

Structuration and Community Context among Entrepreneurial Types in two Brazilian Communities

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Abstract

Despite the growing emphasis on the relationship between entrepreneurs and their social context in recent years, there is little research that looks at ways which entrepreneurs react to and shape the communities in which they operate. The present research examines the interface between entrepreneurial types and community social and economic dynamics in two very different Brazilian communities, Triadentes, and Sete Lagoas, both located in the state of Minas Gerais. The findings of this inductive, qualitative study suggest that differences in community context favor the emergence of different types of entrepreneurs, who in turn impact the development of the community in very different ways. We identified six types of entrepreneur: *Traditional Pioneer*, *Traditional Remnant*, *Modern Dealer*, *Modern Professional*, *Postmodern Vanguard*, and *Postmodern Opportunist*. These different types featured different business strategies and favored very different approaches to the economic and social development of the community

Introduction

If early thinking on entrepreneurship emphasized individual attributes and microeconomic individualism (Davidson, P. 2004; Hornaday and Bunker 1970; Shumpeter, 1934), it is now becoming somewhat more common to think of entrepreneurship as taking place within a social and cultural context (Dimov, 2007; Sarasvathy, 2001; Wood & McKinley, 2010). This recent inclination comes from a number of disciplinary directions. Scholars and practitioners from policy studies and community development are recognizing that local entrepreneurship is a major driver of regional development and are searching for ways to intervene in communities in ways which will facilitate and stimulate entrepreneurial activity (De Soto, 2000; Hindle, 2010). A similar set of observations has led to similar interest on the part of those who study indigenous and excluded populations and peripheral areas (Dana, 1996;). At the same time mainline entrepreneurship studies has noticed more and more that certain geographical and cultural regions such as Massachusetts Rt 128 and Silicon Valley generate disproportionate numbers of entrepreneurial events, and the frequency and nature of entrepreneurship varies by nation and ethnic subculture (Dana, 1993; Davidson, D. 1995; Hagan, 1962). Less expected but equally welcome, the field of population ecology, which has historically functioned at a very abstract level of analysis, has gradually developed an interest in the internal dynamics of populations of organizations in bounded geographic and social areas,

giving rise to the term “community ecology” (Freeman and Audia, 2006; Mezias and Kuperman, 2000; Owen-Smith and Powell, 2004).

Amongst all of these studies there has been a general neglect of the interrelations between entrepreneurs within communities, particularly viewed from the perspective of the entrepreneurs themselves, and it goes almost without saying that to our knowledge there are no such studies originating in the Lusophone area. Even the research which attempts to deal with the context of entrepreneurship tends to see entrepreneurs as more or less passive recipients of environmental influence with little consideration of different reactions that different entrepreneurs might have in the face of environmental forces.

The research reported here develops an inductive typology of entrepreneurs in two very different towns in central Brazil and considers the interrelationships between categories as they bear on the economic and social dynamics of the community. We are especially interested in the ways that different entrepreneurs respond to environmental forces and how their responses in turn have implications for the economic and social dynamics of the communities in which they live. We rely heavily on the thought of Anthony Giddens (1984) to guide our analysis of the recursive relationship between entrepreneur and community.

Giddens’s dual concepts of structure and agency, which together combine to form the construct of “structuration” are major conceptual tools in this study. The essence of structuration is the idea that there is a recursive relationship between agency and structures (which are construed broadly to include a range of practices, routines, and institutions) wherein individual agents seeking personal interests and agendas stretch existing roles, conventions, and understandings. Their action serves both to reproduce and enact as well as to change social systems. We believe that paying close attention to the interplay between structure and agency helps to explain a number of features of our field data and their implications for entrepreneurship. Our application of structuration to this particular setting—understanding the interface between entrepreneurship and community dynamics in two contrasting Brazilian communities—is novel, although Giddens’s thought is frequently used in organizational studies generally and occasionally in entrepreneurial studies.

Site and Method

The towns studied were Tiradentes, a small tourist enclave noted for its historical preservation and exclusive boutique hotels and restaurants, and Sete Lagoas, a mid sized industrial town which has grown due to the influx of multinational investment. Both are located in the state of Minas Gerais, in central Brazil. Tiradentes was the first town studied because of our initial interest in the town’s rapid rise to prominence in the Brazilian tourist industry. After our study suggested the existence of a reciprocal relationship between entrepreneurial types and community development, we decided to expand our study to a more typical town in order to verify the degree to which the same dynamics were unique to Tiradentes or varied by community background. Because both our research questions and settings are new to the entrepreneurship literature, we undertook an inductive, grounded theory inquiry, which began with a general study of the history and economy of the two communities and progressed to semistructured interviews with a variety of local entrepreneurs as well as political, academic and religious leaders. In all,

we made 9 trips to Tiradentes, and 7 Trips to Sete Lagoas, interviewing 55 respondents, yielding 38 hours of audio recorded interviews which generated a total of 385 transcribed pages of interviews. We content analyzed the interviews both by hand, and then again using N-Vivo computer aided analysis (N-vivo) to identify major themes that emerged in the conversations. Our analysis suggested six distinct types of entrepreneurs which we identified as Traditional Pioneer, Traditional Remnant, Modern Dealer, Modern Professional, Post Modern Vanguard, and Post Modern Opportunist. The existence and frequency of these types varied significantly across the two communities as did their role in and orientation toward the economic development of the community. Below we summarize very briefly how each type relates to Giddens' thinking on structure and agency.

Structure and Agency in Tiradentes

In the case of Tiradentes, it would appear that a long period of decline and abandonment that the city suffered—the population shrank from some 150,000 in the region during the gold rush to somewhere between 6,000 and 8,000 currently—left a structural vacuum which permitted outside agents founding businesses in the community to effect interesting cultural and institutional innovations which otherwise might have faced effective opposition by existing stakeholders. We sensed that despite the existence of two prominent, competing clans in the community there was little interest or attention paid by existing political and cultural establishment to the arrival of newcomers and their purchase of historical buildings in the town.

Early arriving outsiders constituted the core of the category we have named the “Traditional Pioneers.” This group produced a fascinating deviation from traditional practices and values. These entrepreneurs valued local architecture and ambience, sought to reclaim and conserve existing craft traditions, and developed close, enduring ties to their local employees. At the same time, they deviated or altered the traditional patron client relations of submission, dependence, and inertia that characterized local institutions by implementing practices and values which sought the personal and intellectual development of their employees, imparted autonomy and dignity to their staff and generally democratized relations and diminished power distance within their establishments. This change appeared to develop a capacity for high quality customer service on the part of their employees as their individuality blossomed but was still enlisted for the benefit of the enterprise.

The most deeply contrasting category to the “Traditional Pioneers”, are the “Modern Dealers” who jettisoned traditional paternalistic relations in favor of fairly uncritical adoption of an impersonal model of enterprise with clear formal goals, standards, and division of labor which could be employed to drive growth and expansion with only minimal close knowledge and connection to the work force. A small artistic group, the “Postmodern Vanguard” remained comfortably detached from either alternative, being content to use the town's newfound elite status without mobilizing or taking positions on community issues which would preserve the attractive nature of the town that made it an ideal place to ply their trade. Another group—the “Postmodern Opportunists” was similar in the sense that they observed the increasing commercial traffic of the town and employed whatever resources they had at hand to alter their existing real estate holdings or connections to craft production or wholesale sales to sell goods and services which were demanded by the town's prosperity. These, like the artists, were agnostic as per community issues of either growth or conservation—content as they were to exploit the situation without much subjectivity. However unlike the Postmodern Vanguard

whose personal idiosyncracies and artistic productions added charm to the environment, the opportunists could be said to add no particular benefit to the community outside of the provision of cheap goods and services to accommodate greater economic flows. Thus, in Gidden's terms, the loose structures of Tiradentes brought about by abandonment and depopulation permitted greater agency on the part of both locals and newcomers, which in turn resulted in both economic growth and institutional innovation.

Structure and Agency in Sete Lagoas

In the case of Sete Lagoas, somewhat the opposite pattern obtained. Continuously occupied for centuries with a small population, it experienced the opposite of Tiradentes' dynamics by enjoying several boomlets unplagued by abandonment or deep economic crises. This was followed by boom-like growth at the beginning of the 21st century with the advent of large scale industrialization from outside of the community. Probably as a result, until the late 1980s Sete Lagoas featured a strong traditional culture supported by a compact and interconnected endogenous native elite which not only hosted a strong local culture, but maintained this culture and its supporting political, religious and social institutions unaltered over a long period of time.

When inexorable international capitalism finally collided with this more staid set of institutions, the result was less a creative syncretism of tradition and modernity as was the case of Tiradentes, and more the collapse of a homogenous traditional structure and its replacement by a largely homogenous modern structure with fewer opportunities for the exercise of agency. Clearly absent was any particular class of "Traditional Pioneer" entrepreneurs who maintained the local culture while adapting it to a more humanistic syncretism of strong ties, benign paternalism, high quality service, and the development and maintenance of elite niche markets in the services or crafts. Rather, the preexisting native enterprises seemed to cluster in to three types, each with its own response to the change in institutions and structures and practices of externally driven capitalistic development.

One group simply was unable to respond to changes in any adaptive way. They persisted with their personalistic practices and did little to upgrade or retrofit their current physical infrastructure or "modernize" their internal routines or services and merchandise. These entrepreneurs, which are very much like Tiradentes' "Traditional Remnant" category, watched as their customer base disappeared with the death of traditional clients and the migration of the young and newcomers to modern enterprises by and large brought in by outside corporations and franchises. The group that supplanted the Traditional Remnant looks very much like Tiradentes "Modern Professionals"

A second group of Sete Lagoas natives, usually with the help and prodding of their children or other relatives of the next generation, observed the practices of the incoming capitalists and adjusted their business models and practices to match, or at least shadow the arriving modern outsiders. As a result, these preserved a modest prosperity made up of their waning traditional clientele and newcomers or younger natives of a lower social class. This group looks much like Tiradentes "Modern Professionals" except that they are not as apt at adopting the scientific management and marketing techniques of Sete Lagoas outsiders or Tiradentes natives.

A third group consisted of prosperous capitalists which grew wealthy in Sete Lagoas earlier growth spurts and exploited recent developments by strategically investing in large scale enterprises such as shopping centers, convention centers, or luxury hotels either in joint ventures with outsiders, or by appropriating the expertise of outside consultants and professionals to produce establishments which adhered closely to current international tastes and standards. These also ended up looking much like the Modern Professional, although perhaps with a certain admixture of “Modern Dealer” There is a “Modern Opportunist” class much like those found in Tiradentes, with the major difference that they tend to be physically concentrated on a long avenue connecting the old center of town with the new, prosperous periphery made up of modern manufacturing plants and large scale retail operations. Absent is any artistic Postmodern Vanguard fringe exploiting the town’s new prosperity culturally.

A neat inversion appears here—natives doing what outsiders did in Tiradentes and vice versa. The native entrepreneurs in Tiradentes appeared to easily jettison paternalistic structures and practices in favor of impersonal business models with growth and profit maximization at their core, while two of the native categories of Sete Lagoas had difficulty escaping preexisting traditional structures. One of these categories disappeared as a live entrepreneurial option, while the other was able to survive albeit without keeping pace with the growth and prosperity of the alien establishments. Our suspicion is that the highly structured and overdetermined institutions of Sete Lagoas were too brittle to adapt to wholesale change introduced from outside, while Tiradentes’ weaker structures were successfully reinterpreted by creative agents, and thus preserved, albeit in modified form. This successful adaptation in turn made room for two types of entrepreneurs—Traditional Pioneers and Postmodern Vanguard--for which no comparable niche was created in Sete Lagoas.

The Intersection between Entrepreneurial Development and Political Structure

There are close connections between the entrepreneurial categories described above, the degree of structure in the institutions of the two communities studied, and their political groupings, their mobilization and their relation to the concerns and agendas of local entrepreneurs. This is best seen if we review briefly our observations of the political establishments of Tiradentes and Sete Lagoas. Politics and political actors in Tiradentes follow an archetypical pattern of local politics in Brazil and most of Latin America if not the emerging world. Traditional families-- usually two major clans-- compete with one another for votes in local elections. The major currency of this competition is the promise of public jobs based on political patronage, public assistance or public works based more or less on needs of the larger and poorer strata on the population, but administered by those occupying political patronage positions and slanted toward neighborhoods and clans that favor the party in power. A final component is the award of public contracts, normally padded with exorbitant prices and compromised by bribery and kickbacks, to political allies and personal friends and family.

This configuration of factors yields corrupt and inert local governments which typically alternate in power as rival clans mobilize around public discontent with inefficiency, graft, and corruption and bring the rival clan to power. The rival clan then repeats the process, changing job incumbents, contracts, and projects and claiming reform until their own inertia and corruption results in the return of the earlier party. This uneasy balance is, with greater or lesser frequency and efficacy, challenged by charismatic outsiders from labor unions, religious minorities or other nontraditional sources and typically secures minor elected posts from which

they are often coopted by and absorbed into the existing political establishment. Occasionally one of these fringe figures will win a major electoral victory.

In Tiradentes, this pattern, generally without the occasional charismatic populist, appears to have run its usual course with predictable familiarity, obeying its own internal dynamics and generally oblivious of or agnostic toward the sweeping economic changes ushered in by the rediscovery of the town and the movement of ET entrepreneurs and natives adopting modern growth and scale driven business models. Nothing in our interviews with either entrepreneurs or the 3 public figures included in our study indicated any substantive articulation or confrontation between local government and the local business community.

In Sete Lagoas, the situation is more nuanced. Throughout the town's recent history, the traditional clientelistic model has also been fully present, but the local economic elite and political elite have been closely interrelated. Native Capitalists during different economic phases have held major elected office, local politicians have been active in fomenting economic development, particularly in the all important routing of the *Central do Brasil* railroad through the town. Family standing and pedigree have also been important criteria in the choice of commercial partners and in the dynamics of all manner of formal contracts and informal business deals. Populist charismatic leaders have appeared regularly, usually emerging from a poor, peripheral neighborhood and accusing the current administration of neglect of the poor or worse. These rabble rousers from the periphery have, to greater or lesser degrees, been accommodated within the political patronage structure.

However, with the advent of industrial growth, continuing demographic increase and with the slowly rising economic fortunes of Brazil's poorer classes (all subsequent to the Soviet meltdown and consequent neoliberal globalization), the same kind of modernizing, impersonal forces seen in Sete Lagoas' economic sphere have made their way into the political scene. Much current political discourse revolves around success in bringing jobs to town, the development of adequate infrastructure for industry and for an increasingly automotive population. Old fashioned clientelist favors like asphaltting the streets of loyal neighborhoods have receded as general interest in the systematic provision of health care and educational services and integrated urban traffic systems has blossomed. There is a decidedly impersonal and corporate flavor to this new political discourse and a clear emphasis on professionalism and rational management at the expense of the negotiation and articulation of traditional families and elites. As one of our interviewees put it: "Nowadays there is less wheeling and dealing going on and more managing." Hence while the local government of Tiradentes continues to be largely inert and culturally similar to the "Traditional Remnant" entrepreneurs, the government in Sete Lagoas becomes more and more like its large "Modern Professional" class of entrepreneurs and managers.

Theoretical and Practical Implications

Any qualitative study of this scope will suggest a variety of theoretical implications just as any study with the strong exploratory component that ours has will defy easy empirical confirmation. Despite these limitations, in closing we will hazard a few propositions which we hope may serve as useful provocations for research and debate. For us, one of the biggest advantages in applying Giddens opposing concepts of constraint and agency to the relationship between entrepreneurs and communities comes from observing how different types of

entrepreneurs across two different communities vary in the degree of agency they are able to exercise and the degree of constraint they face. Clearly entrepreneurial types are not all created equal in terms of agency and constraint, and the community context would appear to have a major impact in establishing these limits. Both Tiradentes and Sete Lagoas contained a clear “Traditional Remnant” of entrepreneurs that arose from the historical context of the town, but in Tiradentes these entrepreneurs exercised little agency and submitted uncritically to the constraints of local culture and longstanding practice, while in Sete Lagoas it would appear that an important minority of entrepreneurs were quite capable of breaking out of old patterns, adopting new postures, and enacting these postures within the political economy of the town.

Moreover the presence of constraint does not necessarily foreclose the exercise of agency, and this also appears to vary by community and type. The “modern professional” class of entrepreneurs in Tiradentes appeared to exercise considerable personal agency but also encountered institutional constraints because of the existence of an entrenched political establishment. In Sete Lagoas by contrast, the “Modern Professional” class exercised considerable agency, limited somewhat by international capitalist practice, while at the same time facing comparatively fewer constraints from the community political machine, which was evolving toward a rationalizing model of local government.

Thus different types experience different fortunes in different communities. Equally important, different communities may accommodate or prevent the very existence of different types; Tiradentes harbored no “Traditional Pioneer” type, while Sete Lagoas contained no “Postmodern Vanguard” type. Space will not permit a worth discussion of the theoretical nuances of these observations here, but the potential for applying Giddens’s types to theories of community development and intraentrepreneurial variation seem substantial.

Practical Implications

There would seem to be ample practical implications also. Entrepreneurs who want to innovate in fundamental ways would do well to attempt to assess the degree of constraint present in local institutions before committing to innovative practices which may face social and political barriers. The intersection of political and economic development similarly suggests practical implications. A local political field devoid of charismatic challengers from the periphery may both help and hinder entrepreneurs in significant ways. One might imagine that charismatic challengers in Tiradentes might have impeded the aspirations of Tiradentes “modern Professionals” in their quest to make the town congenial with large numbers of tourists from outside. By the same token, if the local government of Tiradentes expressed a strong “rational managerial” bent, it is possible that an alliance with the “modern Professional” entrepreneurs could seriously undermine the town’s historical and cultural appeal. The tendency in Sete Lagoas toward a managerial approach to local government doubtless favored the development of modern enterprises at the same time that modernizing entrepreneurs favored modernizing, rationalizing forces in the local government. Together, these considerations suggest the need for both entrepreneurs and government leaders to cultivate an awareness of each others’ inclinations, goals, and historical tendencies.

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