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Unequal growth and social capital in clothes-making enterprises in Peru: 1980-2015

Abstract

Why do some small companies in the clothing industry fail to grow while others succeed is the conundrum that this study sets out to solve. It does so by identifying and explaining four cases of enterprises with varying performance levels. On the understanding that there are structural and historical conditions that correspond to trends, these cases are explained and the question is answered. Based on the evidence, the article finds that the prevailing inequality is due to the greater or lesser presence of social capital - resources that come from networks and which are accessed through relationships - and to institutional and structural conditions that slow growth. Added to this are the differing responses of enterprises to the negative effects of poor-quality institutions. Following the approach of Nahapiet and Ghoshal, the study explains how an actor can develop certain range of capacities for participating in networks, before stalling as a result of a diversity of conditions.

Keywords: Social capital; Informality, Cloth; Peru and Emerging markets

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1. Introduction

1.1. Small companies are not only a matter of productivity

In economic theory, productivity and growth are determined by investment and the capital-labor ratio. However, different authors (Arrow 1962, 155; Schultz 1961, 1) point out that investment is insufficient to account for changes in the productivity of countries. Indeed, it is human capital that explains why some countries are more productive than others. As such, companies devise strategies in an attempt to increase their productivity. However, most companies in the world design strategies that result in meager productivity (value added - sales deducted from spending on inputs and energy – per worker).

Clothes-making (assembly) is an activity characterized by inherently low productivity (Huynh 2015). It is just one activity out of several in the clothes industry. The industry consists of three sectors: textiles (supply of fabrics), manufacturing (production of clothing), and marketing (sale of clothing); in turn, entails pre-assembly manufacturing (implementation of design conception through the fabric, patterns, and size marking), assembly (sewing and stitching) and finishing (application of buttons, embroidery, and prints). The textile, pre-assembly, and marketing sectors all have high barriers to entry. Assembly and finishing are the simplest activities. However, the former cannot be mechanized, while the latter can (Wong 2014).

On the international market, the development of enterprises in the clothing industry passes through reasonably predictable stages: the initial stage, in which the main activity is assembly; the full production package, which integrates the textile sector; and manufacturing for export under trademark. The first two stages are typically marked by low productivity insofar as the decision-makers are price-takers: in perfect competition in the first stage, and as sellers in an

oligopsony in the second (Schrank 2004; Kastelijns 2014, 53). The third stage, original-brand manufacturing, incorporates all three sectors, although an important point is that the manufacturer sells under its own brand. To our knowledge, most companies in emerging countries, as in Peru, stall during the first two stages - the initial stage and the full production stage package - and fail to reach the original-brand manufacturing stage (Gereffi 2001; Wong 2014). However, some companies are moving in the complexity of this process than others. Our interest concerns the factors or traits that characterize their progress in complexity and which are kept in incipient stages. Productivity is not the cause but the effect of several factors. The garment industry requires quantum leaps linked to a complex know-how. Every business requires two traits: 1) social capital, and 2) innovation. But the new resources are not acquired between pairs of equal power and there are schemes that may be restricted to certain groups against others.

1) Social capital refers to the structures of social relations, among them the business; that also involves the capabilities that the partners can overcome these same structures. The concept does not refer to a static, defined or permanent network. In reference to the social relations linked to companies, this concept assumes that participants understand that the purpose of the possession of capital, which is accumulated work, although not necessarily stated, is the increase in value of the products or services. The capital, through the transfer of resources, is knowledge, assets or processes. There is a consensus that businesses, especially small and family-owned, have no explicit economic goals, but who in the future will be joining the economic field. While some agents manage more successfully than others; i.e., social networks can be or not be useful and functional (Pirolo and Presutti 2010; Uzzi 1999, 481). In general, companies begin with scarce resources, managed by relatives. They possess unique advantages

for developing social capital. Some of these advantages for these small businesses are: quicker response to customer preference, more efficient communication among the parties, and a more effective flow of communication tailored to better responses, all because of family socialization (Tokarczyk et al. 2007, 23).

Moreover, the following must be specified:

“The volume of social capital that a particular agent possesses depends, therefore, on the extent of the network of connections they can mobilize effectively and on the volume of capital (economic, cultural or symbolic) possessed by each of those to whom they are linked.” (Bourdieu 1980, 2).

This makes sense in reference to the idea that capital (whether economic, cultural, or symbolic) is ultimately accumulated: that is, it is power (Bourdieu 2001, 131-135). And it makes sense in consideration of the notion that there is not chance or natural order in this disposition, process, structure, or strategy but, more or less conscious on the part of agents who may or may not accumulate capital in its different forms:

It concerns the idea that a network of relationships is neither to natural fact nor to social detail, but the following:

“[...] the product of the work of establishment and maintenance is necessary to produce and reproduce long-lasting and useful connections to provide material or symbolic benefits. In other words, the network of connections is the product of social investment strategies consciously or unconsciously oriented toward the institution or reproduction of directly usable social relations, in the short or long term [...]” (Bourdieu 1980, 2).

2) Innovation. An alternative combination of resources can be innovative. Innovation is the "implementation of a new or significantly improved product (good or service), or process, to new organizational method in business practices, workplace organization or external relations" (Kraemer-Mbula and Wunsch-Vincent 2016, 54). This definition is broader than offered in developed countries for consideration of patentable inventions. It links to companies

whose genesis lies in the limits of informality, those not registered with the authorities. Contrary to common sense, given certain conditions, these small informal businesses can innovate and develop intellectual property, which promotes growth. Usually the informal sector is not considered a potential source of innovation and the micro-companies, most of which do not grow (Kraemer-Mbula and Wunsch-Vincent 2016). One related study (La Porta and Shleifer 2014) cites low productivity as one of the characteristic features of the informal sector. This sector is sizable in emerging countries, accounting for between 30 and 40 percent of all economic activity. Meanwhile, in developed countries it is still present but to a lesser degree, comprising between 15 and 20 percent of the total. This same study shows that the productivity, expressed as a median, of informal companies is just 15 percent of that of their formal counterparts. Peru, at 12 percent, is below the average, trailing countries such as Guatemala (15 percent) and Brazil (29 percent). If the overall number of formal small companies alone is taken as a basis, the result for this Andean nation increases to 18 percent. This low productivity is attributed to the precarious development of innovation, infrastructure, education, and efficiency (Céspedes, Lavado, and Ramirez 2016)¹. De Soto did not analyze innovation. He observed informal businesses such as obstructed business power reserve by excessive state regulation. He argues that "the informality occurs when law imposes rules that exceed the socially accepted norms. It does not cover expectations, choices and preferences of those who cannot conform to such rules, and the State does not have coercive capability to enforce these rules" (De Soto 1986, 12).

Focusing on the strategies associated with the assembly and full production package stages, one phenomenon is particularly worthy of note. We have identified numerous enterprises that

¹ The informality it may be alternatively as employment of unprotected workers, vision that we will not address in this article.

commenced amidst precarious conditions of poverty during the period of study (1980-2015) but whose fortunes diverged in the process: some now perform outstandingly, with annual sales of hundreds of thousands of dollars; while others achieve sales that do not exceed the tens of thousands. Therefore, we must ask: Why, and for what reasons, do the poorer-performing enterprises not imitate the better-performing ones? Might it be the case that the difference is down to not more than worker productivity? What about other companies differ in terms of social capital?

1.2. Hypothesis

In Peru, in the clothing sector, there exists a correspondence between the greater or lesser business performance and a greater or lesser presence, respectively, of social capital (which comes from networks and resources obtained through relations).

1.3. Methodology and previous research

We employ to case-study methodology. Here, we seek to establish the backgrounds, the processes, and the development of the enterprises: the ties that bind social participants in the company. This method is used when the aspect studied contains many variables, which hinge on multiple sources of evidence and are explained on the basis of prior theoretical propositions (Yin 2008).

We draw on four of the 26 cases studied by Wong since 1996, all of which have their origins in the early-1980s (Wong 1996; Wong 2014). The selection criteria were as follows: the enterprises had to be engaged in clothes-making and to have differing economic performance-levels; and the owners had to be willing to participate in the study. Three of the cases started out amidst precarious conditions, while the fourth came from a more privileged background but possessed characteristics that were valuable for the study (see Table 1).

Table 1. Firm size by case

Case	Founder		Company age	Latest generation involved	Firm size	
	Education	Health			Year	Annual sales Us \$ 000
Camacho	First grade of high school	Precarious	32 years	Second	2015	50
Sanchez	High school	Normal	33 years	First	2015	Less than 8,000
Bustios	Degree in Business Administration	Normal	26 years	First	2015	68,000
Rosales	High school	Normal	41 years	First	2014	250,000

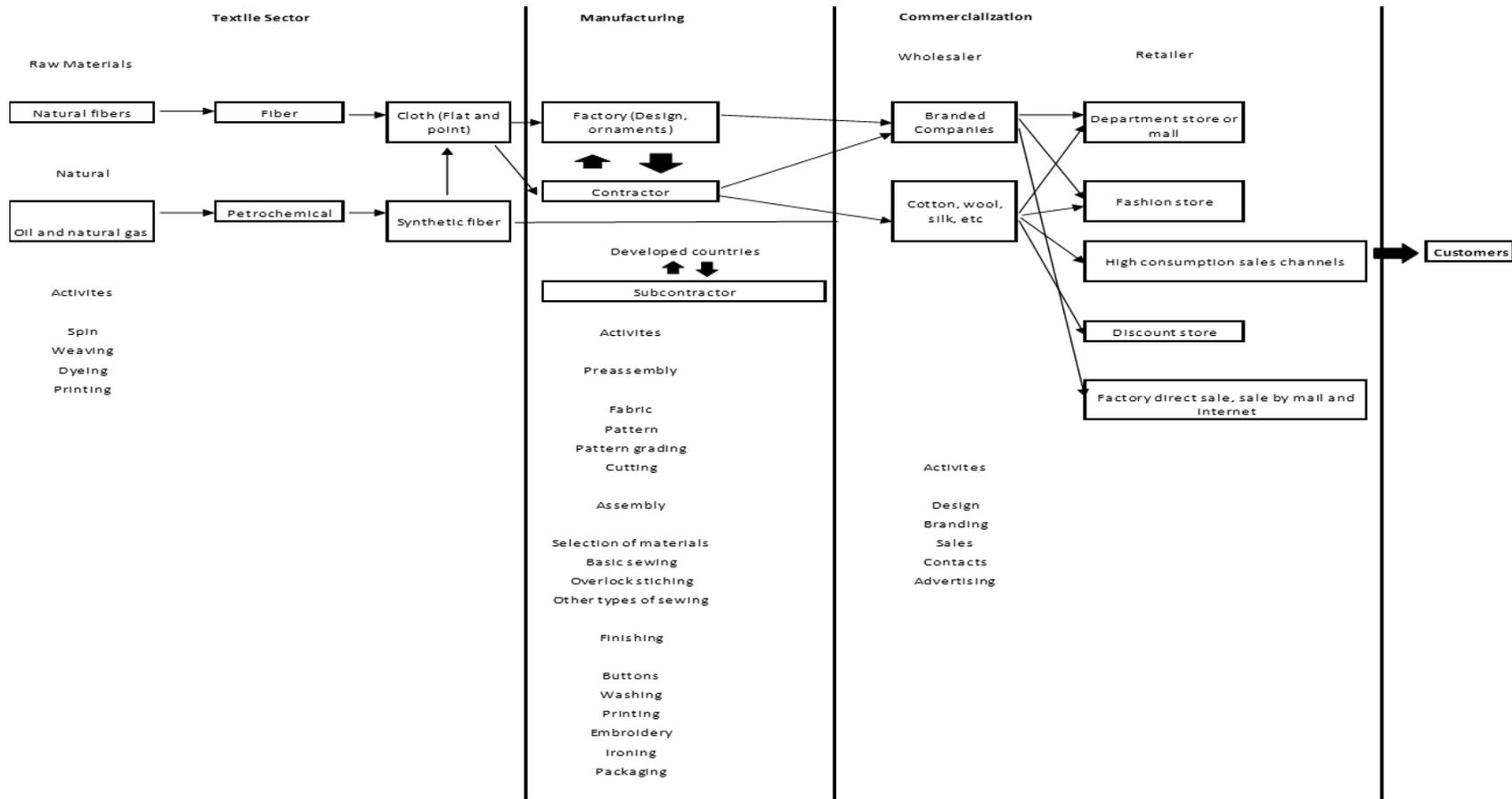
Note: We are aware that sales are not the best indicator to determine performance, it should be return on asset (ROA) or net present value (NPV). But in a strongly suspicious market it is impossible to obtain these sophisticated indicators.

Source: Compiled by authors from Cavanagh 2016

The question to be answered is how and why these enterprises grow or fail to grow. The *how* is a description of the way in which the development occurs; the *why* concerns the complex and syncretic sum of economic, social, psychological, political, and, ultimately, historical factors that determine growth or non-growth. Though these cases, all of them real, do not allow the enterprises to be tracked over time and throughout their history, they do at least enable a kind of anagnorisis of their history, of the factors that have determined their trajectory, whether more or less successful, faster or slower, based on the stated intentions of the actors or factors that the actors might reveal by telling their stories: social origins; initial capital; motivation; social capital; intellectual capital or formal education; affective life; and access to beneficial and non-beneficial factors concerning the family, networks of friends, the wider community, religious ideologies, etc. This is based on our use of the abstract categories described up to this point and hereafter².

² Rodolfo Bustíos case

Figure 1. Value chain of clothing industry



Source: Wong, 2014

For decades scholars have noticed that companies and Latin American business groups are located among the largest in the world. However, investigations in this regard lack of theoretical content and their dissemination is limited because they are not written in English. These investigations focus on entrepreneur families on issues of comparative analysis, large national markets in Brazil, Argentina and Mexico, or the relationship of these families with politics (Fernández and Lluch 2015).

In Perú, Monsalve (2015) divides the evolution of the large family business into three periods that correspond to the feature of Peruvian politics and the economy: a) the formation of the large family business (1896-1960), b) the family business and the formation of new economic groups during development led by Government (1960-1990) and c) the restructuring of the large family business (1990-2012). In these periods there is attempts by the large family business, to develop the clothing industry (such as the Romero group).

In another research, Wong (1996, 2014) studied the garment industry, but places emphasis on the evolution from the small-sized until it becomes a medium-sized company. There are three factors that allow this process; the family project, the conviction and the availability of resources and capabilities.

2. Growth requires new resources through social capital

2.1. The presence or absence of networks that provide resources: the structural dimension.

The unequal growth of clothes-making enterprises in Peru may be associated with the presence or absence of networks. The beginnings of an explanation for this may be found in what is known as the structural dimension, which refers to:

“[the] overall pattern of connections between actors - that is, who you reach and how you reach them.” Among the most important facets of this dimension are the presence or absence of network ties between actors, network configuration or morphology describing the pattern of linkages in terms of such measures as density, connectivity and hierarchy; "and appropriate organization - that is, the existence of networks created for one purpose that may be used for another” (Nahapiet and Ghoshal 1998, 244).

Specifically, this resource comes from two sources: the first, *bonding social capital*, which stems from the network closest to the individual and involves a shared terminal network of factors such as religion, kinship, ethnicity, political affiliation, school, or occupation. The second, *bridging social capital*, is a product of new and numerous bonds formed in society, and, because it constitutes a continuous personal relationship, the resource is non-transferable (Carney 2007).

Each combination of *capital social bonding* and *bridging social capital* creates an organizational form with advantages and disadvantages for defending oneself against the environment (see Figure 2). In *ephemeral entrepreneurship*, social capital is practically non-existent, neither inheritance nor via the creation of new connections through coming.

Figure 2. Social capital combination and organizational forms

High <input type="checkbox"/> Bridging Social Capital <input type="checkbox"/> Low	3. Anomie: Transnational trading network	4. Social opportunity: Family business group
	1. Amoral individualism: Ephemeral entrepreneurship	2. Amoral familism: Community embedded family/ household firm
	Low ← Bonding Social Capital → High	

Source: Caney 2007.

This tends to be costly: there are considerable restrictions on financing, the cost of credit is high, and the horizon is strictly short-term. Enterprises in sub-Saharan Africa tend to operate based on this type of capital. In the case of *community-embedded family capital*, enterprises capable of putting down roots are developed, but these can not be extended "through connections". Enterprises are able to minimize transaction costs and honor contracts if the connections are between individuals from the same group. They usually succeed in creating small enterprises in highly liquid lines of business involving non-specific assets sold without loss of value, such as retail sales or clothes-making.

Fashion case is an example of this type of family business (Wong, Hernández, and Chirinos 2014). Hugo is an Asian immigrant who arrived in Peru in 1935. He married a highly motivated lady of humble origins named Grimanesa. Their first daughter Ana was born in 1952. These three individuals composed a cohesive group that made progress its first successful business, a store in Paramonga, a small town outside Peru's capital. The mother's hopes lay in their chances of the business growing in the capital, 200 km. away. Hugo met an Asian countryman who proposed a clothing manufacturing business. The family (bonding social capital) is still helping. These two businesses are the basis for the development of a family business that today manages a chain of 50 stores in all of Peru now in its third generation, including the university-educated children of Ana. Thus this illustrates the concept of extended social relations (bridging social capital).

In the case of *transnational trading network capital*, enterprises form connections with a greater number of social participants (suppliers, customers, banks, etc.), but the agents of the family business do not integrate into the immediate community. This wider linking allows entrepreneurs to carry out bigger operations that require larger inventories, fixed assets, and

investments. They develop medium-sized enterprises, but given their paucity of group spirit, they migrate elsewhere after reaching a certain level of development. This group provides a reasonable explanation of the Chinese case guided by "life raft values" (the group does not put down roots in the territory).

Finally, the *family business group* develops "connections through inheritance", and through the "creation of new connections". Given the vigor with which they have developed their networks of trust, they obtain financing at a low cost, form cohesive organizations, hire loyal workers, and have access to information about business opportunities. Enterprises with this kind of capital attain *first move advantages, increasing returns to scale*, and inclusion in *internal capital markets* --those involving enterprises from a single group. This allows them to gain business on a large scale and operate on the basis of a distinguishing factor. In Peru, (Monsalve 2015, 382) the formation of the large family businesses born at the beginning of the 20th century concentrates in the agro-industrial sector (sugar and cotton). Due to a weak capital market, bank credit became a comparative advantage because of contacts with a financial institution like the Italian bank.

2.2. Resources that promote shared language between parties: the cognitive dimension

The cognitive dimension refers to the resources that allow networks of contacts to communicate accordingly through language, vocabulary, and collectively shared narratives. A possible lack of meaning can be shared among participants of potential networks of credits, inaccessibility of relevant information, contacts for optimal transactions, business opportunities, etc.

This is more explicit in the following quote from these authors, who defended Orr, they say the following:

Orr (1990) demonstrates how narrative in the form of stories, full of seemingly insignificant details, facilitates the exchanging of practice and tacit experience between technicians, thereby

enabling the discovery and development of improved practice. The emergence of shared narratives within a community thus enables the creation and transfer of new interpretations of events, doing so in a way that facilitates the combination of different forms of knowledge, including those largely tacit. (aforementioned in Nahapiet and Ghoshal 1998, 254).

Here it is pertinent to synthesize certain ideas of P. Bourdieu. Psychological and social factors are at the will of the individual. The theory of Bourdieu (2000), which is not confined to the cognitive dimension, can be explained from the categories of habitus and field. Structuralist constructivism as theory understands that social reality is a bridge between the individual and the collective: social is objective, but internalized in the individual, at the same time. Thus, there are circumstances in which one choose a set course of action, yet with very limit freedom of action. This intermediate space is called habitus: schemes and provisions, not rules made explicit, objectified consciously, that the individual should respect, but provisions incorporated in the individual, which offer limited capacity. It is not the consciousness and unlimited freedom; it is not the unconscious mechanicity and the bondage of the will. It is an open system of provisions of the person who makes him act or to act in certain way, but with some possibility of movement or freedom. This is linked with the concept of field, because the provisions operate in medium or highly different spaces – at least in modern society. The field is a network of relations arranged hierarchically and where actors play, understanding awareness of its capabilities of assumption of capital. This is social capital and more referenced dimensions above. Specify the provisions to feed or enhance with the biographical history of agents and therefore the greater or lesser access to capital. There are structural restrictions, even outside the consciousness of the actors; but potential for enrichment or access to power, which is accumulated labor or capital. (Bourdieu 2000). However, according to Bourdieu, there are conditions that are more rigid inside these fields: gender bias, degree of support from relatives,

level of formal education, health issues. These fields have a major impact on a diverse society as in Peru.

2.3. Type of personal relationships developed within networks through a history of interactions: the relational dimension.

There are types of personal relationships that facilitate or do not facilitate the transfer of resources between parties. In the first type, the agents are at the initial stage of the business; their reputation is fragile because their objective is survival; they lack critical resources and competencies, the products they sell and the routines through which they run the business are uncertain. In the second type, the agents have gained legitimacy and reputation, and have developed important resources. The former characteristics correspond to the type of relationships in the first stage of an enterprise's life cycle, that of emergence growth. The latter group correspond to the second stage, that of early growth (Hite and Hesterly 2001; Wong, Parodi, and Monsalve 2014).

A life-cycle model holds that enterprises pass through five stages: *emergence*, *early growth*, *later growth*, *maturity*, and *death*. During the course of the *emergence growth* and *early growth* stages, social networks are used extensively. Initially, access to resources takes place, given the dearth of trust (Fukuyama 1995), between peers in the same group, even when the transaction is not economically worthwhile. As collegiality increases, the exchanges become colder and more calculated in the sense that enterprises seek *arm's length* connections that constitute a characteristic of early growth (Hite and Hesterly 2001).

Arm's length connections are defined as follows:³

“Basis of determining fair market value (FMV), it is dealing between independent, unrelated, and well informed parties looking out for their individual interests. Transactions involving

³ *Business dictionary*, s.v. "arms length transaction", check 29-October-2016, <http://www.businessdictionary.com>.

family members, and parent companies and subsidiaries, are deemed arm-in-arm dealings. To qualify as an arm's length transaction, neither of the involved parties may have any interest in the transaction's consequences to the other party”.

The factors that determine the conversion from *emergence* to *early growth* can be developed more specifically. Some authors propose three such factors. First, competition: that is, free trade and barriers to entry and exit. One example of how low competition encumbers entry to the *early growth* stage is the following: if production costs in a given network are similar to those of producers outside that network, empirical evidence shows that in the case of low economic movement, the network tends to close itself off in perpetuating its high prices. Conversely, if competition is high, compelling those outside the network to lower their prices, such a situation will promote more *arm's length* transactions with external parties. Second, the performance of the legal system. High transaction costs due to litigation discourages personal exchange. Lawsuits in developed countries usually take one year, while in Latin America they can take anything from two to five years. Third, the more collectivist the laws and values are, the greater the likelihood of remaining in the *emergence growth* stage (Zhou and Peng 2010).

Thus, unequal growth could be down to poorer-performing companies operating in the *emergence growth* stage, and the better-performing ones in *early growth* stage.

3. Empirical evidence: narration and analysis of four cases

Let's see the Figure 3. If we understand that each case corresponds to a phase of the improvement process, we can know the different strategies adopted by the garment industry. A strategy may be more sophisticated than other and therefore generate higher added value (Wong 2014). This evolution needs new resources that are obtained from the various *stakeholders*. In the structural, it depends on the number of contacts in the bonding and bridging capital; the

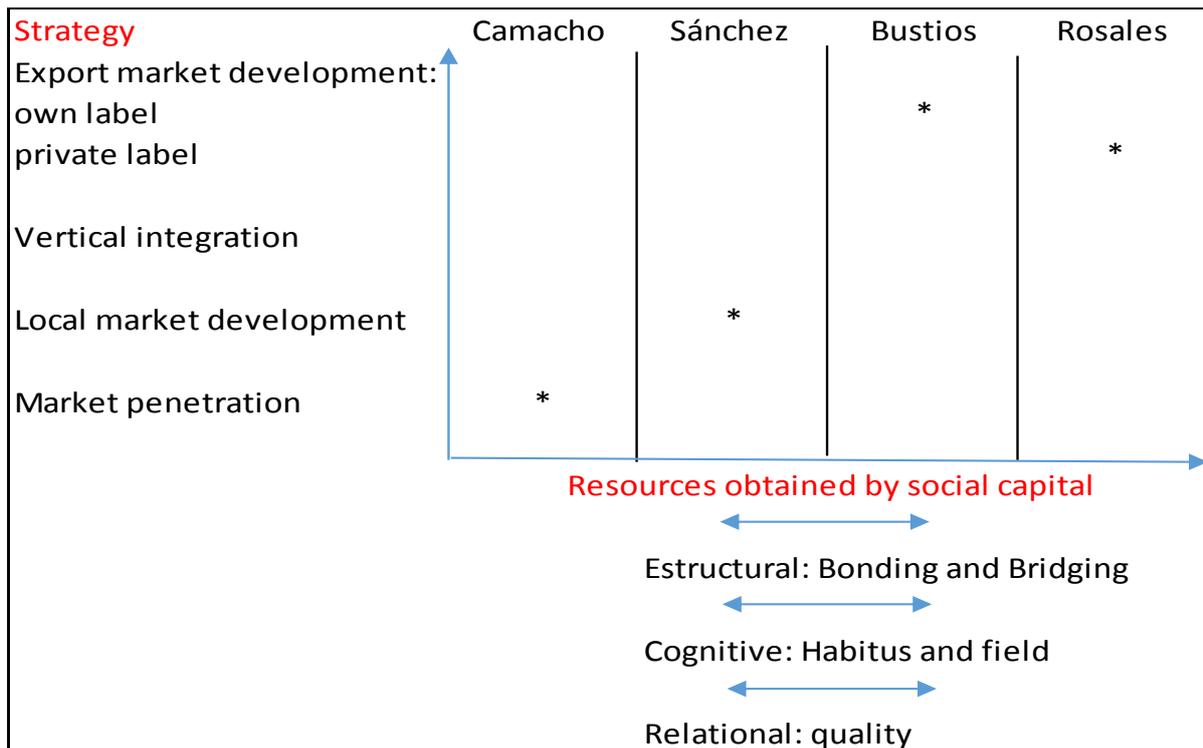
cognitive, if the power of those who dominate the network of relations allows the entrepreneur to get resources; and the relationship, if the economic subjects prioritize trust, cohesion and the spontaneous decision front to promote the rational, utility and the rational decision. A direct relationship between the sophistication of the strategy and the maturity of the dimensions of social capital can be observed.

3.1. Ana Camacho

Woman born in 1967 in Huancavelica, a poor region of Peru; 49 years of age. She had no contact with her father, and suffered abuse at the hands of her mother's subsequent partner. At the age of nine she was employed as a domestic worker in Lima, the capital of Peru, where she remained until she was 13. She then returned to her place of origin for two years before coming back to Lima, studying at high school there for just one year. After going to Huancavelica, she returned to Lima, where she studied in a public school for a year. There she met (at 18) the father of her first son. She worked as a street vendor in the Gamarra strenuously area of Lima, dividing her time between the sale of ice cream in the mornings and in the afternoons and evenings meals. At the age of 20 she got involved in peddling clothing accessories. She ran two roadside stalls, and then went on to open a store with another vendor. In 1997, at the age of 30, she took out a bank loan to purchase a retail unit in a gallery. After paying off that initial loan she bought another five units over the years, continuing to sell clothing and rent out the units alongside her eldest daughter. At present, her second daughter runs the business. She has five children from two relationships: the eldest is 31, married, and has business interests in the same line as her mother; the second is 28 and works alongside Ana; the third is studying to be an air hostess; the fourth, aged 13, studies at the school and wants to be a lawyer; and the youngest,

7-year-old girl. Neither of her partners assisted her in her business ventures. "Nobody ever helped me"; "It's all down to my intelligence and my effort."

Figure 3. Strategy sophistication by social capital



Source: compiled by authors

Fifty-year old Ana, involved in the clothing business for thirty years, had only limited marketing of accessories and the ownership of five small stores in malls, some of which she rented. Despite its impetus and motivation, there are structural factors that have decided her business limitations and her accumulation of social capital. Ana is an Andean peasant lacking in economic resources, raised without a father. Her mother offered her as a housemaid when she was young, limiting her formal schooling, as well causing emotional distress. Thus, a sum of handicaps restricted her potential. She had poor social origins. She lacked: formal education, emotional relationships, family, friends, and community networks. Even her social capital

bonding is precarious, since the trusted network is restricted to other traders of limited capacity of accumulation. Because of her background, she did not belong to any association that offers her the possibility to exploit social capital and transform it extensively to economic capital. Even her emotional life impeded her development: two males with whom she had offspring were obstacles to their development, not only were they not entrepreneurs, but were wasteful money men. Ana had five children. Motherhood is a challenge by itself. For a mother who is a business entrepreneur, even more precarious conditions exist: time, health, and the distraction of incipient capital care. The dimensions of social capital are limited. The structure of relations is limited to street vendors and peddling merchants; the knowledge of Ana's situation does not allow communication and trust with other stakeholders. The relationship does not exist because there is no common interest beyond the immediacy of marketing of small-scale business. An anecdote of this story shows evidence of these limitations. When she was 20 years old, she lost the card linked to her savings account. Not knowing how to access her savings account, she abandons it. Despite cognitive and relational limitations with potential agents of exploitable networks, assume a discipline: saving to invest, uses language. However, oblivious to networks that may exceed its local space, someone recommended to her that she should start saving: "There was a friend who advised me." "The hen does not eat all at once. You give the hen food and she walks around, eats a bit, leave her some more food, she eats a little bit more, so that at the end of the evening, she is full. That promotes the understanding that if one saves in the bank, the money is there to accumulate. And so, I was saving my money and I no longer needed to be in the business of selling pork sandwiches. But I suffered enough, and it was not easy." Habitus in Ana, given her biography, limits her actions: woman, mother, emotional dependence on male guidance at the start of her young life, and her maternity and

childbearing years. However in her case there is awareness that, in the absence of objective conditions of extensive and solid networks, she was able to achieve five local stores whose value in the market is significant.

3.2. Juvenal Sanchez

Man born in Huancavelica in 1949; 67 years old. One of ten children, he worked in a number of fields before moving into clothing. After the failure of a small-scale cattle trading business he decided to move to Lima in 1980. A number of his siblings already lived in Lima and worked for it, moving in with a sister in the Gamarra area. He decided to buy a small batch of garments to sell as a street vendor, and enjoyed relative success. He also opted to venture into clothes-making, and, taking an empirical and self-taught approach, began to buy sewing machines and hire operators. He had extended his business by selling in the Peruvian interior, and two of his siblings joined the enterprise in 1984. They and others pooled resources to service large orders, retaining their independence for smaller ones. Loans between the siblings took the form of verbal agreements. From a very young age, Juvenal followed in the footsteps of three of his siblings and became a Jehovah Witness. He credits this with helping improve his self-discipline. Moreover, the family retained ties with their home community, and at the outset many of their operators were young relatives from Huancavelica with whom relations of trust were formed. Today, Juvenal is scaling down his participation in the business: the running of his clothes-making and sales activities are soon to be taken over by his son, Andrew, born in 1995, aged 21, who have completed a degree in Business Administration at a private university in Lima.

Juvenal himself has remained in assembly stage, the first of three phases of the garment industry, in spite of more than thirty-five years in the business. His company at large performs

pre-assembly, assembly, finishing, and marketing, but only at the local or national level in some instances. Despite belonging to a social and regional space with very limited growth (a mountainous rural area where peasant families had limited access to schools), the use of family and local networks, the sustained confidence by religious beliefs (Jehovah's witness) and an emotional life that refine his career, allowed some growth. In the structural dimension of social capital, contacts are limited to their bonding capital. The company operates from embedded ties to arm's length ties, but in a very luke-warm way. To sell at a very competitive market, because they are simple garments, he is forced to join his brothers for large orders. Third parties are engaged in different phases of the process of production through the market mechanism (Williamson 1985). There are limitations in the cognitive dimension of social capital for access to a space of arm's length ties. These ideas should be anonymous in non-existent relationships with banks. It is protected with family relationships, religious ideology⁴, and relationships face-to-face with business transactions. It is financed only with suppliers and follows a strategy determined rationally. The company made garments and learned how to use sewing machines, and handle sewing patterns. To save transportation costs, they rented a warehouse in a downtown district of Lima and hired workers as demand grew. However, these factors do not lend to maturity in the dimensions of the capital. Being male from a large extended family, having good relations with residents from one's village of origin, and membership in a organized church, all enhance one's social capital. But this enhancement has certain limits to achieve the status of the bridging social capital. These do not include: extended

4 There is evidence of Lima, Peru that indicates if the religious ideology of the Jehovah's witnesses is strongly ethical, means a systematic and rational ascetic, and which is willingness to work, this is not privileged as ascetic means, as in the historic calvinist protestantism, because, at least in the Peru, regarded as limits the need to assemble and preach; There is also some suspicion with regard to become too involved with the world, for example, in professional life (Hernández 2000).

services of banks, with their technical sophistication; nor access to transactional nature of arm's length ties. (See Wong 1996, 290).

3.3. Rodolfo Bustios

Man born in Lima in 1966; 49 years old. His father was a graduate of State University of prestige in Peru and worked as an agriculturalist. Rodolfo studied at a prestigious religious school. I went on to attend pre-university academy with a view to gaining entry to either one of two private universities in prestige in the Peru. Decided to choose to study Business Administration in one of them. Before graduating, he and a classmate started a business selling alpaca fiber. Their supplier was the Arequipa-based Michell Group, which I have learned of through his close friendship with the founder's are. The enterprise lasted one year as the basis of his thesis defense. The crisis of 1990 prompted the Michell Group to offer him work with the aim of acquiring his portfolio of customers as well as his services; Rodolfo accepted, so instead of selling fiber through his own enterprise, I would do so via his erstwhile supplier, to customers in Brazil and Colombia. But in 1993 the company invited him to work in another field, as sales manager of the Ford dealership in Peru. In 1995, Rodolfo was offered a job with the US-based Kansas a catalog merchant of exclusive clothing with annual sales of USD 15 million internationally, and which bought fiber from him when I worked for Michell in this field. Rodolfo has been sales manager of that company for 21 years, buying its main raw material from Michell and its competitors in Peru, for production in the United States.

Fifty-year old Rodolfo at the end of his studies of business administration became involved in the establishment of a small company selling alpaca wool to makers of handicrafts, supplied by an important group of this wool distribution network. Rodolfo's small business was profitable partially because of the friendly relationship with the son of one of the shareholders of the

company that provided him with his initial social capital. Rodolfo, beside his social connections, had other significant advantages that come into play: advantageous social circles, intellectual family capital, formal education, healthy emotional life, family, and a network of friends. “A network of friends” does not determine his business trajectory, but constitutes a fundamental structural support. Given his state of mind and his motivations, a positive inertia was created for structural, relational and cognitive dimensions to his chosen field. Having manipulated the social networks towards trade relations since the establishment of the fledgling company when young, he promoted it’s activity rapidly towards bridging social capital. Alternative to his corporate work, he chose to be employed as a manager in different areas. The passage of the embedded ties to arm’s length ties was a natural process, given these advantageous conditions of the field and habitus willing biographically, not without personal effort.

3.4. Alberto Rosales

Man born in 1955 in Huancavelica, Huaytara, rural Andean region and poor; 62 years old. Following the death of his father when he was 15, Alberto decided to move to Lima with his four siblings, where, with limited resources, they started hawking clothes. In 1975, at the age of 22 and under Peru's protectionist government, have decided to take advantage of the absence of imports and venture into clothes-making. On the back of his efforts, I have bought machinery and the business grew. Having only completed secondary education, his initial experience was entirely empirical: he was guided by demand. In the 1980s he began to export on a small scale to Bolivia. But following relatively rapid growth in the 1990s, he came to understand that human capital was essential and that investment in it was necessary. His company's growth continued into the 2000s, when he started to combine production with local

retail sales, with considerable success. Alberto built a 50,000 m² factory in the district of Ate, hiring a vastly experienced general manager from abroad, a financial manager from the banking sector, and two more foreigners with experience from the transnational Falabella. All five siblings were active in the company, but on the basis that professional decisions would prevail. From the beginnings, have acquired services from his wife's companies, which remain independent from those of Alberto. The couple have four children together: the eldest, 38, works in fashion; the second, 33, born in 1983, studied Business Administration at a University's prestige of Lima; the third has an engineering degree from a particular University; and the fourth studied at the University of Arkansas. The second child, who currently works for his mother's business, is likely to take over from his father.

Alberto owns the most successful company of the four recorded, even though he and his family have a social origin of the underclass. In thirty-five years, the family business has achieved much in the clothing industry from a street seller with meager capital to selling their product not only all over Peru but also to foreign markets. (Alberto was a street-seller). In terms of the process of the garment industry, Alberto not only manufactured textile garments, but he went into textile production and marketing as evidenced by his fifty retail stores in Peru. This family business is the one that had grown the most of the four cases. This family's success is linked to its social capital, despite these factors: social origins with scarce resources; Andean peasant family origins; an economy in a depressed area of the Peru; and beginning as a street vendor. The base of bonding social capital is sustained by the family brothers, extending rationally towards bridging social capital. From rational decisions pursuant to the company's growth, sophisticated investment by performance oriented professional agents who allow access to banks and investment. In the structural dimension, networks extend rapidly in accordance with

growth. In the cognitive dimension, public relations are delegated to professionals, who have the full trust of the company. As relations practiced equally, so the arm's length connections unfold without having to protect themselves in relationships of trust at the level of bonding social capital. This mode helps move in terms of business growth from the emergence growth to the early stages. From interviews (e.g. Wong 2014, 140), there is evidence that decisions have been taken from the demands of the growth of the company from has a parent base. This reaches out, but is not limited to, social networking to extended family and spouses of brothers. After a reading of Bourdieu-habitus one can tell the protagonist, i.e., brothers, wives of the brothers and the children, have been able to break widely with constraints of social conditions. They also have access to new resources as a function of the qualitative extension of social capital in all its dimensions.

One aspect that sets each of the four cases apart is the level of social capital (see Table 2). In the case of the enterprise, that smallest of Camacho, this resource is practically non-existent. While in the case of Rosales, the provision of expertise is abundant. This latter case has drawn on the capacities of outsiders, symbolic capital accumulated, and attain the trust of the social participants. The structural dimension analyzes from whom and how the resources are obtained. Camacho, on the other hand, does not obtain capacities through bonding or bridging capital either: her parents abandoned her, her partners did not help her, and she does not know anyone else involved in the field. Sanchez obtains them through bonding capital: two siblings and other acquaintances join him to honor large orders. Bustios obtains them through bridging capital: he engages in the kind of commerce typical of a transnational trading network, and all of his business activities have stemmed from a new non-family connection with corporate enterprise. Finally, Rosales obtains them from both sources: five of his siblings

are active in the business. All management posts are occupied by third-parties; most notably, his enterprise attracted the ex-general manager of Nettalco, the leading Peruvian clothes-making company.

Table 2. Social capital by case

Case	Dimensions				
	Structural	Cognitive			Relational (Stage achieved)
		<i>Habitus</i>	Capital	Field	
Camacho	Ephemeral entrepreneurship	Paucity of discourses and codes	Symbolic capital without recognition	Absence of significant contacts	Emergence growth
Sanchez	Embedded family community	Limited discourses and codes	Symbolic capital with limited recognition	Paucity of contacts that are limited to family and religious group	Emergence growth
Bustios	Transnational trading network	Discourses and codes with a cosmopolitan vision	Symbolic capital with recognition in the USA	Presence of useful and valuable contacts	Early growth
Rosales	Family business group:	Discourses and codes that are delegated to professionals outside the family to achieve a Cosmopolitan vision	Symbolic capital with recognition in the national market, but not in the international market	Presence of useful and valuable contacts	Early growth

Source: compiled by authors

4. Conclusions

1. Growth differences are explained by the different availability of social capital. A company cannot imitate another because a segment of this resource is decided by heritage and this is not the same for all companies.

2. A company has this resource, or not, depending on several conditions: the level of formal education (primary, high school and university); gender (and the correlative of each condition linked to sexism and machismo extended collectively); health issues; emotional health relationships; and extended family support (number of siblings; parents who are deceased, separated, or who have abandoned their children).

3. There is evidence of differential social capital in four cases. In the structural dimension: Ana Camacho, had objective conditions of distinctly precarious social capital: not brothers, not father - figure, to limited relationship with her mother and a male partner, and an absence of formal education in the formative years. By contrast, the potential growth of the company of Juvenal Sanchez is greater, given these better conditions: a business supported by brothers, employees from his native town, company's functional farming community relationships, and religious ideology that endorses to discipline. Further development exists in Rodolfo Bustios, whose objective conditions from the beginning, open the company to an environment of professional spirit to the bridging social capital. In the optimal business development, Alberto Rosales, who consistently, and despite humble beginnings, exploited precarious conditions. With the family as the base, he has consciously overflows the bonding social capital and access to the bridging social capital lays. The concept of habitus, available to act in a certain way, allows to better understand the differential social capital. Ana Camacho operates in a geographically small informal commercial business market; Juvenal Sanchez has a somewhat more sophisticated vision, works in commercial business but also manufacturing; Rodolfo Bustios and Alberto Rosales have cosmopolitan vision that lets you operate in complicated international markets. The concept of field, space where competition for economic capital accumulation involves social relations of confidence basis, helps to explain the difference of social capital: while Ana Camacho does not possess these relationships Alberto Rosales has managed be linked to powerful groups that will facilitate business. Finally, in the relational dimension, both Ana Camacho and Juvenal Sanchez related pairs of the same group, i.e. customers in the area of Gamarra. While Rodolfo Bustios and Alberto Rosales relate independent, unrelated and informed subjects, in developed international markets.

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