

## SOCIAL NETWORK IN FAMILY BUSINESS: THE PHENOMENON OF PONOROGO CHINESE ETHNIC ENTREPRENEUR

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**Abstract:** The dominance of Chinese ethnic businesses in Ponorogo is thought to be related to their strong business networks. This study aims to identify the Chinese family business network model. The research method is conducted using a qualitative approach. Based on interviews with several respondents and observations, we found that the business network model has a different pattern on each stage of development and conditions. The network models are increasingly expanding along with business growth. This research has implications for small entrepreneurs to understand the existing model so that it can be used to obtain the resources needed in developing their businesses.

**Keywords:** entrepreneur, social network, family business, chinese ethnic, minority entrepreneur

**Abstrak:** Dominasi bisnis etnis tionghoadi Ponorogo diduga berkaitan dengan kuatnya jejaring bisnis yang mereka miliki. Penelitian ini bertujuan mengidentifikasi pola jejaring bisnis keluarga etnis tionghoa. Metode penelitian dilakukan dengan menggunakan pendekatan kualitatif. Berdasarkan hasil wawancara beberapa responden dan pengamatan di lapangan, peneliti menemukan bahwa jejaring bisnis dagang etnis tionghoa ponorogo mempunyai pola yang berbeda-beda dalam setiap tahap perkembangan dan kondisi. Pola jejaring bisnis berkembang seiring dengan tahap perkembangan dan kondisi pertumbuhan perusahaan. Penelitian ini memberikan implikasi kepada pengusaha kecil untuk memahami pola yang ada sehingga mampu digunakan untuk memperoleh sumberdaya yang dibutuhkan dalam pengembangan usaha mereka.

**Kata kunci:** entrepreneur, jejaring social, bisnis keluarga, etnis tionghoa, minority entrepreneur

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## INTRODUCTION

Most family businesses in Indonesia are predominantly Chinese. Although the number is around 3.5% of Indonesia's total population, it turns out that ethnic Chinese can control 73% of the Indonesian economy (Wulandari in Permadi and Kuswahyono, 2007). Dominance appears in the trading business. Almost every city in Indonesia has Chinatown which is the heart of the city's trade. The many shopping centers, shop houses and shops on the main road in almost all regions in Indonesia are owned and managed by Chinese descendants. After being reduced by BUMN assets, Chinatowns throughout Indonesia control 80 percent of the money in circulation (Marzali, 1994 in Harsono, 2002).

This phenomenon is also seen in small cities like Ponorogo. Based on Harsono (2002), Chinese ethnic entrepreneurs were able to dominate trade in Ponorogo because they were formidable entrepreneurs in managing shops that sell electronic equipment, automotive, gold jewelry, iron stores, and photos copy-printing services, and printing. Chinese ethnic entrepreneurs in Ponorogo not only dominate trade in terms of numbers but also market domination. Of the other types of trade such as clothing stores, furniture, and pharmacies, market share is owned by Chinese ethnic entrepreneurs.

Based on Sumarsono and Rapini (2015), Chinese ethnic entrepreneurs are very dominating in trading businesses requiring relatively large financial capital. The types of businesses run also do not really require expertise or specific skills. The Ponorogo ethnic Chinese entrepreneur is identical to the trading business, namely shops and buying and selling. Research conducted by Harsono (2001) and Sumarsono & Rapini (2015) has provided an overview of Chinese ethnic entrepreneur and emphasizes the aspects of excellence in human capital. In contrast to existing research, this research focuses more on aspects of social network in family business of Chinese ethnic entrepreneurs as a form of social capital because social capital to be one of the key elements in small business development (Kebede, 2018).

Social network on Chinese ethnic entrepreneur in Ponorogo is important to be explored further because, first, ethnic minority entrepreneurs are facing some challenges during their business creation and development phase (Sithas, 2019). Social networks

has been identified as a major factor in the success of minority entrepreneurs (Blanchett et al. 2019). However, the success of the Chinese family business in Ponorogo can be a portrait of how minority entrepreneurs can be successful in managing family business. Sumarsono and Rapini (2015) state that the trading business in Ponorogo is controlled by certain people who still have relationships as extended families. Most of the shops on the main street in Ponorogo are owned by certain families. In the field of trade, the family business of the indigenous people of Ponorogo (javaness ethnic) has not been able competed with the ethnic Chinese family's business (Harsono, 2002). Secondly, Permadi and Kuswahyono (2007) show that the privilege of the first ethnic Chinese economic behavior lies in business networks' strength. Social networking perspectives can explain why someone is more successful in starting and developing a business than anyone else (Chu 1996). Mursid et al. (2017) found that the social network variable significantly affected the performance of innovation.

Networks are often presented as vital to the start-up, development and 'competitive advantage' of ethnic business (Ram, 1994). Networks refer to the relationship between the firm or the individual and the myriad links with organizations and other individuals in the wider environment (Bagwell, 2008). Networks are also seen as a "resource" through which small business owner managers gain access to important social and cultural resources, information and capital (Sithas and Dissanayake, 2019).

Social networking theory is currently receiving a lot of attention in business and entrepreneurship studies. Social networking theory emerged with the idea that to study social structure is to analyze the patterns of bonds that connect members. Social networking is important in business development because it can provide access to markets, ideas, information, business opportunities and other resources (Robinson and Stubberud, 2010). Social network helps family businesses to create and maintain with their stakeholders and the growing market size it offers (Agbim, 2019).

This relationship is based on the idea that each actor (individual or collectivity) has different access to valuable resources (wealth, power, information,). This results in that structured systems tend to be stratified and certain components will depend on other components (Ritzer and Goodman, 2004). This social network is not

only useful individually but also collectively (groups) because it is formed from interpersonal relationships, between individuals with institutions, and networking between institutions. Social networks can arise from family ties, friendships, groups, and ethnic ties.

Based on several studies, Hanson (2009) said that social networks focus on analyzing the individuals' relationships with other individuals in accessing resources through relationships, collective action, the strength of relationships in networks and how to access resources. Some studies have emphasized density, cohesion, and openness (Murdiarta, 2009). In general, Hanson (2009) concluded that social networking has cognitive, relational, and structural dimension. The first dimension, the cognitive dimension, refers to sharing language and meaning in networking. The relational dimension refers to exchanges in relationships and returns. An important aspect of the relational dimension is trust. The third dimension, the structural dimension, is a dimension to see the environment in general, both within the network and outside the network. This dimension focuses on relationships between actors who form the relationship and how it can be formed.

In contrast to Hanson (2009), Chu (1996) divides the nature of relationships between individuals in Chinese ethnic business networks into four characteristics, namely transactional relationships, communication relations, instrumental relationships, and sentiment relations. Transactional relationships are physical and symbolic exchanges between individuals. A communication relationship is a relationship between the transfers of messages between individuals. An instrumental relationship is an individual relationship with one another in order to protect or secure goods, services and valuable information. Whereas sentiment relations refer to individual feelings with other individuals in the network such as family characteristics or ethnicity,

Whereas Keng (2001) divides the concept of networking in business transactions into two-dimensional structures, namely the level of relationship (strong-weak-no ties) and the level of power distribution (vertical-horizontal ties). From these two dimensions, Keng (2001) developed a network dimension based on network costs and network benefits. A network can contribute or not an economic activity depends on the appropriate form of network that can be used so as to be able to mobilize mutually beneficial resources. A vertical

relationship form occurs when a company acquires a lot of resources through a business network. While a horizontal relationship form is a relationship structure when the company distributes a lot of resources out through the business network.

Based on the phenomena and previous research studies, this research aims, first, to find out who are the actors in the family business network at each stage of business development. Secondly, this study aims to identify what resources are distributed by each actor in the family business network. Thirdly, this research aims to find out why relationships between actors can be formed and finally how resource mobilization can be generated through family business networks.

## METHODS

The research subjects sampled in this study were Chinese ethnic family business in Ponorogo. The number of respondents was determined using the snowball technique, which was started by employees or certain family confidants who knew the Ponorogo Chinese ethnic family business's intricacies. It did not rule out the possibility of information being extracted from the indigenous community (Javanese Ethnic) as a resource. This snow-ball technique is carried out to explore data from one respondent to other respondents to key informants so that researchers do not find new information anymore.

The family business examined in this study are associated with four extended families, namely the CN, AL, BK and GM. CN and AL are "singkek" or "totok" (native Chinese ethnicities) who started to build a business in Ponorogo in the 1930s. The CN extended family and the AL extended family are two extended families who have ties through marriage. Currently, CN and AL's children and grandchildren have many companies in Ponorogo. Meanwhile BK and GM are descendants of Chinese ethnicity who started to build their business in the 1980s and currently the business is managed by their children.

The process of collecting data is done by using in-depth interviews. This method is carried out to dig deeper into the family background, the actors behind the family business, the bonds that are connected, as well as matters relating to the dimensions of social networking at the micro or individual level. The

information extracted is not limited to the past but also now as well as a description of the family company in the future. The Interviews concentrated on each stage of business growth, who the actors are support or provide the resources, what the form of the relationship and how resources are distributed between the actors.

So that the information received can be complete and answer the research problem, the interview process is done naturally, casual chat so that there is a kind of discussion with research subjects as problem solvers and researchers place themselves as anglers for the emergence of problems so that more detailed information from respondents appears. In the process of retrieving data, it is not uncommon for researchers to pretend to be buyers in stores owned by informants. The interview process is conducted in an unstructured

manner but still in a structured outline so that it still leads to dimensions in the business network. Literature observations and studies are also carried out to explore data that will be used to strengthen data obtained from interviews. A list of informants and their descriptions can be seen in Table 1.

Analysis of the data in this study is the analysis of data through the process of induction-interpretation-conceptualization. Detailed interview data are interpreted and finally conceptualized within the theoretical framework used. The analysis is carried out by carrying out stages called grounded theory (Herdiansyah, 2012). These stages include open coding, axial coding, selective coding and finally conditional matrix.

Table 1. List of informants

Informant	Age	Business Type	Information	Family
KJ	46 years	Bakery Owner	The successor to GM Family Business	Member of GM family
HDR	35 years	Owner of Digital Printing and Design	Children KY (Owner of the Fashion shop) Extended family CN	Member of CN family
BK	68 years	Auto parts shop owner	SC father, the owner of an auto parts shop	Member of BK family
IB	70 years	Business partner CN Ethnic family	Javaness Ethnic	Partner of CN family
GT	65 years	The employee of building shop	Javanese Ethnic	Employee of CN family
HRM	60 years	Owner of Building Shop	The successor to business AL Large family	Member of AL family
ARF	40 years	Owner of Digital Printing	Extended Family of AL	Member of AL family
DN	39 years	Owner of Digital Printing, Entertainment,	Extended Family of AL	Member of AL Family
LRS	36 years	Owner of Furniture Store	Children from TTG	Member of BK family
TT	40 years	Owner of Palawija Business	Extended Family of CN	Member of CN family
LL	40 years	Owner of Health and Building Business	STN Child of Owner of Building Store	Member of GM family
MR	38 years	Mobile and electronics shop owner	NH Child, beauty salon owner	Member of BK family
MRN	48 years	SL employee, owner of the oil shop	Javanese Ethnic	Employee of BK family
SN	41 years	Household Appliance Store, Baby Equipment, Cafe	Chinese Ethnic married to Javanese ethnic	Friend of GM family

Analysis of data begins with open coding. The researcher tries to get as much data as possible regarding the history of the business from four extended family (GM, BK, AL and CN). Then axial coding is carried out to compile and link data. Data analysis was performed by reducing the data to the company's growth phase with accompanying conditions, then the authors performed selective coding. In this selective coding stage, the researcher categorizes based on the actors who play a role in each stage of the company's growth. Chu (1996) and Minai et al. (2012) categorizes network actors into three groups, Group I or informal network (family members, relatives and friends), group II or formal network (bank officials, suppliers and customers) and group III or institutional network (government, trade organization and social organization).

Furthermore, interpreting the categories based on three aspects, namely resources (what resources can be generated by each actors), the form or nature of the relationship (why the relationship between actors occur), and the structure of the relationship (how resource mobilization can be generated). In this stage, efforts are made to obtain several propositions. The last stage is the conditional matrix, where the researcher redevelops the proposition according to the conditions and limitations of the phenomena raised. The results of this analysis will provide a broad overview consisting of specific schemes into a concept. The results of this analysis will provide a broad general picture consisting of specific schemes into a concept. This process is carried out simultaneously so that it can get conclusions that can answer the problems raised. Figure 1 is an illustration of the research design carried out in this study.

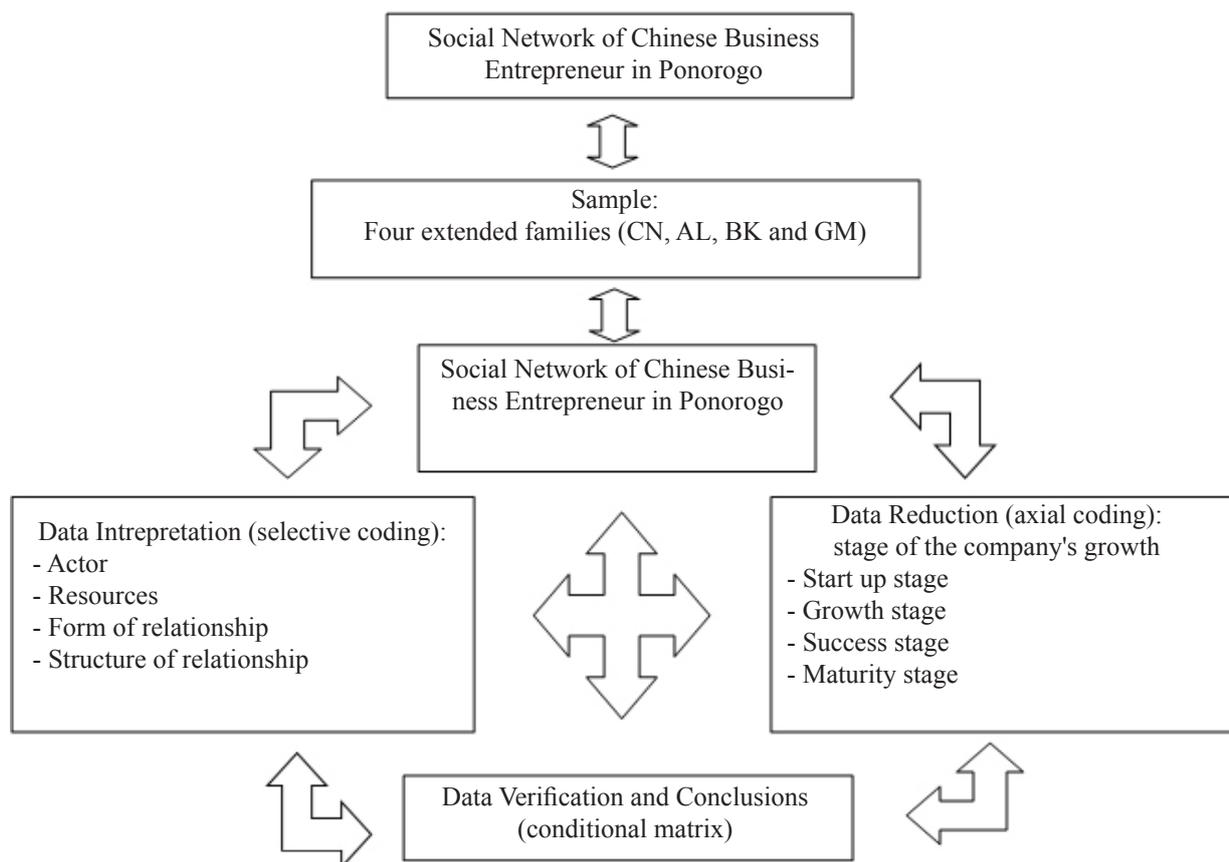


Figure 1. Research framework

## RESULTS

### Stage of Business Development of Ponorogo Chinese Ethnic Entrepreneur

The scheme used in this study emphasizes the actors in the network, related to the nature of the relationship, access to resources and relationship structure based on each stage of the development of the family business. Targeting at this stage of the development of the family business is important because it can identify different strategic factors at each stage (McCline and Bhat, 2012). It is important to analyze the stages of business development in order to provide a clearer pattern of business networking patterns.

Some researchers have differences in identifying each of these stages. As quoted in (McCline and Bhat, 2012), Greiner (1972) identified five stages of business growth from the young to maturity while Adizes (1988) divided business development into ten stages. While Chu (1996) divides the stages of Chinese ethnic business development into three stages, namely, the prestart-up, start-up, and mature stages.

The results of interviews and observations in the field show that the growth of Chinese family business in Ponorogo can be divided into four stages including stage 1 (start up), stage II (growth), stage III (success) and stage IV (maturity). In each stage can be divided into several conditions. The following describes the

model of the Chinese ethnic family business network at each stage of the company's growth, regarding the conditions of the companions, the actors in the family business network, the resources distributed, the form and structure of the relationship.

### Family Business Network at Start-up stage

The start-up phase is the initial stage of the business being built. This stage starts with the idea planning until the business runs for about one year. At this startup stage, it covers two conditions namely new business conditions and new branch conditions. A new business condition is a type of business that has no connection with a family business or has a different type of industry. While the new branch is a type of business that is still the same as a family business or is engaged in the same industry. This new business that is still related to this family business is a branch of the main family business branch. The initial business network pattern can be seen in Table 2.

Interviews show that at the beginning of business ideas can come from the nuclear family and friendship networks (informal network). Business ideas that originate from the nuclear family lead to business ideas that are still related to parents' business or family business. While friendship or community networks, many of which lead to the formation of new businesses that are not related to family business or parents.

Table 2. Family business network of Chinese ethnic entrepreneur at start-up stage

Condition	Description Condition	Actor	Resource	Form/nature of Relationship	Relationship Structure
Condition of the New Branch	The business still related to the family business	NuclearFamily	The Entire Resources	Sentiment	Vertical
New Business Conditions	Business not related to the family business.	NuclearFamily	Finance,	Transactional, Sentiment	Vertical
		Friend	Ideas, supplier access, market access.	Communication, Sentiment	Vertical
		Extended Family,	Finance, Market Access,	Transactional, Communication, Sentiment	Horizontal Vertical

In the condition of the new branch, relations with the nuclear family more direct the form of sentiment relations that are familial. This form of relationship has a very strong level between father and son but not too strong at the level of fellow children (brothers and sisters). Some respondents claimed that the new branch that was established was fully supported by the parents' business. Children are given full authority to manage the new branches built by parents. All resources are channeled from the core family business to the newly established branch. The relationship structure is vertical, that is, the new branch has a lot of support from other actors (nuclear families) in the network. The pattern of networking is to clone a network that is already owned by a nuclear family. The nuclear family (especially parents) often acts as a "connecting bridge" in building this new network pattern.

This condition occurs because Chinese ethnic entrepreneurs lack access to a wide network of friends. Based on interviews, LRS, who opened a new furniture shop as a branch of the furniture store, said that their parents did not hang out much with friends, both school friends, and the community. LRS feels fortunate to have parents who have established businesses and have good growth.

Friendship relationships and the community more leads to the emergence of new business conditions that are not related to the family business. Forms of communication with friendships are able to bring up new business ideas in the startup stage. A form of relationship with the nuclear family and extended family has a transactional form. Resources transferred to new business are not provided without accountability. ARF is a Chinese entrepreneur who opened a digital printing business, claimed to have to make business proposals to get financial capital support from nuclear families and extended families. Even MR (another respondent) had to convince his father that the money he had borrowed in opening his cellphone shop could be returned. Opening a new business that is not related to the family business really requires the trust of parents to get resource support, especially financial support.

In addition to the form of transactional relationships to access financial resources, forms of relations with nuclear families and extended families also have forms of communication relationships. MR admitted that many parents were directed towards managing their business. MR also said that his extended family gave

a lot of support by promoting the newly built business. Forms of communication relationships with extended family and friends provide many benefits to gain market access.

Forms of sentiment relations with nuclear families, extended families and friends provide benefits to market access and access to suppliers. The sentiment relationship lacks benefits in financial access. The newly built entrepreneur or business owner can utilize the sentiment relationship of this family to get financial support by proving that his business can succeed. While sentiment relations with friends usually bring up new business ideas that are partnerships. As SN and his friends did in starting their business cafe business. Communication and sentiment relationships with friends can bring up business ideas that are realized together.

### **Family Business Network at Growth Stage**

The growth stage is the stage of business development that has been running for one to three years. Based on sales and profit growth, this growth stage is divided into three conditions: Low or slow, medium growth conditions and high or fast growth. Low growth is a condition the company has not been able to achieve the expected sales. The business is running but not yet as expected. Growth which is in the form of company concessions makes a profit but sales growth is not too high. While the high growth conditions are conditions of growth and sales are very high or even more than expected. In this condition, the company gets a lot of profit and the business grows rapidly. Based on the results of interviews and observations, it shows that different conditions at this stage of growth have different network patterns. Better company growth has more complex network actors and patterns. There is a relationship between network density and company growth.

The condition of companies that experience poor growth tends to have the same actors at the initial stage. Entrepreneurs have not been able to use friends to access suppliers to enter as actors in their networks. The difference with the new business conditions, the nuclear family and extended family still provide financial resource support but in the form of sentiment relations. Higher support is provided in the form of resources to gain market access through communication and sentiment. As acknowledged by

KJ, this bakery entrepreneur gets a lot of new buyers from the information of his extended family and friends. The development of sales requires the ability to utilize incoming buyers as actors in the network.

In moderate growth conditions, Ponorogo Chinese ethnic entrepreneurs are usually able to develop networks at an early stage. Financial support from the nuclear family which was originally shaped as a sentiment relationship becomes more transactional. Financial access can also be utilized from transactional relationships with extended family, friends and even suppliers. In this condition, the company is usually trusted to get trade debts from suppliers. Family support to get market access is higher. However, the use of buyers and communities to gain market access is still not optimal. Family business network of Chinese ethnic entrepreneur at growth stage in Table 3.

### Family Business Network at Success Stage

High sales growth followed by increasing profits shows the family company is in a state of success. In this condition of success, the pattern of business networks is becoming increasingly widespread and congested. Actors in the network have developed in a broader group, namely: buyers, suppliers, banking, environment, and government. The higher the growth and development of the company, the more transactional relationships become. Relationships with the wider group are also stronger than with family and friendship networks. Large families and friendships that support increasingly weaker financial access are replaced by increasingly strong relations with banks. Sales success is also followed by a form of instrumental relationships that are more protective and retain their

resources. This instrumental relationship occurs with buyers, the environment and the government. Some respondents (TT, MRS, BJ, DN, and SL) claimed that they were always approached by the environment to be asked for donations when there were events involving environmental residents such as august, fasting, community service and so on. SL respondents even raised the village thugs in their business environment as employees so that the business was safe and undisturbed.

This stage of success is the culmination of the triumph of the family business. Individual owners or business controllers have the ability and ease to become a "magnet" in capturing new actors to expand the network. At this stage, Chinese ethnic entrepreneurs expand a lot, open new businesses and branches, and create new networking patterns. Network expansion does not only occur with the addition of actors but also the expansion of new network patterns. Family business network of chinese ethnic entrepreneur at success stage in Table 4.

### Family Business Network at Maturity Stage

After going through the peak of business development, the next stage is the stage of maturity. The maturity stage is a stage that has passed the stage of growth. This stage usually occurs at the age of the company for more than 5 years. In this stage of maturity, there are two conditions that accompany, namely the condition of stability, and conditions of decline. Stability is indicated by stable sales or steady growth. While the condition of decline is indicated by sales that began to decline. Many buyers are starting to switch to other products.

Table 3. Family business network of Chinese ethnic entrepreneur at growth stage

Condition	Description Condition	Actor	Resource	Form/nature of Relationship	Relationship Structure
Low Growth Conditions	There is growth, but not as expected.	Nuclear family Extended family Friendship	Finance, Market access	Sentiment, Communication	Vertical
Condition of Moderate Growth	Sales run well, but the sales is a stable	Nuclear family	Finance	Transactional	Vertical
		Extended family	Market Access	Communication	Vertical
		Friendship	Supplier Access		
		Supplier	Finance, Raw Material Inventory,	Transactional	Vertical
		Community of Buyers	Market Access	Transactional Communication	Vertical

In conditions of stability, actors and access to resources in the network are still the same as actors in the success stage but have different forms and structures. The expansion of actors in the network is not done much. Even relationships with groups such as nuclear family, extended family, friends, and community become sentiment and communication. The relationship structure becomes more vertical. Not to get support, it is to give support. The ability to be a magnet in a network is still owned but not widely used.

While the form of transaction and communication relations with external groups such as suppliers, buyers, communities and banks and the government remains strong. The form of instrumental relations is not too much because in the condition of companies like this, ethnic Chinese entrepreneurs Ponorogo feel that there is not much that needs to be maintained and maintained.

In this condition of stability, ethnic Chinese entrepreneurs Ponorogo use nuclear family relations, extended family or friends, to open new businesses. Entrepreneurs create new network patterns together by binding actors in their networks. In the process of building this new network pattern, entrepreneurs act as actors as well as a bridge between their previous network patterns.

In the declining conditions, some actors in the network began to be detached. Most relationships are transactional. The sentiment relationship still exists in relation to the nuclear family so that it can still be used to access all resources. Communication with extended families, friends or communities has the benefit of getting business ideas and market aspects, but to get financial support is obtained through a form of transactional relationships. The form of instrumental relations is only in relation to the government. Even in conditions of decline, ethnic Chinese entrepreneurs feel they still need to establish relationships with the government relating to legal and tax matters. Family business network of Chinese ethnic entrepreneur at maturity stage in Table 5.

Table 4. Family business network of chinese ethnic entrepreneur at success stage

Stage	Condition Information	Actor	Resource	Form of Relationship	Relationship Structure
Condition High Growth	Market growth and sales are very high	Nuclear Family	All resources	Transaction	Horizontal
		Extended Family			
		Nuclear Family	Market Access	Communication	Horizontal
		Extended Family	Labor		
		Friendship			
		Community			
		Buyer	Market Access	Communication	Horizontal
			Information	Transactional Instrumental	
	Supplier	Finance, Raw Material Inventories	Transactional	Horizontal	
	Banking	Finance	Transactional	Horizontal	
	Environment	Labor	Transaction	Horizontal	
			Information	Instrumental	Vertical
			Information	Sentiment	Vertical
		Government	Information	Instrumental	Vertical Horizontal

Table 5. Family business network of Chinese ethnic entrepreneur at maturity stage

Stage	Information on Condition	Actor	Resources	Form/nature of Relationship	Relationship Structure
Condition of Stability	Sales run well, and the sales is a stable	Nuclear family	The entire resources	Sentiment Transactional	Vertical
Condition of Stability	Sales run well, and the sales is a stable	Extended family Friend	Market Access Labor Finance	Sentiment	Vertical
		Community	Market Access	Sentiment	Vertical
		Supplier	Access	Transactional	Horizontal
		Banking	Finance	Transactional	Horizontal
		Environment	Labor Market	Communication	Vertical
Declining Conditions	Sales and growth has decreased	Government	Information	Instrumental Communication	Vertical Horizontal
		Nuclear family	The entire resources	Sentiment Transaction	Vertical
		Extended family Friend Community	Market Access Labor Finance Business Idea	communication Transaction	Horizontal
		Supplier	Finance	Transaction	communication
		Banking	Finance	Transaction	Horizontal
		Government	Information	Instrumental	Vertical Horizontal

Business network patterns can be used to explain the successes and failures of family businesses. The accuracy of entrepreneurs in accessing resources can be a social capital that can be used to support business towards success. The family business network of Ponorogo Chinese ethnic entrepreneur has a different pattern in each stage of development and conditions. This finding consistent with Blanchett et al. (2019) and Lechner Dowling, and Welpe (2006) who told there are different impacts regarding social networking for new firms or old firms. Peltier and Naidu (2012) show that social networks for small businesses change as firms transition from startup to growth and beyond. According to Witt (2004), the stage of the new firm can affect the impact of social networking. Family business network develop along with the stages of development and growth conditions of the business. The higher stage of growth and development, make networks more dense, large and complex. The more actors involved in it, the more varied the nature or form of the relationship.

At the start-up stage, actors in the network are still limited to informal network (nuclear family, extended family and network of friends). At the growth stage, the actor in family business network become wider. These results are consistent with the findings of Chu (1996) on

entrepreneurs in Hong Kong. Family business network is becoming wider from informal network (family, friendship) into formal network (suppliers, buyers and banking).

Chinese ethnic entrepreneur in Ponorogo does not take advantage of institutional network (government, trade and social organizations). Relationship with the institutional network only occur when the company is growing rapidly and entering a stage of maturity. This finding is in accordance with the opinion of Minai et al. (2012) which states that the majority of the Chinese SMEs in Malaysia seldom communicate with government. Chinese ethnic entrepreneur in Ponorogo has relationship with the government mostly only to protect and secure valuable resources (instrumental relationship).

At the start-up and growth stages, Ponorogo Chinese ethnic entrepreneurs get access to finance resource from informal network such as family or friends. The form of the relationship to obtain financial resources is always transactional even though the actors in the network are nuclear families. Before their business reaches a success stage they tend to avoid relationship with banks to get funding. This result is in line with the

findings of Hamed (1995) in Minai et al. (2012) which states that the Chinese has been found to receive more than 60% of finance source from family members.

Consistent with Blanchett et al. (2019), there are different impacts regarding social networking for condition of company. Successful family business can be magnets for building and determining family network patterns. The more growth is achieved the higher the nature or form of the relationship the more transactional and instrumental relationships. However, when a decline condition occurs, the form of the relationship becomes more sentiment and communication. The forms of the relationship that occurs depend on the condition of the company. Blanchett et al. (2019) argue that age of the firm will be important to identify impacts of social networks on a firm's success.

This also happens with structure of relationship or how resources are transferred. How resources can contribute or not to an economic activity depend on condition of the company. At the start-up and growth stages, company acquires a lot of resources through informal network. However, when it is at the high growth stage, the company distributes a lot of resources out through informal and formal network.

### **Managerial Implications**

This study provides a portrait of how family business network can provide access to market, finance, labor, information, and other resources that help minority entrepreneurs succeed in managing their family business. This research has implications for small entrepreneurs, especially minority entrepreneurs, to understand how resource mobilization can be generated from the network. Small entrepreneurs are encouraged to optimize informal networks through sentiment relationship to acquire resources at start-up business..

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

The higher stage of growth and development, make networks more dense, large and complex. The more actors involved in it, the more varied the nature or

form of the relationship. At the start up stage, family companies obtained a lot of resources from networks, especially informal networks. Formal networks (relationships with suppliers, buyers, banking and so on) are being formed, at the growth stage. Whereas the relationship with the government and the environment (institutional network) is formed when the family business is at the stage of success.

Most informal networks are formed due to sentiment and communication relationships, but this relationships do not apply when exchanging financial resources. Exchange of financial resources is often transactional even with family or friends (informal network). Formal networks are due to transactions relationship, while institutional networks are based on instrumentals.

The family business get a lot of resource support from the network at startup to the growth stage. However, when business reaches the success stage the family business starts distributing its resources to the network. In family business network, resources mobilization flows from developed and successful family business to start-up business.

### **Recommendations**

This paper contributes to existing knowledge as preliminary research how family networks are researched in relation to ethnic minority entrepreneurship. We hope this research will stimulate further research on the family business and ethnic minorities entrepreneurship. The results of this study have implications for minority ethnic entrepreneurs to utilize the network patterns they have to gain access to the needed resources. In the initial stage (start-up) minority entrepreneur can take advantage of sentiment and communication relationships through informal and formal networks to obtain valuable resources. Limitation of this research is its relatively small sample size and most of the samples used are limited to trading companies. To obtain a deeper understanding of the family business network of Chinese ethnic entrepreneurs, future research would have to include a larger sample of family business from variety industries. Future studies are advised to examine the broader context, empirically testing, so that it can provide stronger evidence

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