked about the amount of perceived cooperation in the network. Respondents were asked to what extent they agree (1 = not at all; 7 = very much) to statements such as: In the network, we expect everyone to ... "help each other find solutions to their problems," "volunteer to do things for the network (such as hosting meetings)," "to refer customers to each other's businesses." The items do have strong face validity as all ask about expectations for positive network behaviors that would help other businesses.

Following Gaertner, Dovidio and Bachman (1999), interaction was measured through adapting several measures created by Green, Adams, and Turner (1988). On a scale from 1 (not at all) to seven (very much), respondents indicated their extent of agreement with five statements: “I often go a whole network meeting and never say more than a few words to a member from a different nationality group than my own” (reverse coded), “This is a network in which everybody is encouraged to be friends,” “People of different nationality groups just *don't* like being together” (reverse coded), “The network leaders encourage members to make friends with other network members from different nationalities than their own,” and “The network leaders do not encourage members to make friends with other network members from different nationalities than their own” (reverse coded).

Common fate consisted of three items adapted from Gaertner and Dovidio (2000). On the same scale, they answered: “To what extent do you believe that failing to help other network members hurts us all, not just some of us?”, “To what extent do you believe that if one of the network members fails you are more likely to fail?”, and “To what extent do you believe that a success for one network member will also lead to success for your business?”

### **“We” Versus “They” Dichotomy**

The fifth set of hypotheses relates to the formation of social identities and the idea that people may have dual identities or see themselves as playing on the same team (see Table 7). Items to measure social identity were adopted from Cameron (2004). In his research, he found that there are three factors related to social identity – ingroup affect (how a person feels about themselves in terms of this identity); centrality (how important the identity is to the individual); and ingroup ties (connections to others based on the identity).

I hypothesized that the comparison group would matter for the formation of a social identity. To capture different referent groups, respondents answered the social identity items twice. When the referent group was other Latinos, they were primed by directions to think about being a member of their nationality group in comparison to other Latinos. The instructions read:

Think about all the people you know that are of the **same nationality** as you (i.e. Mexican, Guatemalan, El Salvadorian). These can include the members of your family or close friends that you have that are of the same nationality. Now think about other Latinos/as who are not of this nationality. These can be other members of the network or other Latinos/as in Ottumwa who come from a different country than you do. Think about how (and if) **these others are different from your group**. After thinking about this for a bit, answer the following questions.

To measure a Latino/a identity, respondents were primed to think about being a Latino/a compared to Anglos. The instructions were changed to reflect this different priming, and so read:

Think about **all** the Latinos/as in Ottumwa. This is not just your family and friends, but all the members of the network and many of the customers that come into your businesses. Now think about Anglos in Ottumwa. Think about how (and if) **Anglos are different from Latinos/as**. After thinking about this a bit, please answer the following questions.

They were then asked a series of questions relating to the three social identity factors.

The two items for ingroup affect were: “In general, I’m glad to be Latino/a,” and “I don’t feel good about being Latino/a” (reverse coded). The two items for centrality included:

**Table 7. Descriptive Statistics for “We” versus “They” Theme Measures**

	<b>Mean</b>	<b>SD</b>	<b>N</b>
<b>Latino Identity</b> (1 = not at all to 7 = very much)	30.833	4.45	6
1. In general, I’m glad to be Latino/a.	05.67	0.82	6
2. I don’t feel good about being Latino/a (reverse coded).	01.83	0.98	6
3. In general, being a Latino/a is an important part of my self-image.	05.50	0.84	6
4. Being a Latino/a is an important reflection of who I am.	05.50	0.84	6
5. I feel strong ties to others who are Latino/a.	05.17	0.98	6
6. I find it difficult to form a bond with other Latinos/as (reverse coded).	05.17	2.04	6
7. I don’t feel a sense of being “connected” with other Latinos/as (reverse coded).	05.50	1.22	6
<b>National Identity</b> (1 = not at all to 7 = very much)	26.33	3.38	6
1. In general, I’m glad to be Latino/a.	05.50	0.84	6
2. I don’t feel good about being Latino/a (reverse coded).	04.50	2.35	6
3. In general, being a Latino/a is an important part of my self-image.	04.67	1.21	6
4. Being a Latino/a is an important reflection of who I am.	05.00	1.27	6
5. I feel strong ties to others who are Latino/a.	05.67	0.82	6
6. I find it difficult to form a bond with other Latinos/as (reverse coded).	05.67	0.82	6
7. I don’t feel a sense of being “connected” with other Latinos/as (reverse coded).	05.67	0.82	6
<b>Playing on the Same Team</b> (1 = not at all to 7 = very much)	21.00	6.00	4
1. Although there are many different nationality groups in the network, it feels like we are playing on the same team.	06.50	1.00	4
2. Despite the different nationalities of the people in the network, there is frequently the sense that we are just one group.	06.50	1.00	4
3. During network meetings, it usually feels that we all belong to separate groups (reverse coded).	03.50	3.00	4
4. At network meetings, it usually feels like we are individuals and not members of a particular group (reverse coded).	04.50	2.52	4

“In general, being a Latino/a is an important part of my self-image” and “Being a Latino/a is an important reflection of who I am.” Finally, ingroup ties included three measures. These were: “I feel strong ties to others who are Latino/a,” “I find it difficult to form a bond with other Latinos/as” (reverse coded), and “I don’t feel a sense of being “connected” with other Latinos/as” (reverse coded). Scores on these three scales were combined to form an overall

measure of social identity for when the referent group was other Latinos (“National Identity”) and when the referent group was Anglos (“Latino Identity”). Unless otherwise noted, I will be using the Latino Identity variable to test hypotheses.

Finally, playing on the same team included four items (see Table 3) adapted from Gaertner and Dovidio (2000). Respondents rated their agreement from 1 (not at all) to 7 (very much) to the following statements: “Although there are many different nationality groups in the network, it feels like we are playing on the same team,” “Despite the different nationalities of the people in the network, there is frequently the sense that we are just one group,” “During network meetings, it usually feels that we all belong to separate groups,” and “At network meetings, it usually feels like we are individuals and not members of a particular group.” As the measurement of Latino/a identities is described above, there are no new measurements under the sixth theme (“We-ness” Based Trust).

### *Analytical Techniques*

There are three analytical techniques applied in this study. Qualitative analysis consisted of an examination of data for relevance to the seven themes suggested by the literature review. While the level of analysis for this study is the network member, understanding what is occurring in the network as a whole is also constructive. Network analysis gives us this view. Finally, results from other statistical techniques provide further insight into what is occurring between network members. In the next section, I describe these analytical techniques in more detail.

### **Qualitative Analysis**

To analyze data from interviews, transcripts from business meetings, and field notes from researchers’ visits to member businesses and attendance at meetings, I used line-by-line



analysis. With this coding, I examined the data for occurrences of the seven themes listed in Table 2. After these were identified through this initial coding, I identified relationships between themes. Finally, quotes were selected to represent these themes and concepts within themes and reported as a part of the analysis.

### **Network Analysis**

There are two main benefits from network analysis (Scott 2000). Network analysis provides a picture of the overall structure of relationships. This analytical tool further provides techniques to examine characteristics of the overall network and the people and relationships embedded within. I examine both of these benefits, and how they will be applied in the current study, below.

The small size of the network at both time periods allows the entire network to be surveyed. The network consists of all network businesses (through one owner answering the survey) and the ties from each business to each other business in the network. In 2009, the network was extended to include the convener. Including the entire network eliminated many of the issues surrounding boundary definition for social network analysis (Laumann, Marsden and Prensky 1983; Murty 1999). The questions also allowed each individual to provide a magnitude (from zero, no interaction or trust, to five, very high interaction or trust) to create a matrix of tie strengths. A low score on these scales indicates weak tie strength between two businesses and a high score indicates a stronger tie between the businesses. The data are directed and non-symmetrical. For example, it is possible for A to indicate that s/he participates in a very high rate of morale exchanges with B while B indicates that he or she does not reciprocate in this type of exchange with A. In this case, there would be a line (a tie) from A to B, but no returning line from B to A. Furthermore, A could trust B more than B

trusts A. When this occurs, the magnitude of the tie (or tie strength measured on the scale from zero to five) would be reflected by a darker line between A and B than from B to A.

Images of social networks reveal patterns that are inaccessible through other procedures (Freeman 2000). The network drawings presented in the results chapter all utilize multidimensional scaling to increase the accuracy of the analysis. Multidimensional scaling is a process that makes the placement of nodes (each node represents either a business in the network or the network convener in the 2009 data) in the drawing meaningful. The process calculates the proximity between each pair of nodes and attempts to make those that are closer to each other in real life (stronger tied, more similar) closer to each other in the pictorial representation of the network. Because of this ability, it is possible to observe some patterns based on which nodes are clustered together. The thickness of the lines indicates the magnitude of the ties between nodes. Arrows indicate the direction (in a nonsymmetrical network) of ties.

Network analysis also allows researchers to examine ties between members as embedded and constrained in a structure (Degenne and Forsé 1999). Density refers to the saturation of lines in a network. It is the ratio of the number of existing lines in the network to the possible lines (where each node is connected via a line to each other node). Scott (2000) provides the following equation to summarize this concept for directed graphs:  $l/n(n-1)$ ; where  $l$  is the existing lines and  $n(n-1)$  refers to the number of pairs possible. Knowing the density of the network provides insight into the extent of exchange, interaction, and trust in the network.

Furthermore, when networks are similar in size (the same number of nodes in a network) it is possible to compare densities across networks to check to see if any difference

between network densities is significant. While the change in network size between 2006 and 2009 makes a comparison between these two networks inappropriate, I can analyze different levels of density within each network. For example, I can determine if low-risk exchanges occur more frequently (reflected by a greater density) than high-risk exchanges.

Utilizing Ucinet 6 for Windows (Borgatti, Everett and Freeman 2004) and its companion program, netdraw (Borgatti 2002) where appropriate, changes in densities within a network can be analyzed with a bootstrap paired sample t-test. This test provides estimates of the classic standard error and the bootstrap estimated standard error. Frequently, classical estimates of standard errors for network analysis increase the probability of committing a Type II error (failing to reject the null hypotheses that the densities are not significantly different from one another). Following methods laid out by Snijders and Borgatti (1999), I estimate the classical and bootstrap standard error. When the bootstrap standard error is larger, the bootstrap t-test will be utilized to test the relevant hypotheses. Following their methods, if this t-value is larger than 1.65 (one-tailed test at  $p = 0.05$ ), the null hypothesis will be rejected.

### **Other Statistical Analytic Techniques**

Statistical techniques other than network analysis were employed with the 2009 data. These data have an  $N = 7$  (including the network convener). Due to missing data on some items, the  $N$  fluctuates between three and seven based on the variables of interest. The small  $N$  makes few statistical tests of inference possible because of the lack of power and violation of assumptions. Statistical analyses are restricted to correlations between two variables and paired sample t-tests to provide insight into hypotheses that reflect upon the differences between two means.

It is important to note that while the numbers of cases in this analysis is low, they do represent the entire population of interest. This makes statistical significance irrelevant for two reasons. First, the purpose of statistical significance in a t-test (or a correlation) is to determine how confident a researcher can be that the difference between means estimated (or that the linear association found between two variables) did not occur simply by chance and does not reflect what is occurring in the overall population. Here, I have the population and thus can be confident that the relationship that is estimated does truly exist. Second, this is an exploratory case study of a Latino/a business network in Ottumwa, Iowa. The findings of this research reflect what is occurring within this network. The purpose of this research is not to directly generalize to what occurs in other Latino/a business networks throughout the United States. Conclusions are based upon the preponderance of evidence from these analyses, the interview and field note data, and network analysis. These findings are reported in the next chapter.

## CHAPTER FIVE: RESULTS

Data collection on this project began in the fall of 2003 when a graduate research assistant met with a worker at Iowa State University Extension in Wapello County (the first network convener who was a White male close to retirement age). A Latina nun (who was well known in the Latino/a community) joined the convener and the graduate research assistant to visit businesses in an attempt to recruit them into a business network. At these site visits, the representatives explained the benefits of networking and gauged the business owner's response to the idea of joining the network. They managed to speak with eleven of the fourteen Latina/o business owners at that time.

All of the visited businesses were invited to the first network meeting held about a month later. Four business owners attended. Also at this meeting were the director and another employee of the *New Iowan Center* – an organization that aids immigrants in settling into the area. The director would eventually become a network convener (referred to as the second convener, a Latino male in his late twenties originally from Spain) and would ultimately replace the first convener after he retired in 2006. The first few years of the network were problematic. Only three network meetings were held and they had spotty attendance with around four business owners attending.

By the beginning of 2006, the number of Latino/a businesses in Ottumwa was estimated by the two conveners at eighteen. It was also at this time that the conveners discovered a way to increase meeting attendance – having early morning meetings before the businesses opened. They correctly adjusted the schedule to allow business owners who have family obligations and who need to operate their businesses to attend. This first breakfast meeting is counted as the first successful meeting because everyone active in the network at

that time came (the exact number is not reported). At this time, the basic structure of meetings would also be finalized. All meetings would center around issues the business owners dealt with in attempting to operate their businesses. They would discuss problems such as: how to handle sales tax, how to advertise their businesses, and how to market to Anglos. Many of the meetings would also include visits from community officials such as: the mayor of Ottumwa, loan officers from local banks, and representatives from the community newspaper.

From 2006 to 2010, the number of Latino/a businesses would expand and contract greatly. By the fall of 2006 (when the first network analysis data was collected), there were twelve active businesses in the network: four restaurant owners, three grocers, two bakers, two auto service store owners, and one apparel store owner. At the time of the survey, all businesses had been operating for six years or less and were all small and mostly family run. The majority of business owners (58.3 percent) emigrated from Mexico, 25 percent from Guatemala, and one owner came from El Salvador. By 2009, there were only six network businesses in operation. There was one restaurant, one bakery, one auto repair shop, a rental agency, and two groceries. Four of the six businesses were operating in 2009. The average length of time their businesses have been operating is five and a half years. Two of these businesses have been open for less than a year with the four that were operating in 2006 ranging from six to ten years in business. The majority of business owners (50 percent) emigrated from Mexico, two owners came from El Salvador, and one was born in the United States (Arizona) and identified as Mexican.<sup>17</sup>

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<sup>17</sup> When asked to identify race or ethnicity, the participants were given many options including the opportunity to write in their own responses. At no time were they forced into racial categories similar to those found on the census. As such, it is not possible to speak to racial identification (such as the number who identified as White).

As reviewed in the introductory chapter, the mixture of labor market forces, community factors, and change in policy (at a national and more local levels) influences Latino/a settlement patterns in new destinations. These settlement patterns are tightly interwoven with the establishment of Latino/a businesses and thus have implications for the development of the business network. In the next section, I utilize qualitative data to explore the social context with a particular focus on how structural forces have shaped the development of the network in Ottumwa. Following this discussion, changes in the network in terms of the six themes laid out in Chapter 4 will be examined utilizing a mixture of qualitative and quantitative data.

### ***Social Context***

Overall socio-economic characteristics of the community are an important part of Ottumwa as the social context for Latino/e entrepreneurs. Between 2006 and 2008, the American Community Survey estimates that, on average during this time period, 8.8 percent of the eligible workforce was unemployed. A total of 18.4 percent of the total population (in a town of 23,757 people) lived under the poverty line. The median household income was \$33,787 a year. The majority of households earned under \$25,000 a year (about 34 percent). The next largest group made between \$25,000 and \$49,999 (31 percent). Those that made between \$50,000 and \$100,000 were the third largest group (27 percent). The smallest group (seven percent) made over \$100,000 annually. While the earnings of Latinos in the community is not known, conveners and business owners alike indicated that the majority were employed at the packing plant – one of the lower-wage employers.

The meatpacking industry has a long history in Ottumwa, Iowa. Dating back to the late nineteenth century, hog processing was one of the main sources of employment in the

community. Statistics from the economic census (2006 – 2008 three year estimates), indicate that manufacturing is still the largest industry in Wapello County (where Ottumwa is the county seat) with 22.4 percent of the employed workforce in manufacturing. While the meatpacking plant is only one of several manufacturing businesses in the area, Ottumwa is still very much a manufacturing town.

The pressures of expansion and union busting that occurred with the IBP revolution caught up to the plant in Ottumwa in the late 1990s when Cargill-Excel purchased the plant through a process of mergers and acquisitions. Responding to the pressures in the industry, Excel vastly expanded production and hired more line workers to meet the new labor demands. Similar to many other meatpacking plants at the time, Excel began recruiting Latinos to expand its workforce.

The recruitment of Latinos resulted in a vast change in the demographics of the town. As the second network convener commented in 2010, “ten years ago we were at ... well, me as the only Latino.” Official estimates from the three year estimates between 2006 and 2008 for the American Community Survey estimates that 87 percent were White and nine percent (2,134 people) identified as Hispanic or Latino/a. This changing population increased demand for Latino/a owned businesses to provide cultural goods and customer service more in line with what the Latino/a population was used to. As remarked by the second convener: “nobody was providing services in the community, or, there were services, but they [the Latino/a population] didn’t feel comfortable going to those because they weren’t open to the Hispanic community yet.”

Latino/a businesses started appearing in Ottumwa in noticeable numbers in 2001. One member of the network did begin his grocery store in 1999 and comments that his business



was the first (as of 2010, his business was still in operation). Frequently, entrepreneurs set up shop because they could not get work at the meat packing plant. As explained by the second convener, “In Mexico and Guatemala, when you don’t have a job, you sell things and that’s how you make a second, third, or fourth income.” These businesses are thus intimately tied to the packing plant. In a focus group held in 2007, one business owner expressed this dependence when asked to reflect on challenges faced by Latino/a entrepreneurs in Ottumwa:

“There are not enough jobs. There seems to be only one big employer and so if you get a job and are eventually fired, then there’s nothing else. Ever since I’ve been here, I’ve seen the low job turnout in people, it doesn’t seem to be a good town to put down roots and plan for a future. Two years ago everyone seemed to come here to work at Cargill, but it doesn’t seem to be that way anymore ... People decide to go work somewhere else because there are no more jobs here.”

Indeed, the rate of Latino/a entrepreneurship expands and contracts in direct relation to hiring practices at the plant.

Another factor affecting the Latino/a population, and thus support for the businesses, is the enforcement of immigration policies. For example, there was an immigration raid by officials of the Immigration and Customs Enforcement (ICE) in Marshalltown, Iowa at the end of 2006. The raid in Marshalltown had a direct effect on the Latino/a population in Ottumwa because, as commented by the second convener in 2010, “They are kind of sister cities. Many Latinos in Ottumwa have family in Marshalltown. If you get fired in Marshalltown, Ottumwa has the next closest plant.” With families of many Latinos in Ottumwa affected by the raid, many Latinos left the community. Excel responded to the raid by checking papers and firing Latinos to keep ICE from raiding its plant. Excel’s actions

exacerbated the loss of Latino/a population by hiring only Anglos to replace the fired workers. At one network meeting held in 2007, a business owner reflected on this challenge and its effect on his business:

“I’m trying to sell my business because many people [Latinos] had to leave the area. Now, many of these people have been replaced by Anglos. Many are scared of the immigration officials, especially for what happened 10 days ago in Marshalltown. The problem is that Excel is the only employer here of Latinos. When something happens to them then everybody has problems.”

The raid in Postville, Iowa at a kosher meatpacking plant would have a similar, although less pronounced, effect. While there are not the strong family ties between the two communities, Excel again responded by agreeing to check papers. The second convener estimated that around “sixty people had to leave because they couldn’t produce papers.”

These factors help explain the downturn in the number of Latino/a businesses that occurred throughout 2006 from eighteen at the beginning of the year to twelve in the fall. This trend would continue until early in 2009, with only six businesses operating at this time. The second convener explains this trend as a result: “of the economic downturn and the saturation at the plant.” As pointed out in Chapter 1, anytime there are economic problems, the immigration rate decreases with fewer immigrants coming to the United States and those already here leaving. According to the second convener in 2010, Excel did not fire workers in response to the economic crisis but they were not hiring many either. Undoubtedly at least partially a response to changes in the economy, the convener also explains this freeze in hiring as due to a severe decrease in the amount of turnover at the plant. According to him,

turnover is down from around “60 percent turnover to 10 to 15 percent. They just aren’t hiring the mass they were before.”

The stability in the population, as well as the length of time Latinos have been present in Ottumwa, has one further effect on Latino/a businesses. Large box stores (such as Hy-Vee and Wal-Mart) “are starting to see that these are clients that they are not tapping into now.” These stores are now carrying products tailored to the Latino/a population. This is occurring to such an extent that one entrepreneur commented at the focus group: “Wal-Mart takes all the business.”

Even with these challenges, the network is undergoing a new surge in growth. Since early 2009, at least four new businesses have opened and many people have expressed interest in starting one. This is occurring to such an extent that the second convener is worried about saturating the market.

It is within this context that the Latino/a network formed. There are many factors that affect the stability of the network. These factors will be discussed in terms of the themes derived from the literature review (see Table 2). For each theme, a mixture of qualitative, survey, and (when possible) network analysis will be utilized to examine hypotheses relating to the formation and maintenance of this Latino/a network.

### ***Trust***

The first set of hypotheses relates to the development of trust in the network. In particular, I am interested in how reliance on family members for aid can interfere with the development of trust between nonfamily members in the association. Further, I argue that there are three possible bases for the development of trust within the association. The first two, developing trust through a third party and through a history of interaction, will be

discussed in this section. The third base of trust (a sense of “we-ness”) will be examined under the last theme.

### **Reliance on Family for Aid**

From very early in data collection, it became evident that the Latino/a business owners rely heavily on their family for running their businesses, making decisions, labor, and any other necessary aid. At the initial site visits to recruit Latino/a businesses to join a network, over half (seven out of the eleven visited) referenced needing to discuss the network with a family member or had family members working at the store. For example, a grocery store owner (still in operation today) had his daughter translate for him. In fact, the field notes indicate that the daughter, not the owner, was excited about becoming involved in the network. At a different grocery store (also still in operation), the woman who the organizers spoke to “stated that she felt that this was a good idea” but felt she needed to “talk this over with [her husband] before making any commitments.” Part of the need to clear decisions with family members is because the businesses tend to be family-owned. In both the 2006 and 2009 data collections, all businesses indicated that they were family businesses. In fact, during many of the visits to businesses between 2006 and 2008, field notes reveal that it was not unusual to see several family members working in the store together. Nor was it unusual to see the store owner’s children playing in a corner.

As discussed, being in a network necessitates at least some level of trust between network members. This is problematic from a Latino/a cultural standpoint. According to the first convener, trust is “not in the Hispanic business owners “nature” – not in the Latino culture, even less when helping a competitor.” As argued by the conveners, Latino/a business owners tend to view other entrepreneurs as competition, not as potential sources of aid. In

fact, the business owners have repeatedly expressed to the conveners that the “Spanish culture doesn’t have a history of associating” across family lines. “You keep everything inside the family. You don’t work outside the family, you don’t go off and join another association and everything is done inside the family. Anything done outside the family is essentially competition.” The concept of a business network was completely new to many of the entrepreneurs who, before the initial visits, had (according to the first convener) “never heard of sitting together with your competition or other businesses and working together.”

The quantitative data supports these observations. There is a negative correlation between reliance on family for aid and reliance on a member of the association ( $-0.33$ ,  $n = 5$ ) indicating that the more a business owner relies on family the less likely he/she is to rely on other network members. A paired sample t-test indicates that the mean of relying on family for aid (mean = 22, s.d. = 2.74) is greater than the mean (mean = 13.4, s.d. = 6.11) for reliance on members of the association ( $t = 2.57$ ,  $df = 4$ ). Overall, hypothesis 1a (Latino/a entrepreneurs are more likely to rely on family members for business aid than they are to rely on network members) is supported.

### **Third Party and History-Based**

The tendency to only trust family members also interfered with the development of trust between the members of the network and the conveners. Throughout the early development of the network, the conveners consistently reported that they were having difficulty getting the members to trust them. When attempting to help the owner of a Mexican grocery, the conveners repeatedly encouraged him to move from his very small location to a larger one. It took the conveners a long time to get the owner to listen to their advice. He eventually did make the move and found it to be advantageous. This is not the

only business owner who has resisted the advice of the conveners. As the first convener reports, “I talked to them [bakery owners] a few times and they’ve never done anything that I’ve suggested. They haven’t come to any of our meetings either.” The conveners argue that this unwillingness to listen to advice is because of a lack of trust.

In 2007, the second convener reported that he was finally able to win the trust of the network members:

“I finally got them to trust me which is a big thing in the Latino community. You don’t go anywhere in the Latino community if you don’t have their trust. So, finally, they saw that I wasn’t here just collecting data and invited them to meetings, but that I was here to help them, that was the purpose of the network, and not only to unite them with their issues. They tell me when they have problems and when they are not doing so well, and when they are doing well.”

The development of trust was based on interaction history between the convener and the network members of two types. First, the second convener argued it was a long process of continual reassurance (through word and deed) that he was not going to exploit them. As he comments in 2007, “it’s just something that you have to work over the long time and show them that you are not there to take advantage of them which many of them have been, you know, taken advantage of.” Second, history-based development also occurred through interactions in day-to-day life:

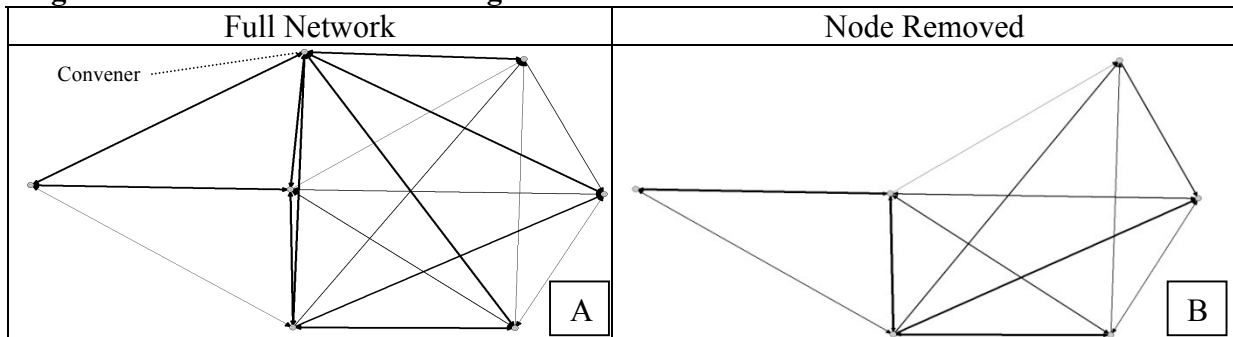
“I am a customer to businesses as well. I mean that doesn’t include the monthly visit. In a week, if I need something, I may stop by or eat at one of their places, and so that’s some of things that I have done a lot. So they get to know my face and my

name and you know not only doing the work time but outside of work. I have seen them in the community, you know if there is a wedding or something.”

After winning trust, the conveners faced a new challenge – the businesses trusted them but not the other members of the network. This was true to such an extent that by 2006 the entrepreneurs did not view themselves as members of a network, but rather as a “group of people who come together to get help from [the two conveners].” Even though the conveners had earned the trust of the members, they still had trouble getting them to come to meetings and be actively involved in the network. In 2010, the second network convener reflects on this time: “I used to have to go to each business repeatedly to remind them about the meeting, to ask them if they were going to come, to remind them again the day before – and still they would not come to the meeting.”

During this time, the members relied solely on the conveners for aid. It was the conveners who arranged the meetings, picked the topics, and invited different speakers. It was the conveners who worked with the network members to try to solve their problems. It was the conveners who led discussion, asked questions of visitors, and attempted to get the businesses involved. At this time, they just wanted the entrepreneurs to share their problems with the others.

**Figure 3. Multidimensional Scaling of Trust in Latino/a Business Network**



The network analysis performed with the 2009 data (when only the second convener was active with the network) indicates that the majority of the trust within the network was due to the trust the convener and the network members felt for one another. For this analysis, I artificially restricted the trust relationship between the convener and the members of the network to zero. While there seems to be fairly robust trust ties between network members (Figure 3 network A), removing ties to and from the convener indicates another story (Figure 3 network B). Just comparing the two network drawings visually indicates that the majority of the trust in the network is due to relationships with the convener and not relationships between network members.

Of course artificially restricting the ties from convener to network members would necessarily result in a decrease in density, the amount of change is instructive. The density of the network with the convener is 2.69. Without the convener, the density decreases to 1.33. To see if this change in density is significant, the bootstrap test for differences in density is an appropriate test (classical standard error = 0.40, bootstrap standard error = 0.74). The bootstrap paired t-test indicates that the density of ties in the network with the convener is significantly greater than the network without the convener ( $p = 0.03$ ).

Clearly, the network convener was the source of much of the trust in this network. There is some indication that the trust in the convener has, over time, translated into trust between network members. First, the quantitative analysis of the 2009 data shows that there is a positive correlation between third party trust and trust in the network ( $r = 0.558$ ,  $n = 6$ ). Second, as we will see, third party trust facilitates the development of trust between network members through encouraging the type of interaction needed for history-based development



to function. In other words, trust in the convener encourages the type of interaction between network members that can lead to the development of trust.

Almost universally, in 2006 the network members reported not having previous relationships with each other. Coming to network meetings changed this. For example, the owner of an auto repair store (still in business) indicated that while he did not know most of the business owners before joining the network, “Now I know all of them.” Again, in the 2009 data, the members of the network reported not knowing most of the other business owners before joining the network, but do indicate knowing them (to some degree) after involvement began. The second network convener explained this process. Prior to the start of meetings:

“they never interacted. Some of them may have known each other you know from working in the meat plant before they opened their businesses, but really had no communication – just saying hello in a wedding or whatever. Now they come and sit down and they know the personality of that person and they discuss things.”

Field notes from 2007 also report a perceivable change in behavior, “Before [at earlier meetings] they were all quiet, now they are sitting together in clusters, chatting and laughing.”

This change in relationships was partially enabled through trust in the convener. Reflecting on his role in this process, the second convener noted: “I finally got them to the point where they are just relaxed. They are relaxed, they bring their issues and they discuss them and everything is done in a way where nobody is threatened.” Prior to this development, the convener constantly needed to assure the entrepreneurs that the other businesses were not going to take advantage or exploit them. Now, this reassurance is not

necessary. Again, showing the importance of developing a trusting relationship with the convener before trust can develop between network members, the convener argues that since the 2009 quantitative data collection, the amount of trust in the network has noticeably expanded. He argues the reason for this is that the newer members of the network came to him for help with opening their businesses. He works with them from the very beginning and, by the time the business is opened, “I already have that trust.” He also uses this period to discuss the network with them. He invites them to meetings before their business is off the ground. “It’s almost like they are members of the network before they are business owners now. By the time their businesses are opened, they are ready to trust the other members. Now I’m not starting the group from zero.” He says this is created a huge difference in the structure of the network: “I think the big, big difference is that they trust each other. I see a whole new structure where they talk to each other and they know they are not going to be taken advantage of.”

When asked for an example of how trust is at work within the network, the convener gave a recent example where there was a scheduled network meeting and he was unexpectedly called out of town the day before. Rather than cancelling the meeting, as the convener notes would have happened just a year prior, the network members held the meeting without him. He feels that they were able to hold the meeting without him because, “They know each other now. I wouldn’t say friends, but they know they have confidentiality at these meetings.”

The extent of interaction at the meetings has increased. Outside of the meetings, it has also increased. The convener points out that many of the businesses are clustered together. Because of their location, they interact in day-to-day life and give each other advice outside

of the meetings. “Some of them are neighbors literally in their businesses. There is a car place next to the restaurant, so you know now they share some problems, they share the same issues, and so that’s good. So they moved on and they start a new stage in their relationship.” This is further supported by the quantitative data. There is a positive correlation between history-based trust and trust in the network ( $r = 0.688$ ,  $n = 7$ ).

All of this provides a picture of trust development between network members. First, they came to trust the convener. Third party trust slowly paved the way for interaction between business members. Through that interaction, they then come to trust the other members of the network. Taken together, this supports both hypothesis 1b (network members’ trust in the convener will be positively associated with trust in other network members) and hypothesis 1c (interactions with other network members in day-to-day life will be positively associated with trust in other network members). Somehow they were able to overcome their cultural inhibitions to trust non-family members and began to trust one another.

### ***Benefits and Sustainability***

The second set of hypotheses relates trust and network exchange to perceptions of business benefits and network sustainability. In particular, both trust and the amount (and type) of exchange should be related to the perception that membership in the network are beneficial for member businesses. Perception of greater benefits from membership and the amount of trust should be related to perception that the network is sustainable.

### **Trust**

Perceptions of benefits for the members’ businesses due to belonging to the network are closely tied to trust – whether it is trust in the conveners or other members. This should

be evident from the previous discussion about the difficulties the conveners had lending any aid to the businesses before they had earned their trust. In one further example, the conveners talk about finally earning the trust of one of the restaurant owners. Having initial success getting them to add sodas, they were able to help them with adding other products as well:

“When I went with them regarding the business side, they were worried about the winter months. So, I said how about changing your menu in the winter months, and selling chili, substituting ice creams for soups, you know. So, that’s something they’ve done too.”

Through trust relations with the owners, the conveners were also able to help the businesses expand their marketing. Initially resistant to the idea of spending money on marketing their businesses, “because that’s money that could be spent on their family,” the conveners helped many of the businesses put up signage and take out advertisements. They also helped them add to their customer base. Many of the restaurants only had menus in Spanish. The conveners were able to help the businesses add signage and menus in English as well. Speaking of the effect on one restaurant, the convener indicated that before this change most of the customers were Spanish-speaking. After the change, “it’s half and half pretty much.” In a community where the majority of possible consumers are Anglo, drawing from that population is vital for business success and resilience to fluctuations of Latino/a population shifts.

The development of trust between network members has also contributed to benefits for businesses. According to field notes, in my first visit to member businesses (in early 2006), there was very little cross promotion. Less than a year later, I started noticing informational fliers for the Latino/a owned automotive shop hanging in the restaurants and

grocery stores. Members also increasingly referred customers to each other. Regarding one type of conversation he hears regularly, the second convener commented, “I heard that this client came to my restaurant and he said that his car broke so, I sent him to you.” Perhaps even more informative than the willingness to send customers to another type of business (such as restaurant to automotive repair) is the willingness to send clients to another store like their own – a store who would have originally been perceived as a competitor:

“Let’s say that they go to the store A and they want to buy, I don’t know, carne [meat] or whatever and they [the store] doesn’t have it that day or they don’t typically carry that product. They will say, “You know this tienda [store] has it,” so they will refer clients between them.”

None of these benefits could have occurred if the members had not formed some level of trust with one another. Before any trust developed, the members would not even speak to each other at meetings – rather they focused their comments to the conveners and let the conveners speak for them when possible. Quantitative data also supports these findings, as trust is positively correlated with perceived business benefits ( $r = 0.865$ ,  $n = 5$ ). Thus, hypothesis 2a (higher levels of trust between members of the network will be associated with the perception of greater benefits from network membership) is supported.

### **Network Exchange**

Depending on the source of the data, I hypothesize about various levels of exchange (see Chapter 4). The network analysis items (asked in 2006 and 2009) include three levels: morale (e.g. asking each other how business is going), information (e.g. giving each other tips about the businesses), and financial (e.g. how much money they spend on advertising). The items from the 2009 questionnaire only included two items: low-risk exchanges (e.g.

referring customers) and high-risk exchanges (e.g. purchased materials together). For the purposes of qualitative analysis, it is acceptable to categorize both morale and information exchange as low-risk exchange, as both present minimal risk of opportunism. Financial exchange and high-risk exchange both involve the monetary aspect of the business, and so will be discussed together. Following the discussion of low and high-risk exchanges, I will examine the overall pattern of exchanges in the network.

### **Low-Risk Exchange**

In initial visits with businesses in 2003, many owners expressed interest in joining the network in order to share information with each other. According to field notes, the owner of an automotive shop (still in business) expressed that “many business owners have problems with understanding the tax laws and other policies. He could see the association helping to train people in those regards. He also volunteered his services if any should need it.” Another business also offered to share marketing ideas (such as advertising in conjunction with baseball games).

As discussed above, many of the businesses are also active in referring customers to each other. For example, in 2006 there were two automotive businesses. One of the businesses had towing capabilities while the other did not. The first business would often tow cars to the second for tire repairs (a service not offered by the first business). In 2006, these two businesses were among the more closely tied of all businesses in the network. They reported frequently participating in all levels of exchanges with one another. Unfortunately, by 2007, one of these businesses closed when the owners decided to move closer to family in Nebraska.

There were also close ties between a restaurant owner and the automotive repair place that is still in business. According to the convener:

“When they came to our meeting they met and I think they have been sharing business ideas back and forth. How do you do this and keep records? So they’ve been talking to each other about business issues they face even though one is a restaurant and the other is tire and muffler. I think that’s a great match that has been created because of this business network.”

Morale exchange and information exchange have long been the focus of this network. When asked about exchanges outside of these two types, the second convener commented in 2010: “It is not the mission of the group – those exchanges. The mission of the network is a support group. Like if you are an alcoholic, they go to groups.” The purpose has long been to give each other advice and information, to listen to problems and suggest solutions. While initial reports from the business owners were that they were interested in exchanging information (for example, about marketing and tax practices), overtime they participated mainly in morale exchanges. Yet, unlike the convener, the business owners made repeated reference to information exchange as the primary mission. In fact, at a focus group with two business owners, they both indicated that they belong to the group for this information sharing. They keep coming because, as one commented: “It’s a way to find out what is going on.” Initial visits to the businesses also reflect a desire to share information as one owner wanted to share knowledge about tax laws and another reported wanting to share information on advertising and marketing. Overall, whether the goal is support or sharing information, both identify low-risk exchanges as the mission of the association.

### **High-Risk Exchange**

With the focus of the network on support and sharing information, it should not be surprising that there is very little sharing of financial resources or even discussion of those resources. As summarized by the second convener, “It’s just not in their nature that they are going to be talking about their personal finances with each other.” In 2010, the convener reflects on the research that focuses on high-risk exchange. Again, he states this is not the purpose, and will probably never be the purpose. He would like to see the development of purchasing power, but beyond that, does not see many developments along this line occurring. Instead of these high-risk exchanges, “there is the friendship, I should say, basic friendship and they sit together and share coffee and they laugh. They laugh a lot when they are together.”

Over the years, attempts have been made at more higher-risk exchanges. In 2006, the first convener argued that one of the bakers was “doing some networking. One of the restaurants has purchased hamburger buns from them... they are doing some sharing back and forth between that business and one of the restaurants.” The second convener would add that the baker was actually providing rolls to two businesses. Unfortunately, field notes indicate that this initial exchange would fail. The bakery failed to deliver rolls, did not open on occasions without notifying the restaurants, and otherwise became unreliable. Because the restaurant owners’ needed the rolls for their menu items, they eventually ended this exchange. Another example is found in field notes from 2007. At a network meeting, several owners were discussing purchasing a building together to form a mall where they could all house their businesses. While initial indicators were that the owners were excited by this prospect, no further action was taken.

### **Networking Patterns**



In both 2006 and 2009, network analysis information was gathered from network members to determine the overall level of exchange occurring in the network. Examining the network drawings from these two time periods (Figure 4) quite clearly reflect that the lower risk exchanges occurred more frequently than high-risk exchange. In fact, comparing morale exchange (Figure 4 network A and D) to financial exchange (Figure 4 network C and F), lowest risk exchange quite clearly occurs more frequently than the higher risk exchange. Bootstrap paired t-tests for differences between densities of each exchange level (within each network year) bare out these observations.

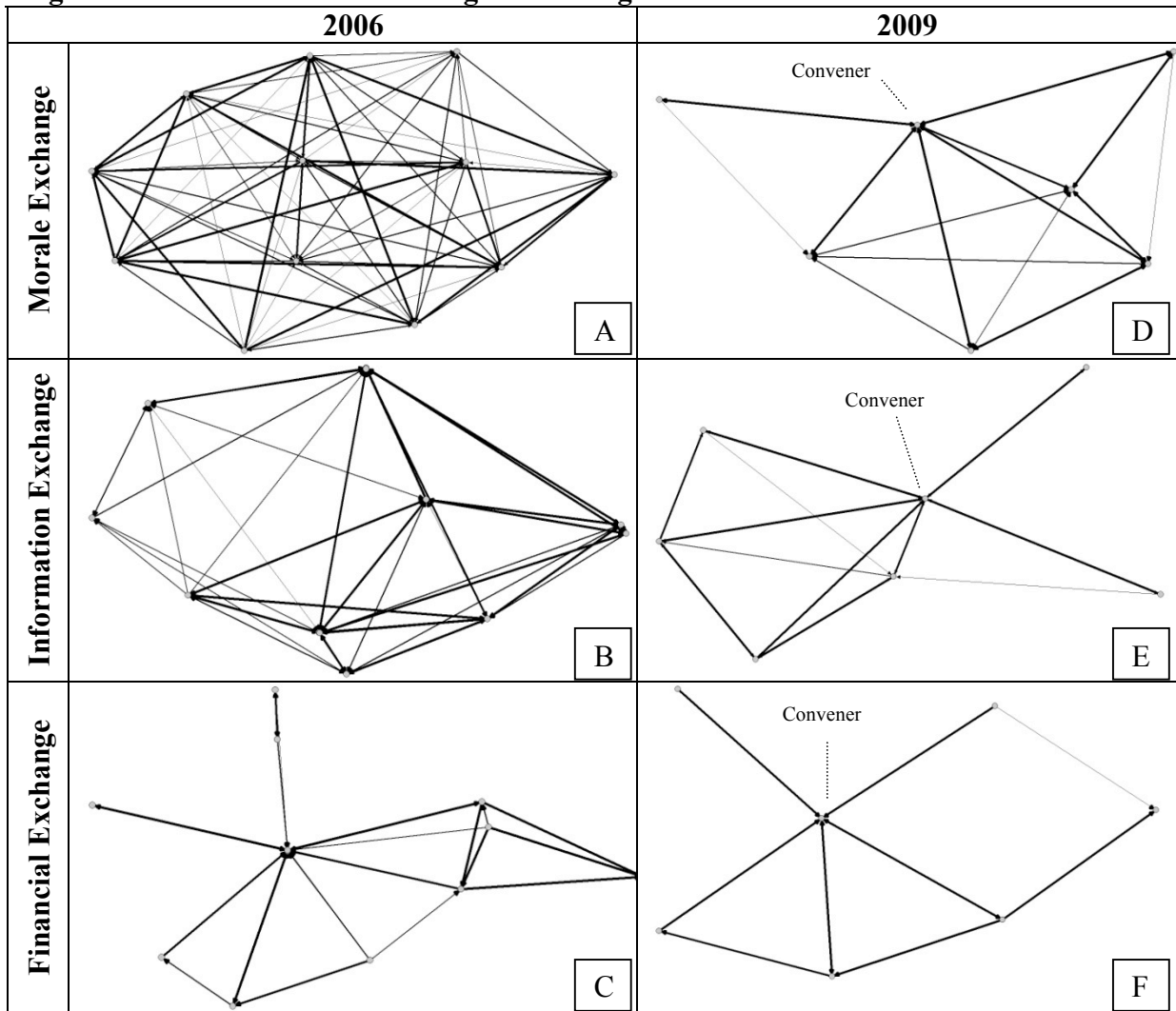
In 2006, morale exchange had a density of 2.11, information exchange had a density of 1.25, and financial exchange had the lowest density at 0.42. Comparing the densities of morale exchange to information exchange, the difference in densities is 0.86. The classical standard error for this difference is estimated at 0.20 while the bootstrap standard error was estimated at 0.34. This indicates that the bootstrap t-test is appropriate. This test indicates that morale exchange is significantly denser than information exchange ( $p < 0.01$ ). Similarly, the difference between information exchange and financial exchange in 2006 was 0.83. The bootstrap paired t-test is relevant (classical estimate of standard error at 0.16 with bootstrap estimate at 0.29). This test indicates that the information network is significantly denser than the financial network ( $p < 0.01$ ).

In 2009, the density of morale exchange was 2.36. Information exchange had a density of 1.67. Financial exchange again had the lowest density of 0.55. The bootstrap paired sample t-test revealed that the density of morale exchange was significantly greater than information exchange (difference of 0.69,  $p < 0.05$ , classical standard error of 0.47, bootstrap standard error 0.92). Likewise, information exchange was denser than financial

exchange (difference of 1.12). The bootstrap paired sample t-test indicates that this difference is significant ( $p < 0.01$ , classical standard error of 0.37, bootstrap standard error of 0.74).

Overall, hypothesis 2b (the majority of resource exchanges between members will be low-risk) is supported.

**Figure 4. Multidimensional Scaling of Exchange in Latino/a Business Network**



While it is not appropriate to directly compare two networks of different sizes, it is worth noting that contrary to appearances, the network in 2009 had higher rates of all types of exchanges than the network did in 2006. Whether these differences are significant is a

judgment determination, but it is possible to reflect on the reasons for these differences. From the examination of the qualitative data, one large change that occurred between these two time periods is the growth in trust between network members. According to the second convener, they went from “competitors” to “friends who call each other by name.” They went from being almost silent at meetings to laughing and conversing. The majority in the network have been there since prior to 2006. These people have “known each other for five years, so it’s not like they are strangers.” Moreover, in the 2010 interview with the second convener, he noted that: “Now they are starting to exchange these personal experience stories, that didn’t happen before.” This logic is not enough as there is one other big difference between the two time periods. The 2009 data includes the convener in the estimate of the network – he was not included in the 2006 analysis. It is possible that this is the explanation for any difference.

Regardless of the reason, all of the exchanges discussed above are low-risk in nature. Yet, by examining both the network analysis and the results from the 2009 questionnaire, while few high-risk exchanges occurred, the members do report some participation. An examination of the quantitative data from 2009 provides insight for what enables these higher risk exchanges. There is a large positive correlation between trust in the network and high-risk exchanges ( $r = 0.84$ ,  $n = 4$ ). As such, there is some support for hypothesis 2c, that higher levels of trust between members of the network will be associated with a higher level of participation in high-risk exchanges.

Increasing product lines, getting information on how to do their taxes, information on how to calculate sales tax, increasing their customer-base, receiving referrals from other network members are all examples of benefits from networking that could only occur

because of the relationships formed between the members and between the members and conveners. It is only through the willingness to enter into exchanges that these benefits can be obtained. During the focus group, one owner commented that participating in meetings is beneficial to all members. In his words, “We learn something new each time we meet. This helps all of us.” Analysis of the 2009 data indicates that both high and low-risk exchanges do encourage the perception of business benefits. Low-risk exchanges are highly correlated with perceived benefits ( $r = 0.89$ ,  $n = 4$ ). High-risk exchanges have an even stronger correlation with perceived benefits ( $r = 0.98$ ,  $n = 4$ ). These findings support hypothesis 2d, that higher levels of participation in exchanges will be associated with the perception of greater benefits from network membership. There is also some support for hypothesis 2e, that high-risk exchanges will be associated with the perception of greater benefits from network membership more than low-risk exchanges.

### **Network Sustainability**

If networking helps support the Latino/a businesses in Ottumwa, it is important to understand, with the closing of older businesses and opening of newer ones, whether this network has been sustained. In 2007, the second network convener was asked, “What keeps them coming back?” His answer reflected that both benefits and trust are essential to sustainability. In his words: “I think they realize that this is an insurance for them that this is something that’s benefiting them ... They finally understand that I am not here to take advantage of them ... this is really for their good.” It is not just trust in the convener that aids in sustainability; it is also making sure that the other businesses are aware of what is going on with each other’s businesses – a sharing that is enabled by trust. The second convener explains:

“They are motivated to come. I think that, if they stop coming, one of them told me this once, if they stop coming they’ll be left out of what is going on. You know kind of their voice will not be as important and they will lose a kind of power in the Latino business community in town. So they come because they like to be informed of what is going on and they want everyone to know what is going on with their business, so it’s kind of like a power for them.”

Throughout this discussion of sustainability, benefits and trust are inextricably linked.

As early as 2006, the network conveners expressed that the only way to make the network sustainable was to develop trust between network members. As previously reviewed, this was a highly difficult process and was one of the earliest goals of the conveners:

“it is our goal that eventually that without that they will be able to ... you know to sustain the network. You know we are still working on that. [They have] come [a] long way in coming to trust us, so we are working now getting into trust each other and getting them to help each other out.”

In 2010, the second convener was more optimistic about the sustainability of the network than ever before. “We make progress each year, take steps each year. Lately that progress has been the development of trust.” Because of that trust, the convener is beginning to believe that the members may now be able to manage and run the network without him at the center. He also believes that “now they are seeing the value of the network.” Even just three years ago, the conveners were convinced that the network could never be sustained without the active participation of the conveners – at least not with the current generation of business owners. Now, with the level of trust and a commitment to maintaining the benefits they

obtain from networking, the second convener already has an idea of which member of the network could take over his role.

In fact, all members of the association in 2009 expected the association to expand and continue to grow (by attracting new members and retaining the current members). While the lack of variance in these variables makes correlations impossible, this universal agreement and the qualitative data on the importance of perceived benefits and trust to network sustainability suggest that there is indeed a relationship. Perception of the network as sustainable is mainly drawn from comments made by the network convener and not the business owners themselves. However, with their universal reports that they expect to continue membership and expect the network to grow, it is clear they also perceive the network to be sustainable. As such, there is thus some support for both hypothesis 2f (perception of greater benefits from network membership will be associated with the perception that the network is sustainable) and 2g (higher levels of trust between members of the network will be associated with the perception of the network is sustainable).

Taken all together, we now have a picture of how trust can be developed through a third party and through a history of interaction between network members. There is also an understanding of the effect of that trust on network exchange, perception of business benefits, and network sustainability. What is still missing is how trust can be developed through fostering a sense of “we-ness.” As argued in Chapter 3, creating a “we” is a process of racialization, ethnicization, and the formation of a “we” vs. “they” dichotomy. The findings related to these processes, and how “we-ness” affects the development of trust (see Figure 2), are discussed below.

### ***Racialization***

According to the second network convener, in 2010, when Anglos see someone who looks a particular way (skin color, hair texture, etc.), “they still assume that person is Mexican.” Along with his duties as network convener, he also runs diversity training. At these sessions, he explains to Anglos that there is a large diversity of Latinos in Ottumwa. “I explain to them that there is a huge diversity of different backgrounds and nationalities – that they are not all the same. They are always surprised to learn this.” While he thinks that the perception of immigrants in Ottumwa has improved, he attributes this to a shift from an anti-immigrant stance to an anti-illegal immigrant stance. “There are still people in town who are very anti-immigrant. I think that is channeled to illegal immigration.” Yet, when pushed on whether this change has meant much to Latinos in Ottumwa, he comments that “the problem is – people assume you are here illegally, so you still don’t see full interaction” between Latinos and Anglos.

In fact, the extent that the business owners are categorized as “Latino/a” and their other group memberships are ignored is revealed in the previous discussion of trust between network members. Throughout, the network conveners refer to the fact that the “Spanish culture doesn’t have a history of associating.” Further, it is the Latino/a culture that encourages trust within families and not between business owners. It is the Latino/a culture that teaches network members that the other businesses are “competitors.” It is only through challenging these cultural proclivities – “through time and consistency” – that trust can be developed. Throughout this discussion, all members were assumed to share this “Latino/a” culture, revealing altercasting at work. Of course, the network conveners are aware of cultural differences and even stress them to Anglos when they have the opportunity.

However, it is clear that the network members are cast as “Latinos” by Anglos in the community.

The question remains, does this altercasting result in self-identification as “Latino/a” by these network members? Quantitative results from the 2009 indicate that while perception of being altercasted was high (mean = 10.83, s.d. = 1.60, highest possible value of 12) it did not have the predicted relationship with self-identification. The correlation between the two variables is negative ( $r = -0.48$ ,  $n = 6$ ). Contrary to expectations, when the members of the network perceived that Anglos treated them as interchangeable with other Latinos, Latino/a self-identification actually decreases. As such, hypothesis 3 (The perception of more incidents of treatment of self as Latino/a by Anglos will be associated with greater self-identify as Latino/a.), is not supported. I will return to this, and other, anomalous findings in the concluding chapter.

### ***Ethnicization***

The process of ethnicization has two components: shared interests and cooperation. It is hypothesized that both components will be positively related to an increase in Latino/a self-identification. Before exploring these hypotheses, I will examine the factors that may indicate an increase in shared interests.

### **Shared Interests**

There are three hypothesized components to the development of shared interests. These include: lack of trust in Anglos, few ties to Anglos, and being targeted for discrimination by Anglos. All three of these are interrelated concepts. As such, the qualitative analysis of these subthemes will be explored concurrently.



At the first network meeting, the business owners who were present began discussing the purpose of the network. According to the field note account of this meeting, three of the four problems faced by Latino/a entrepreneurs related to experiences of discrimination and isolation from Anglos. The owners cited both the police and banks as a source of discrimination. For the former, they expressed the feeling that “the police [are] constantly harassing Spanish-speaking people in Ottumwa.” This caused them great concern for the safety of themselves, their families, and their businesses. In fact, through at least 2007, at least one business owner was having significant problems with the police and felt that he was being discriminated against because he is Latino. According to the convener, he was “abused by the police here in town.” Field notes reflect that at a business visit in 2007, the owner still believed he was being discriminated against by the police. This theme would appear again during the focus group meeting. According to one business owner:

“The police behavior is not equal. They aren’t equal to everybody. They have power and they see us as though we’re nothing. They think that we’re bad. They immediately think we are after something.”

The second owner continues along this vein, “The ordinance about not parking in the lawn. At first I thought it was a good one, but then I thought, who are they targeting?” Field notes of visits to business also show that many of the owners expressed dissatisfaction with the police and the belief that they were targeted for discrimination. For the latter, at the initial meeting, business owners shared the belief that “local banks” demand “higher interest rate for Spanish-speaking patrons versus Whites.”

At this initial meeting, the owners also expressed that cultural differences make it difficult to form personal relationships with Anglos (or “Americans”). In the words of one

attendee, “they hire us only for business increase not for self-respect or as friends.” Here, the business owner is referring to developing business relationships with Anglos, ones in which their businesses are “hired” in terms of contracting with customers. This is problematic for both the development of relationships with Anglos and for the development of trust.

According to the first convener:

“They believed that cultural differences make it very difficult to understand how to do business with Americans. For example, in most of the Spanish-speaking cultures they only do business with their friends. Meaning that they only do business with people they trust. So, the first goal is to get to know their customers and then begin to do business with them.”

According to the perceptions of the Latino/a business owners, Anglo business owners and customers are not interested in developing these relationships – rather they desire to go straight into business transactions.

There have been some advances in relationships since the early development of the network. Latinos are now attending public events. They are now even volunteering to help organize community events. According to the second convener, even with this positive indicator of “successful community integration,” overall “you don’t see much friendship between Anglos and Latinos.” What you do see is an increase in “Americans” patronizing Latino/a businesses. The most recent example of this is a new business that started after the final quantitative data collection. The store carries clothing, shoes, and accessories. The owners of the business conveyed to the second convener that they have a lot of African American customers because the store offers types of clothing not available in other venues. Furthermore, some advances have been made to decrease the perception of the amount of

discrimination experienced by the business owners (if not other Latinos) because Anglos have come to recognize that there are “systems in place to protect the owners if they are victimized.” Mostly, this system is the convener and the connections he has to other officials. This does indicate the special status of business owners. They may be perceived differently by Anglos because, as argued by the second convener, “they contribute to the community and economy.”

Some overtures between Latino/a business owners and Anglos are being made, resulting in improvements in relationships. Yet, it seems that this experience of isolation and discrimination does create recognition that the other business owners are facing the same sort of problems and, thus, have similar interests. According to a business owner at the focus group, “They are in the same situation we are. They have the same problems we have.” The second convener aptly summarized this in the 2010 meeting: “They know each other now. They’ve come to see that they have a lot in common – have the same concerns.”

The development of shared interests and a Latino/a identity appear to be linked. Nowhere is this clearer than in an example, provided by the second convener in 2007, of a business owner who did not want to join the network. The business is a Tex-Mex restaurant (Mexican food targeted to an Anglo customer base). Since the beginning, the owners had no interest in joining the network and thus did not have “the same investment or the same interest in the network.” When asked to explain why he thinks this occurred, the second convener commented: “none of their customers are Latinos, so they don’t, even though they are recognized as Latinos, they don’t see any benefits from” connecting with the other members. While the owners get involved “in the community in general, with the Latino community they really don’t get involved. I don’t think it is anything specific against the

Latino network, it's just they don't really relate that much to the Latino community." Here we see that these owners did not see themselves as having much in common with the other entrepreneurs. The relationships between shared interests, Latino/a identity, and the other factors discussed above, are also explored through quantitative analysis. The question is why is there a difference for these entrepreneurs compared to the others? They presumably are altercasted as "Latino/a" by the overall community the same as everyone else is. The most likely explanation, suggested by the second convener, is that they did not develop a Latino/a identity because they perceived their interests to be different from business owners who primarily catered to Latinos in the community.

Trust between non-family members in the Latino/a culture has been discussed extensively. Surprisingly, the average amount of trust in Anglos is fairly high for those who answered this question (mean = 15.17, s.d. = 3.37). The highest value trust could have is eighteen. Further, trust in Anglos and shared interests are positively correlated ( $r = 0.98$ ,  $n = 4$ ). The qualitative data indicate that hypotheses 4a (network members' trust in Anglos will be associated with a lower perception that network members have shared interests) should be supported. Combined with the results from the quantitative analysis, there is no clear support of this hypothesis.

Isolation from Anglos (or having few ties) should also have a positive relationship to shared interests. As suggested by the qualitative analysis, network members do not have strong ties to Anglos (mean = 3.38, s.d. = 1.03, highest possible value is 6). In fact, the network analysis component asked network members to provide "the name of the Anglo that you most commonly consult about business concerns." A few respondents skipped this question completely, while two wrote in "n/a." Yet, even with the overall lack of ties to

Anglos, there is a positive correlation between number of ties and shared interests ( $r = 0.258$ ,  $n = 4$ ). This suggests that the more ties network members have with Anglos, the more shared interests they have with the Latinos in the network. Overall, while it is clear there is some level of isolation occurring between Anglos and Latinos, hypothesis 4b (the fewer the ties to Anglos the greater the perception that network members have shared interests) is not supported.

The qualitative analysis makes it clear that the Latino/a business owners do perceive that Latinos are targeted for discrimination in Ottumwa. At network meetings and business visits, the entrepreneurs frequently discussed seeing this discrimination and, at times, being victims of it. At the same time, the reported amount of experienced discrimination is low (mean = 14.80, s.d. = 6.83, highest possible value of 60). Discrimination and shared interests also have a negative relationship ( $r = -0.708$ ,  $n = 3$ ). These findings are contrary to the qualitative data which suggests there should be a positive relationship. From the very first network meeting, when business owners were discussing what they could do to help each other, they discussed the discrimination they faced. Given the conflict between the qualitative and quantitative data, there is no clear support hypothesis 4c (the perception of being targeted for discrimination by Anglos will be associated with greater perception that network members have shared interests). Possible reasons for this finding will be discussed in the next chapter.

Finally, there is a negative correlation between shared interest and Latino/a identity ( $r = -0.18$ ,  $n = 4$ ). As such, hypothesis 4d (perception that network members have shared interests will be positively associated with greater self-identification as Latino/a) is not

supported. It seems that the more shared interests network members have, the less they self-identify as Latino/a.

### **Cooperation**

Cooperation has two components: interaction with co-ethnics and a perceived common fate with co-ethnics. Cooperation within the network was originally very low. Discussing this in 2006, the first network convener commented: “There is really little cooperation, except that they refer clients to each other and do this quite a bit.” In 2007, the second convener explains why:

“I’ve gone around not only Ottumwa, but other communities, [and I have found] that Latino businesses don’t work together by themselves. Naturally, it’s not an instinct I should say of working together. Even when they are not competing in the same business – let’s say the hairdresser with the restaurant. They still don’t cooperate.”

As with the development of trust, cooperation has also increased over time. Examples of this development, such as referring customers and talking together about solutions to problems, are discussed extensively above.

The quantitative data support that cooperation was high in 2009 (mean = 37.25, s.d. 5.68, highest possible value of 42). Further, as predicted, cooperation and Latino/a identification are positively correlated ( $r = 0.88$ ,  $n = 4$ ). I can conclude that hypothesis 4e (perception that network members cooperate will be positively associated with greater self-identification as Latino/a) is supported.

The increase in interaction between network members was discussed extensively above. As mentioned, whereas before they would not talk much to one another, now they discuss problems, chat, and even laugh together. Quantitative data support the conclusion

that interaction was strong in the network (mean = 27.60, s.d. 7.67, highest possible value of 35). Interaction was also strongly and significantly correlated to the strength of Latino/a identification ( $r = 0.86$ ,  $n = 4$ ). As such, hypothesis 4f (interaction between network members will be associated with great self-identification as Latino/a) is supported.

Developing a sense of common fate has long been an interest of the network members and conveners. At the very first network meeting, the attending business owners expressed concern that more businesses were not represented. According to the field notes “some felt that their absence was a sign that others were not interested in sharing and participating.” The root of this concern is that without those voices the collective power of the organization would be weakened. In 2006, the first convener comments that, “The goal is for them to be a force... The Department of Economic Development has completely ignored Latino businesses in Iowa because they don’t seem to be a force.” In order to achieve goals, to get officials to listen to them, they recognize that they need each other. As one business owner comments at a focus group, “The stronger you are, the more people that help, like he has a problem, there’s more people to back him up.” Most recently, the second convener reports that “there finally is some power because now they have a joint voice.” In this way, they are tied together by a common fate.

Perception of a common fate is also fairly high in the network (mean = 18.75, s.d. 3.86, largest possible value of 21). Further, common fate is very strongly correlated with Latino/a identification ( $r = 0.99$ ,  $n = 4$ ). Overall, hypotheses 4g (perception that network members have a common fate will be positively associated with greater self-identification as Latino/a) is supported.

### ***“We” Versus “They” Dichotomy***

The final theoretical basis for forming a sense of “we” is the development of an understanding that “people like me” are different from “people like them.” In particular, it is an understanding that I am like other Latinos and not like Anglos. There are two components to this dichotomy – a perceived similarity and the sense that we are “playing on the same team.”

### **Perceived Similarity**

There are dual forces in place in developing perceived similarity between network members. First, as Latinos from a variety of different sending countries, they recognize they are different from one another. The second network convener explained this by discussing the differences between entrepreneurs in Ottumwa and Perry, Iowa:

“In Perry, you know most of the businesses are from El Salvador. So they are totally a whole different crowd than if you are from Mexico or from Nicaragua or whatever. So they may not have as much in common as we think, just because they speak Spanish. So they may not relate to each other you know, not only in the business field but as a group. So, I think that’s one of the issues.”

Second, despite these very real differences, they have shared experiences which suggest that they are similar to one another.

From very early in the network, the network conveners noticed that there was a tendency for network members to treat non-Latinos differently from Latinos. While developing trust between members and the conveners was difficult, the first convener (who is White) believed he had a harder time winning their trust: “Particularly me not speaking Spanish very well and obviously not being from a Hispanic community.” As discussed before, many of the businesses had problems with attracting Anglo customers. Some of this



was due to the unwillingness of Anglos to patronize these businesses. However, some of the owners were not open to Anglo clients. The second convener gives an example of an El Salvadorian restaurant owner: “She was not really open to the Americans, per se to the Anglo community.”

The way the network members discuss themselves and Anglos is also indicative of a perceived similarity to other co-ethnics and dissimilarity to Anglos. Throughout many conversations with business owners, non-Latinos were consistently referred to as “Americans.” This occurred even when the entrepreneur him/herself was an American citizen. This language is a separation of “them” from “us.” Later in the history of the network, business owners began to use the term Hispanic or Latino to describe the members of the network at large. At a network meeting in 2007, one owner commented: “But this is how we do things as Hispanics. That which costs a lot of money does not interest us!” This is one example of beginning to use terms like “we” and “us” – indicating a sense of similarity.

In order to examine the idea that there is a Latino/a “we” when compared to Anglos, I calculated two different social identities – identification as Latino/a when comparing the self to Anglos (mean = 30.83, s.d. 4.45) and identification as Latino/a when comparing the self to other Latino/a groups (mean = 26.33, s.d. 3.39). Utilizing a paired sample t-test, I analyzed whether the mean of self-identification when compared to Anglos is different from the mean of self-identification when compare to other Latino/a groups. The mean difference of 4.5 indicates that there is a difference between the two, with stronger identification as Latino/a when Anglos serve as the referent group.

Taken together, what this suggests is that network members did see themselves as more similar to other Latino/a subgroups when they are comparing themselves to Anglos. In

other words, there is a stronger “we” among Latinos when the “they” is comprised of Anglos and not other Latino/a subgroups. Overall, hypothesis 5a (the salience of reference group (Latino/a or Anglo) will be related to whether an individual Latino/a sees him or herself as similar to other Latino/a subgroups) is supported.

### **Playing on the Same Team**

As previously discussed, early on in the history of the network, there was little sense early on that the entrepreneurs were working together. “I think it was because” they did not “consider” themselves “as a member, as a Latino network. It was us trying to help them.” By 2010, the second convener believed that rather than simply believing they came to meetings to get help from the conveners, they now had a sense of themselves as “part of a group.” This group is working together – at least in the sense of developing a group voice. From the initial business visits, members of the network have expressed the need to develop a group or a team. According to field notes, the owner of a bakery (still active in the network today) commented: “there needs to be some type of mechanism in place to bring all the Hispanic businesses together and this association could be that mechanism.”

Latino/a identification has some role in this sense of belonging to a group. The example of the Tex-Mex restaurant can be interpreted in one further way. The owner of the restaurant, while Latino, did not see himself as having much in common with the other entrepreneurs. They did not see any benefit to working together with them and so did not join the organization. In other words, they did not perceive themselves as playing on the same team as the other entrepreneurs – at least partially because they do not relate much to the Latino/a community.

The quantitative data does provide support for this idea. Playing on the same team is positively correlated with a stronger Latino/a identity ( $r = 0.57$ ,  $n = 4$ ). Hypothesis 5b is supported (perception that network members are playing on the same team will be associated with greater self-identification as Latino/a).

### ***“We-ness” Based Trust***

Three sources of the formation of a shared identity (both racial and ethnic) have been proposed and tested. The purpose of this analysis was to provide an explanation for how this sense of a “we” can be created for Latinos and, moreover, how that sense of “we-ness” can function as a basis for trust development between Latino/a network members.

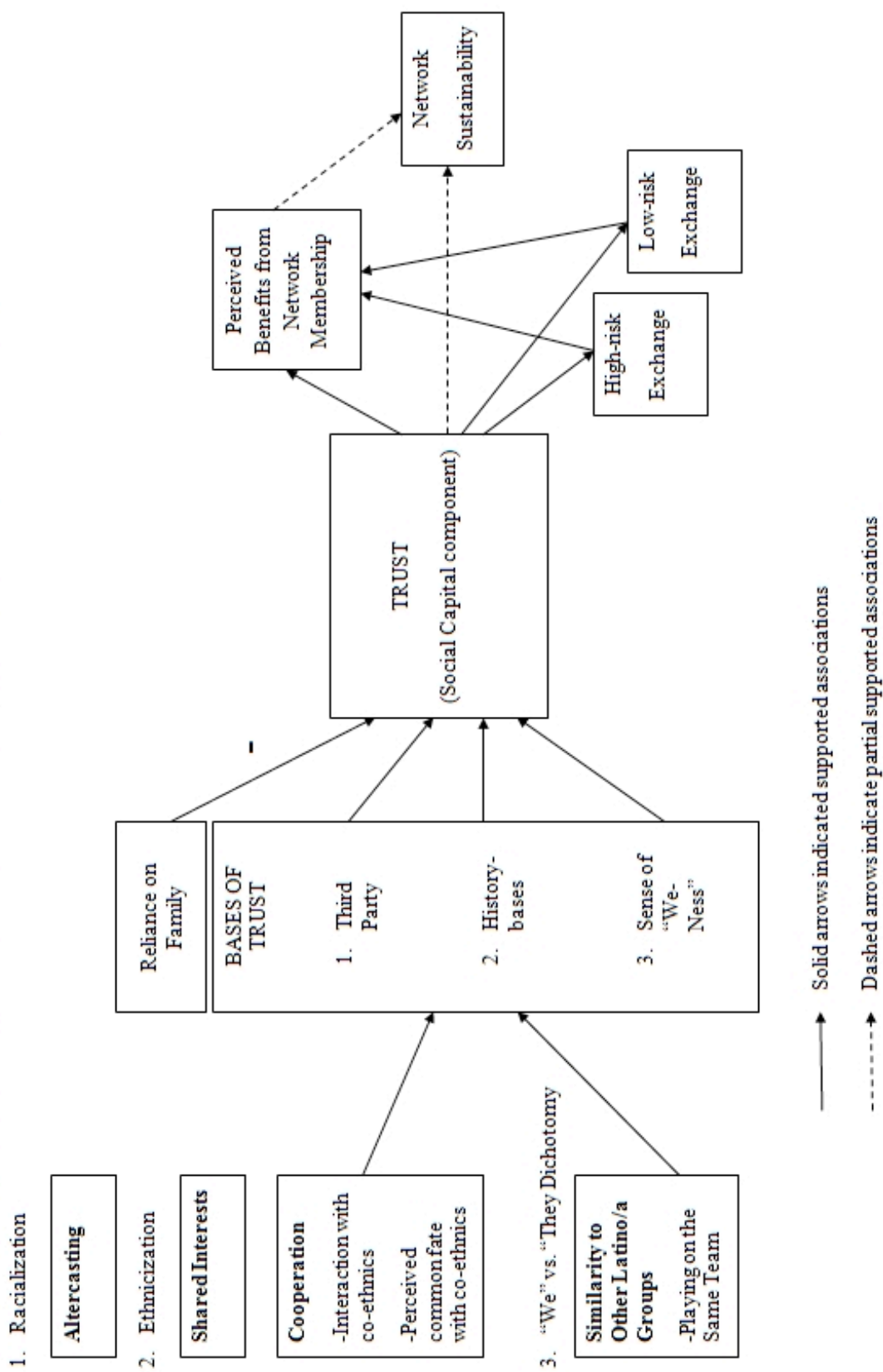
Throughout the qualitative analysis, we have seen that trust is difficult to develop for non-family members in the Latino/a culture. At the same time, the convener has repeatedly argued that trust *has* developed among members of this network. Throughout the explanation of how trust has developed, an underlying idea has emerged. Network members have come to see that it is better for them if they work together because, underneath it all, they have very similar problems and concerns. Yet, is this enough to develop a sense of “us” in terms of the formation of a shared identity? And, if so, is that shared identity a source of trust? While I will examine these questions more fully in the next chapter, there is some indication that a higher level of self-identification as Latino/a will be associated with a higher level of trust for others categorized as Latino/a. The quantitative analysis shows that trust in the association is positively associated with a stronger Latino/a identity ( $r = 0.68$ ,  $n = 4$ ). As such, hypothesis 6 is supported.

### ***Summary of Results***

The first two sets of hypotheses (the trust and benefits and sustainability) were largely supported (see Figure 5). Reliance on family did interfere with the development of trust between network members (1a). Trust was developed both through a third party (1b) and a history of interaction between network members (1c). Trust was positively associated with perception of business benefits (2a) as were high-risk and low-risk exchanges (2d). There was some support for the idea that higher risk exchanges associated with higher levels of trust (2c) and that those higher risk exchanges would be perceived as more beneficial than lower risk exchanges (2e). Part of the reason there is only some support for these last two hypotheses is because almost all resource exchanges in the network were low-risk (supporting 2b). Since there was no variance in the network sustainability measures (not allowing correlations to be estimated), qualitative measures were relied upon to test the hypothesis. There was qualitative support for positive associations for both the relationship between perceptions of business benefits and network sustainability (2f) and trust and network sustainability.

Hypotheses related to the development of a shared identity received less support. In fact, the racialization hypothesis was not supported (3a) and most of the ethnicization hypotheses, specifically those related to shared interests, also did not receive support (4a – 4d). Cooperation (4e) with its component parts of interaction between network members (4f) and perceived common fate with network members (4g) were supported. The “we” vs. “they” dichotomy theme was the other component of shared identity formation that was supported. Network members were more likely to self-identify as Latinos when they compared themselves to Anglos instead of other Latino/a subgroups (5a). Further, perception they are playing on the same team with other Latino/a network members was positively associated

**Figure 5. Complete Model of Paths from Trust Development to Network Sustainability**



with stronger Latino/a self-identification (5b). Finally, stronger Latino/a self-identification was positively associated with more trust in other Latinos (5c).

The concluding chapter will explore these results in more detail. Possible explanations for hypotheses that were not supported will be discussed. Further, I will discuss limitations and directions for future research which is often tied to these anomalous findings. Implications of this research, specifically in terms of understanding Latino/a networks and the formation of shared identities, will be explored.

## CHAPTER SIX: DISCUSSION

Little is known about Latino/a-owned businesses in new destination communities. Studies on the subject (e.g. Grey, Rodríguez, and Conrad 2004; Griffith 2006; Zarrugh 2007) seek to describe these businesses and the conditions the owners deal with in their host communities. The research in this dissertation takes the next step. Rather than being solely descriptive in nature, I propose a theory of how Latino/a business owners can benefit from network connections to other co-ethnic entrepreneurs. At its core, this theory is about the development and deployment of trusting relationships.

The development of trust is problematic for Latino/a co-ethnics because of a cultural proclivity to trust only family members (Abom 2004; Barone 2001; Gaines et al. 1997). Reviewing literature on strategic network theory (e.g. Gulati, Nohria and Zaheer 2000), social capital formation in ethnic enclaves (Portes and Sensenbrenner 1993), and social identity perspectives (e.g. Brewer 1991; Gaertner and Dovidio 2005; Turner et al. 1987); I proposed that there are three possible bases of trust for Latinos in business networks: third party, history-based, and forming a sense of “we-ness.” I further describe the process through which a sense of “we-ness” (a shared identity that is both racial and ethnic at the same time) can be developed and serve as a formation for trust between Latinos in new destinations.

Once trust, a component of social capital (Putnam 2000), exists between network members, it enables several positive outcomes for members of the network. Trusting relationships encourage perception of business benefits both directly and indirectly through facilitating resource exchanges. It also promotes perception of network sustainability directly and through an increased perception of benefits. It is important to note that while this theory

contains predictions of directionality, results only speak to associations between factors. I will explore this limitation in detail below.

I performed an exploratory multi-method analysis of the members of a Latino/a business network located in Ottumwa, Iowa. Analyses of qualitative, survey, and network data were combined to test theoretically-based propositions. In this chapter, I will review the main findings of these analyses. This discussion will first focus on factors relating to the development of trust (including the creation of a sense of “we-ness”) and then shift to the effect of trust on resource exchanges, perception of business benefits, and perceived network sustainability. After this review, limitations of this research and future directions will be explored.

### ***Three Bases of Trust Development***

Latino/a owned businesses have received little attention in the literature. When they have been studied, most frequently the purpose of the study is to profile the characteristics of the businesses and owners (Grey et al. 2004, Griffith 2006; Zarrugh 2007). Networking between such entrepreneurs has received even less attention with an exception being Zarrugh (2007) who simply notes that ties between business owners is not likely to occur because of the cultural proclivity for Latinos to not trust those outside of immediate family or very close friends. Results from my research reflect this observation. Both qualitative and quantitative data indicated that the Latino/a entrepreneurs were more likely to turn to their family members for business aid than they were to network members. The tendency to trust family thus interferes with building trust between network members.

This finding is at odds with the research that focuses on immigrant business. According to research in this area, immigrant businesses are benefited based upon their



access to ethnic resources (e.g. Light and Bonacich 1988). These resources are accessible through a shared ethnic identity which brings with it an obligation to behave within particular guidelines and facilitates trust formation between co-ethnics. Through co-ethnic ties, ethnic entrepreneurs have access to many competitive advantages, such as: start-up capital (e.g. Light 1972, Portes 1987) and low-wage labor (e.g. Portes and Bach 1985). They also benefit from both vertical and horizontal integration between ethnic firms (e.g. Sanders and Nee 1987, Wilson and Martin 1982, Wong 1982), and have a protected market for the sale of ethnic goods (e.g. Aldrich and Waldinger 1990). The extent that co-ethnics can draw on ethnic resources to gain these and other benefits for their businesses vary based on the host community and the characteristics of the other co-ethnics in the community. These conditions are strongest in ethnic enclaves (e.g. Portes and Bach 1985).

Ethnic enclaves have certain conditions that support the development of co-ethnic ties characterized by trust or, in other words, social capital. Terming the development of ties through a process of forming a common ethnicity (or a sense of “we-ness”) as bounded solidarity, Portes and Sensenbrenner (1993) point out that enclaves have conditions in which the ethnic group is isolated from and is targeted for discrimination by the dominant group. The Latino/a entrepreneurs in my study reported few ties to Anglos (the dominant group in Ottumwa) but did not report experiencing much discrimination (findings that will be explored in detail later). Further, ethnic enclaves are spatially concentrated areas marked by the presence of one particular ethnic group such as Cubans in Miami (e.g. Portes and Manning 1986). Common ethnicity is central to bounded solidarity and thus the formation of social capital. In Ottumwa, there are many different Latino/a ethnic groups (even among the business owners) such as Mexicans, El Salvadorians, and Guatemalans. As argued

previously, new destinations meet neither the requirements for an ethnic enclave nor the preconditions for the development of bounded solidarity.

With social capital development (specifically in terms of the presence of ties characterized by trust) thus hindered through a cultural proclivity to trust only in family and close friends and by a lack of one common ethnicity, other paths to trust need to be found for the Latino/a members of the Ottumwa business network. Turning to research on strategic networks and voluntary organizations, I identified two such bases for trust: third party and history-based. Further, I provide a theory for how a sense of “we-ness” (or bounded solidarity) can be created for the Latino/a entrepreneurs. Below I discuss each of these bases and the implications they have for Latino/a business networks.

### **Third Party and History-Based**

Third party trust development is a process through which an already trusted individual acts as a conduit to the formation of a trusting relationship between others (Kramer 1999, Besser and Miller 2010c, Uzzi 1997). History-based development of trust can occur when people get to know each other and, through a process of exchange, come to believe that the other will not take advantage of them (Gulati 2007; Shapiro, Sheppard, and Cheraskin 1992). In this network, the two bases of trust interacted to enable the development of trusting relationships between network members.

The third party who would facilitate trust between network members was the network convener (specifically, the second convener). Before he could act as this third party, he first needed to win the trust of the network members for himself. This was a long process of consistently illustrating to the members that he would not take advantage of them and interacting with them in day-to-day life.

Here we see one way which history-based and third party trust intersect. In fact, as late as 2009, the majority of trusting relationships in the network were due to the ties between the convener and each network member. Once he gained their trust, he was able to facilitate interactions between other members through providing assurance to the members that the others in the network would not take advantage of them.

These initial interactions were very low-risk exchanges between network members – just a matter of offering moral support and entering into discussions about what was occurring with their businesses. Overtime, through a history of these exchanges with one another, a nascent trust developed between members. When this occurred, the convener no longer needed to be involved at every interaction or to constantly assure members that the others would not take advantage of each other. Entrepreneurs began exchanging with each other outside of network meetings and were even willing to hold a meeting without the convener in attendance. Thus, through both processes, members were able to overcome the cultural tendency to only trust family and close friends and began relying (to some degree) on each other.

### **Sense of “We-ness”**

The third base of trust is the development of a shared identity – in this case, a Latino/a pan-ethnic identity. This sense of “we-ness” would create a moral imperative to meet the expectations of the group and promote trust (as a component of social capital) between those who share this identity (Portes and Sensenbrenner 1993). The consequences of bounded solidarity are similar to those of sharing a social identity. As suggested by social identity perspectives, sharing a social identity (such as Latino/a) can develop trust between

members and can redefine of self-interest to refer to the interest of the group (e.g. Brewer and Silver 2000).

In line with this theory, I examined whether identification as Latino/a was positively related to trust between network members. There was a positive association, but it was weaker than third party and history-based trust development. There was also less qualitative data to support this assertion – mostly because discussing the extent to which a person identifies as Latino/a is more abstract than discussing resource exchanges or business benefits.

Following the literature on immigrant businesses, I focused on the development of a racial/ethnic identity, missing the obvious level of identity that would be most salient to the development of trust between network members. A network identity would also be a social identity and bring with it the need to follow group norms and serve as a basis of trust. The network was composed of Latinos and, as such, the Latino/a identity would also function (to some degree) to encourage trust. Both are relevant, but a network identity would be more closely tied to how they think of themselves and others as group members (e.g. Turner 1985, 1991).

### ***Shared Identity Theory***

Another possible reason that the relationship between a Latino/a identity and trust was not as strong as other bases of trust has to do with the absence of several hypothesized processes in developing a shared identity. I proposed that the creation of a “we-ness” would result from three processes: racialization, ethnicization, and the creation of a “we” vs. “they” dichotomy. As reviewed above, this shared identity would encourage the development of trust between members.

## **Racialization**

Racialization is a process of assignment into racial identities through categorization (e.g. Bonilla-Silva 1997, Omi and Winant 1994). Those who have power and are privileged within the hierarchy of racial categorization are those who have the ability to assign others (Cornell and Hartmann 2004, 2007). In terms of identity formation, this is a process of altercasting whereby more powerful individuals “cast” their interaction partners into particular roles (Weinstein and Deutschberger 1963). As a consequence of this casting, less powerful alters adopt the assigned identity (Cast 2003). In terms of Latinos in new destinations, an example of this assignment would be the casting of all Latinos (regardless of their subgroup identification) as “Mexican” (e.g. Grey et. al 2004, Millard and Chapa 2004).

Consistent with this research, qualitative data indicated that the Latino/a entrepreneurs perceived that Anglos in Ottumwa see all Latinos as “Mexican” or “illegal” rather than recognizing their unique cultural backgrounds. Further survey data indicated that network members perceived that they were altercasted by Anglos. However, this altercasting did not result in the adoption of a pan-ethnic identity by network members. In fact, analysis of survey data showed that business owners were less likely to self-identify as Latino/a the more they perceived that they were altercasted by Anglos.

Previous research about resistance to racialization processes provides an insight into why this may occur. As Bessera (2005) notes, the extent to which a person is able to resist being racialized is related to their social class. The Latino/a entrepreneurs in Ottumwa are higher in occupational prestige (one component of social class) than the majority of the other Latinos who work low paying jobs in the meatpacking plant. The relatively higher prestige may enable Latino/a entrepreneurs to reject attempts at assignment.

### **Ethnicization**

Racialization is an assignment that reflects the role of social structure and power relations in the formation of an identity. Conversely, ethnicization is the assertion (reflecting agentic choice) by an individual that they belong to a particular group through ties of kinship or shared history (Cornell and Hartmann 2007). Ethnic identities reflect a choice – a choice that I argued depends upon shared interests and cooperation.

Shared interests reflect the recognition that individuals have similar political and resource needs (e.g. Cornell 1996). People choose to adopt an ethnic identity in order to gain access to these benefits. Development of shared interests is encouraged through isolation from the dominate group. Isolation occurs when relationships between the dominate group and the ethnic group are marked by a lack of trust, few ties between the two groups, and perception by ethnic group members that they are discriminated against (Cornell and Hartmann 2007).

The qualitative data suggested all of these conditions for encouraging acknowledgement of shared interests were present for the entrepreneurs. Contrary to expectations from research and from the qualitative data relating to Latino/a trust of Anglos, the self-report of the extent of trust was fairly robust. Not only did the entrepreneurs indicate that they trust Anglos, trust had a strong positive correlation with perception that network members had shared interests with co-ethnics. Likewise, while there were few reported ties to Anglos, this was also positively correlated with shared interests. Reports of the experience of discrimination were low and negatively correlated with shared interests. Even more problematic, shared interests were negatively correlated to the development of a Latino/a identity. In each case, predicted relationships were contrary to findings from survey analyses.

There are several reasons why this may have occurred. Again, the fact that all participants in the study had similar occupational prestige may have played a role in the low levels of perceived discrimination experience. While the qualitative data suggests that business owners had observed discriminatory behavior by police and other community members, there was much less evidence that the business owners actually experienced this discrimination themselves. As noted by Grey et. al (2004), immigrant business owners often act as spokespersons and are generally respected within in the community. Class factors thus could indicate why self-reports of discrimination were low.

The qualitative data does indicate that the relationships are as hypothesized. Yet, many of the complaints about discrimination came from early on in the research – such as the first network meeting or at business visits in 2007. It is possible that the lack of support from the quantitative data collected in 2009 occurred because conditions between Latinos and Anglos had improved during this time period. Undoubtedly, discrimination was a challenge faced by entrepreneurs when they first settled in the community. However, the low reports of perceived discrimination indicate that these problems may be mostly in the past.

Another possible reason for the difference between qualitative findings and the quantitative analysis is a measurement issue. I operationalized shared interests in terms of perceptions of common vision between network members – not between Latinos. As discussed above, it is possible, and even likely, that there are two senses of “we-ness” that are important for the development of trust. One is the development of a Latino/a identity. The other, and perhaps even more important, would be the development of a network identity. Shared interests with members of the association would encourage the development of a network identity. Similarly, isolation would not be from Anglos, but instead be from other

business owners or networks (such as the Chamber of Commerce). While it is likely in this instance that a Latino/a identity and a network identity would be related, particularly through one encouraging the development of the other (a process which would probably be reciprocal), the measurement of causes of shared interests, shared interests, and the development of a shared identity may not have tapped the same identity.

In reviewing field notes, it becomes clear early on that one of my central concerns during the study was how to engender a network identity for the network members. I made suggestions about creating a name for the network, creating some sort of symbol or emblem for members to display, and even suggested implementing dues to make salient to the business owners that they were paying to belong to this association. My initial concern was lost during research as I began paying more attention to the pre-existing literature on immigrant businesses (e.g. Portes and Sensenbrenner 1993). Returning to this initial observation would be important for future research (and will be discussed below) and also indicates the importance of paying attention to insights made in the field.

It is possible that the development of this identity just did not operate as expected for this group of individuals. Members of the network may also have resisted perceiving that they had similar interests to the others in the network in an attempt to separate themselves from the stigmatized Latino/a identity. As reviewed extensively in Chapter 3, Latinos have less power than Anglos and are targeted for discrimination. Members of the network may be motivated to minimize their identification as Latino/a to separate themselves from this negative identification in an attempt to maximize self-enhancement (e.g. Brewer 1991, Turner 1985, 1991). The owner of the Tex-Mex restaurant discussed in the results chapter may be an example of this. Although the convener argued that the owner did not identify as



Latino/a because of lack of shared interests, it may also have occurred as an attempt to disassociate from a stigmatized group of individuals.

Ethnicization is also encouraged through cooperation between group members (e.g. Gaertner, Dovidio, and Bachman 1996). There are two elements to cooperation: interaction with co-ethnics and a sense that co-ethnics share a common fate (Gaertner and Dovidio 2000). Unlike shared interests, cooperation, interaction with co-ethnics, and a perception of common fate all related as predicted to the development of a Latino/a identity in both the qualitative and quantitative data. The problems of measurement of Latino/ identification and association identification seemed not to figure into this analysis. Most likely this is because these factors predict not only a Latino/a identity, but are also closely related to concepts in the networks literature (Besser and Miller 2010a, 2010b). Another possibility is that the positive relationship between cooperation and Latino/a identity is actually mediated by a network identity (explored more fully below). If Latino/a network members perceive cooperation, have a high level of interaction, and perceive a common fate with the other Latinos in the network this would encourage both types of identities to form simultaneously. If this is the case, this indicates that the formation of a Latino/a identity and a network identity would be linked for these ethnic entrepreneurs.

### **“We” Versus “They” Dichotomy**

The “we” vs. “they” dichotomy is encouraged through both perceived similarity and the sense that “we are playing on the same team.” According to researchers in the social identity perspective, a key component of identities is the categorization process (e.g. Turner 1985, 1991). This is a process whereby individuals identify with some individuals (to develop a sense of belonging or similarity) and differentiate themselves from others (to

differentiate themselves from others) (Brewer 1991). Depending on who is the referent group is (the category of the type of individual a person is differentiating herself from), categorization can change. While previous research has reported that Latinos are not likely to identify as Latinos but are instead likely to select subgroup identification (such as Mexican, Guatemalan, El Salvadorian) (e.g. Huddy and Virtanen 1995), I suggested that a Latino/a self-identity can be formed when the referent group consists of Anglos. In this instance, the “we” (Latinos) would be formed when compared to the “they” of Anglos. Both qualitative and quantitative research support this idea. Members in the network more strongly identified as Latino/a when they compared themselves to Anglos then when the comparison group was other Latino/a subgroups.

Identification as Latino/a does not erase subgroup membership or identification. Instead, identities are layered with the referent group determining which layer is salient at a particular moment (e.g. Brewer 1991). Being able to maintain a subgroup identification, while also recognizing that you belong to a group at a higher level (such as the pan-ethnic identification of Latino/a), is what scholars call a dual-identity or the recognition that you are “playing on the same team.” Both qualitative and quantitative research suggested that the perception network members are playing on the same team is associated with a stronger Latino/a identity.

Overall, only cooperation was associated with the development of a shared identity. Yet, even so, members of the network did report having a Latino/a identity and this identity was associated, as predicted, with trust between network members. It seems that, even with questions about the process of identity development, a Latino/a identity was important to the

development of trust between members of the network. Thus, all three bases did contribute to the formation of trust.

### ***Deployment of Trust***

Trust is an essential component for a successful business network. Ties characterized by trust facilitate the perception of the network as beneficial. It encourages members to believe the network will last. Finally, trust facilitates resource exchanges between network members.

### **Benefits and Sustainability**

It is through trust that members of the network can come to believe that the advantages to belonging to the network outweigh the risks through minimizing the perception that other members will behave opportunistically or free ride (e.g. Gulati and Gargiulo 1999; Zaheer, McEvily and Perrone 1998). Trust is directly related to both perceived business benefits and the perception that the network will be sustainable. The perception of benefits from membership is also tied to sustainability of the network. When members believe that their businesses gain advantages from networking, they are likely to continue membership in the organization (Besser and Miller 2010b; Steensma, Marino and Weaver 2000).

Trust between the convener and the members resulted in many benefits for the entrepreneurs. Some examples of this included: successfully adding products, expanding their customer base to include Anglos, and increased marketing. Relations between businesses, as trust grew, also created benefits. Members started to refer customers to each other. They also began promoting each others' stores. Quantitative data told a similar story. Higher levels of trust between network members were positively associated with perceptions of business benefits.

Due to limitations in the survey data, the relationships between trust, benefits, and network sustainability were hard to determine. However, the qualitative data supported my contention that trust and benefits do encourage sustainability. In his comments, the second convener directly tied trust to network sustainability. Further, members reported that they continued their membership in the network (thus providing a level of sustainability) because they wanted to keep gaining the benefits of coming to the meetings – specifically, learning what was going on and other information.

### **Resource Exchanges**

Trust between members also encourages perceptions of benefits through encouraging resource exchanges (Besser and Miller 2010a). Resource exchanges between members provides access to resources such as information cost sharing, information sharing, risk sharing, knowledge about technology information, and the increased access to resources that can occur in networks (e.g. BarNir and Smith 2002; Greve and Salaff 2003; Gulati, Nohria and Zaheer 2000). Higher levels of trust should enable higher risk exchanges which should be perceived as more beneficial to businesses than low-risk exchanges. Yet, as they require more trust to occur, they should be less frequent (Besser and Miller 2010a, 2010b).

Indeed, interview data indicated that the majority of exchanges were low-risk. Entrepreneurs were likely to refer businesses to each other, share information, and provide morale support – they were much less likely to engage in sharing financial information or financial risks. Network analysis reflected these qualitative findings – both in 2006 and 2009. At the same time, survey analysis showed some occurrence of high-risk exchanges. While both low-risk and high-risk exchanges were positively correlated with perceived business

benefits, the correlation with high-risk exchange was higher. Further, trust was positively correlated with both exchange levels, indicating that trust does facilitate resource exchanges.

Yet, even with these findings, the data cannot clearly support that high-risk exchanges require more trust or that they are perceived as more beneficial. The reason for this is most likely because of the overall lack of high-risk exchanges in the network. Very few were reported in interviews. Further, the density of high-risk exchange for both 2006 and 2009 was low.

### ***Study Implications***

First and foremost, what this study indicates is that the development of a business network is possible for Latino/a entrepreneurs in new destination communities. While trust may be difficult to develop because of cultural proclivities to rely only upon family and close friends, there are other paths to trust that can be exploited to build a basis for resource exchanges, perceptions of benefits from network, and the belief that the network will be sustainable. A committed network convener who is willing to spend time to develop trust between the entrepreneurs and himself can act as a third party to assure the members that they will not be taken advantage of by the others. As these members begin to exchange, and see that others do not behave opportunistically, trust can emerge. Further, coming to believe that other members of the network cooperate and have a common fate can encourage the formation of a shared identity. In this case, the shared identity is a Latino/a identity which also related to increased levels of trust between members.

If this pattern holds, future resource exchanges will increase the amount of trust in the network and there should be several observable effects. Higher risk exchanges would occur to a great extent. Members could pool financial resources to market member businesses,

develop training programs, and even possibly share employees. While the convener is necessary for the first years of network development, he should eventually be able to leave active management and running of the network to the members themselves – something the convener was hopeful of during the concluding interview in 2010. The question of whether the network needed the convener in order to retain functioning was a constant concern throughout research on the Latino/a network – expressed by the researchers and conveners alike. The members maintaining functioning without an outside presence would indicate that the network had become self-sustaining.

While these findings directly apply only to the members of the Latino/a business network in Ottumwa, this model could be used to encourage the development of business networks in other communities. In fact, the research project in Ottumwa has spurred the development of several networks throughout Iowa when the network convener applied for, and received, a grant to work on developing other networks. With the qualified success of the Ottumwa network, this pattern of development could be applied in other new destination states, possibly encouraging Latino/a business success in other locales.

The research relating to trust development through shared identities needs further specifications and research (described below). There is one finding relevant to researchers interested in Latino/a identities. Previous research has stressed that identification with a pan-ethnic Latino/a identity is unlikely due to the tendency for individuals to stress their subgroup identification (e.g. Huddy and Virtanen 1995). The method developed here for testing layered identities in relation to a salient referent group indicates a nuanced view not previously recognized in research on racial and ethnic identities. While Latino/a subgroups may have the tendency to identify at lower layers (such as the subgroup); higher levels of

identity can become salient and important for predicting behavior. This finding is important in and of itself as it contributes to research on identities in general and racial and ethnic identities in particular. Further, while the process of identity development hypothesized in this dissertation did not work as predicted, the finding that Latino/a identities can exist while members also hold a subgroup identity (such as Mexican, El Salvadorian, etc.) is an important insight into how individuals can manage and maintain multiple identities.

### ***Limitations and Direction for Future Research***

The main limitation of this research derives from research methods. As an exploratory study, the findings only directly apply to the Latino/a entrepreneurs in Ottumwa. With the focus on the one network, sample size is restricted to those who belong to the network at the moment of data collection creating several limitations. First, causal relationships between variables cannot be tested due to lack of statistical power. Although both shared identity theory and the theory about the development and deployment of trust suggest casual relationships, these could not be tested. A sample of several Latino/a networks could overcome this issue and also test whether this model of trust development functions outside of the social context of Ottumwa. Further, while the theory as written suggests directionality, many of the relationships between concepts may be reciprocal. For example, it is likely that interaction between network members causes trust to develop. At the same time, trust would encourage interaction between network members. Future research would also need to address this.

Second, the participants in the sample are similar in many ways. Most importantly, they all share the same occupational prestige. Several surprising results (such as resistance to altercasting and low reported levels of discrimination experience) may be an artifact of this

similarity. As such, the shared identity theory should be tested outside of business networks. A larger sample that reflects a cross-section of Latinos in new destinations (business owners, workers at the packing plant, women and men) would provide insight into how factors such as gender and class affect the ability to resist racial identity assignment and willingness to ethnically identify as Latino/a. Not only would this provide an understanding for how a Latino/a identity could become salient for Latinos in new destinations, it has implications for how race, class and gender intersect in the process of identity creation.

Also related to a shared identity as a source of “we-ness” based development of trust, it is necessary to develop an understanding of the role of network identities in trust building. Is the network identity the important source of “we-ness” for network development? Indications from qualitative data indicate this is so. At the beginning of the network, the conveners reported that they did not perceive that the network members thought of themselves as a group at all. Instead, it seemed to them like the members were solely there to get help from the conveners. Overtime, this perception changed. In 2010, the second convener reported that he now believed they thought of themselves as a group. This conception of oneself as belonging to a group is the defining characteristic of a social identity. Future research would need to explore this from the point of view of the network members themselves to discover whether they do indeed identify as association members.

Further, it is likely that a network identity and a Latino/a identity would be reciprocally related to one another. Having a Latino/a identity would encourage ties between the Latinos within the network which would encourage them to think of themselves as a group (a network identity). A network identity may follow the same basic process to encourage the development of a Latino/a identity. In fact, the relationship between these two



identities may partially explain what occurred with the owners of the Tex-Mex restaurant who did not join the network. The owners did not see themselves as having much in common with other Latinos, were not involved with the Latino/a community, and overall did not seem to self-identify as Latino/a at all. This, combined with their perceived lack of shared interests with Latino/a entrepreneurs who cater to a Latino/a customer base, they had little reason to join the network and form an association identity. Understood in this way, this is a negative example of how having a Latino/a identity could facilitate the development of an association identity. If social identities are an important source of the development of trust – as both Portes and Sensenbrenner (1993) and social identity perspectives would suggest – then understanding the role and interplay of both identities would be highly instructive.

While trust and exchange were found to be perceived as beneficial to member businesses, the extent that these businesses become more sustainable is not known. Does membership in the network make it less likely that the businesses will close? Do members of the businesses obtain benefits that those who choose not to belong to the network not have access to? Research on the benefits actually received based on membership in the network would provide a strong case for encouraging the development of these networks in new destination communities.

Finally, while I discussed the effect of the social context on the network and member businesses, the effect of these businesses on the community at large is not explored. Much of the research on new destinations notes that these businesses are beneficial to their host communities (e.g. Kandel and Parrado 2006), but how, why, and to what extent has not been addressed in detail. If researchers are able to illustrate to community officials the direct benefits of these businesses to the local economy, the officials could be motivated to more

directly support the entrepreneurial efforts of this population. Further, such reports may have a positive impact on the image of Latinos in these communities. Rather than being perceived mostly as a drain on already struggling resources (e.g. Millard and Chapa 2004), being seen as an asset to the community could help offset some of the negative attitudes directed towards Latinos by some Anglos.

### ***Conclusion***

New destinations are places that are receiving a recent influx of Latino/a immigrants. Mainly rural, this population increase began for most places in the mid- to late 1990s. For Ottumwa, there was a small population of Latinos prior to 2000, but it was at this later date that settlement began to really take off. Latinos are opening businesses in all new destination communities, seeking to make an income outside of the low-wage work available at meatpacking plants and provide a better future for their children. Yet, little is understood about factors that can help these businesses become tenable.

Most of what is known about immigrant businesses is derived from studying entrepreneurs embedded in ethnic enclaves – a location that is highly favorable for businesses largely because of the social capital in these environs. Social capital is developed in enclaves through several means – including the formation of a sense of “we-ness” created through a common ethnicity. Latinos in new destinations cannot rely upon this same dynamic to form social capital as there is no one ethnicity for Latinos in these rural towns. Instead, other paths to social capital (in particular, the development of relationships characterized by trust) are necessary. Similarly, without being able to draw on ties to co-ethnics for many of the advantages available in enclaves, other ways of obtaining benefits becomes important. In particular, business networks have been shown to support small businesses and should be

able to serve the same function for Latino/a entrepreneurs. If this is the case, factors that encourage involvement in a network and which sustain the network become essential to understanding how to support Latino/a owned businesses. This dissertation proposed, and tested, several propositions relating to the expansion of trust (a component of social capital) between Latino/a entrepreneurs in a business network. I further studied how trust and other factors, such as perceived benefits from membership and resource exchanges, related to perception of network sustainability.

Research on Latinos, outside of ethnic enclaves, repeatedly reports the difficulty of creating trust between non-family members. Through the examination of Latino/a entrepreneurs who belong to a business network in Ottumwa, Iowa, paths to the development of trust outside of familial relationship were found. Through the assurances of a third party, sharing a history of exchange and interaction, and (to some extent) through the development of a shared identity encouraged through cooperation and a sense of common fate, members of the network began to trust one another. Trust encouraged resource exchanges between network members. Through trust and participation in exchange, Latino/a entrepreneurs achieve advantages which may help them to maintain and grow their businesses. Finally, trust and the perception of benefits encouraged the perception that the network itself will be sustained. The continued operation of the network will provide the current businesses with an avenue to gain benefits and help future businesses open and grow.

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