Building entrepreneurial tie portfolios through strategic homophily: The role of narrative identity work in venture creation and early growth

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ABSTRACT

In this article, we present the results of a case study of an entrepreneur who successfully founded and grew a venture underpinned by a portfolio of strongly homophilous, dyadic ties. Building on our case, we discuss how the entrepreneur strategically constructed these ties through a form of narrative identity work, explore the shared identity narratives that he used to do so, and highlight the heterogeneous nature of the resulting tie portfolio. We go on to explore the factors that motivated the entrepreneur to purposefully construct an entrepreneurial tie portfolio in this way. Building on our findings, we discuss the nature of narrative identity work and its role in creating homophilous ties, explore the connection between the resulting shared identity narratives and trust, and discuss the central role of values in strategic homophily.

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1. Executive summary

In the entrepreneurship literature, homophily is generally regarded as a social process that is intrinsic to tie formation, with entrepreneurs and other actors being drawn inexorably toward other "birds of a feather". The implication is that the characteristics upon which homophily is based are static and objective aspects of an actor, with homophily portrayed essentially as an automatic process that occurs without the conscious knowledge of those involved. Researchers have seldom systematically explored the possibility that entrepreneurs might work deliberately to construct homophilous ties, despite anecdotal evidence that this is a common occurrence. As a result, we know little about the degree to which entrepreneurs can choose to use homophily strategically in their relationships with others, and even less about the processes through which they do so.

In this paper, we begin to address these issues by exploring the role of homophily in the formation of entrepreneurial tie portfolios, the set of dyadic ties through which entrepreneurs access the resources and knowledge needed to create and sustain a venture. Specifically, we examine how entrepreneurs can strategically use homophily in the creation of these portfolios through an in-depth case study of an entrepreneur who founded and subsequently grew a venture underpinned by a strategically constructed, homophilous portfolio of dyadic ties comprising suppliers, distributors and retailers across Russia, Eastern Europe and Turkey.

In each case, the founder sought out partners where he felt there was potential homophily and then engaged in narrative identity work in order to highlight sources of similarity and construct strong ties. In doing so, he drew on a narrative repertoire, or set

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of stories, to tailor his message to particular partners. As a result, he operated at the centre of a heterogeneous portfolio of strongly homophilous, dyadic ties based around multiple sources of similarity.

Our study makes four main contributions. First, we show how homophily can be consciously and strategically used by an entrepreneur in the formation and growth of a venture. Homophily did not simply influence the entrepreneur's tie portfolio through some unconscious mechanism; rather it was purposefully constructed by the entrepreneur through narrative identity work. Second, we explore the nature of the narrative identity work through which the entrepreneur constructed his homophilous tie portfolio. In our case, we found that the entrepreneur commonly used four narratives for constructing ties: shared religious identity, shared nationality, shared experience of migration, and a sense of shared trauma. Third, our observations allow us to shed light on the process through which entrepreneurs generate trust. We show how and why the narrative identity work that underpins strategic homophily has the potential to lead to the development of highly trusting relationships. Finally, we show that entrepreneurs may have personal values that include both economic returns for the venture while at the same time supporting the welfare of others. The entrepreneurship literature has tended to assume that commercial entrepreneurs hold particular values that facilitate their ability to achieve economic returns, while social entrepreneurs hold particular values that facilitate their ability to create social returns. By contrast, our study suggests that such a distinction may be erroneous.

2. Introduction

There is a substantial body of work showing that social ties play a key role in entrepreneurial activity (Jack, 2010). Indeed, researchers have offered compelling evidence to illustrate that social ties are fundamental to venture creation and early growth, as "new organizations are clearly social entities from the beginning" (Ruef et al., 2003, p. 196). One important determinant of the nature of these ties is homophily: "the principle that a contact between similar people occurs at a higher rate than among dissimilar people" (McPherson et al., 2001, p. 416). Crucially, homophily results in a higher level of trust, shared understanding, and interpersonal attraction than would be expected among less similar individuals (Ruef et al., 2003).

In the entrepreneurship literature, homophily is generally regarded as a social process that is intrinsic to tie formation, with entrepreneurs and other actors being drawn toward other "birds of a feather". The implication is that the characteristics upon which homophily is based are static and objective, with homophily portrayed essentially as an automatic process. Moreover, existing discussions focus primarily on the effects of homophily on patterns of tie formation, while paying little attention to the mechanisms that produce these effects in the first place. In particular, researchers have seldom systematically explored the possibility that entrepreneurs might work deliberately to construct homophilous ties, despite anecdotal evidence that this is a common occurrence. As a result, we know little about the degree to which entrepreneurs can choose to use homophily strategically in their relationships with others, and even less about the processes through which they do so.

In this paper, we begin to address these issues by exploring the role of homophily in the formation of entrepreneurial "tie portfolios" (Ozcan and Eisenhardt, 2009, p. 246), the set of dyadic ties through which entrepreneurs access the resources and knowledge needed to create and sustain a venture. Specifically, we examine how entrepreneurs can use homophily in the creation of these portfolios through an in-depth case study of an entrepreneur who founded and subsequently grew a venture underpinned by a strategically constructed, homophilous portfolio of dyadic ties comprising suppliers, distributors and retailers across Russia, Eastern Europe and Turkey.

The entrepreneur, a Turkish Bulgarian[3] who moved to Turkey in the late 1980s, deliberately used various forms of similarity with potential partners to create an effective tie portfolio to support his venture. Many of his partners were Balkan immigrants who had left their respective countries and settled abroad, other partners had lived in the Soviet Bloc and felt a shared experience of having lived under Communism, while others were Muslim Turks who shared cultural and religious beliefs and practices. In each case, the founder sought out partners where he felt there was potential homophily and then engaged in narrative identity work—"social efforts to craft self-narratives that meet a person's identity aims" (Ibarra and Barbulescu, 2010, p. 137)—in order to highlight sources of similarity and create strong ties. In doing so, he drew on a narrative repertoire (Ibarra and Barbulescu, 2010), or set of stories, to tailor his message to particular partners. As a result, he operated at the center of a heterogeneous portfolio of strongly homophilous, dyadic ties based around multiple sources of similarity.[4]

Our study makes four main contributions. First, we show how homophily can be consciously and strategically used by an entrepreneur in the formation and growth of a venture. Homophily did not simply influence the entrepreneur's tie portfolio through some unconscious mechanism; rather it was purposefully constructed by the entrepreneur through narrative identity work. Furthermore, the type of homophily varied significantly from tie to tie, with the entrepreneur creatively highlighting different forms of similarity with different partners through very different identity narratives.

Second, we explore the nature of the narrative identity work through which the entrepreneur constructed his homophilous tie portfolio. In our case, we found that the entrepreneur commonly used four narratives for constructing ties: shared religious identity, shared nationality, shared experience of migration, and a sense of shared trauma. While the narratives used will inevitably vary from entrepreneur to entrepreneur, our case provides useful examples of the range of narratives that can be used to create homophily. This is an important contribution because, as Navis and Glynn (2011, p. 480) point out, "there has been sparse inquiry into the role of identities in entrepreneurship".

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[3] Turkish Bulgarians are Bulgarians of Turkish decent. They form a significant ethnic minority in Bulgaria.

[4] Note that Ibarra and Barbulescu (2010) are concerned specifically with work identities and role transitions while we are interested in the production of an experience of sharing elements of identity. However, the narrative identity that occurs in both cases has important similarities in terms of the mechanism through which it occurs.

Third, our observations allow us to shed light on the process through which entrepreneurs generate trust. Despite being a prominent concept in organization theory (e.g. Schoorman et al., 2007), trust remains surprisingly marginal to entrepreneurship research (Welter and Smallbone, 2006). We show that the narrative identity work that underpins strategic homophily has the potential to lead to the development of trusting relationships. More importantly, we show that this kind of identity-based trust is an especially strong form of trust because the shared identity that characterizes homophilious relationships contains aspects of the selves of each partner; breaking the bond of trust therefore has the potential to undermine elements of a partner's identity.

Finally, we show that entrepreneurs may have personal values that include both economic returns for the venture while at the same time supporting the welfare of others. The entrepreneurship literature has tended to assume that commercial entrepreneurs hold particular values that facilitate their ability to achieve economic returns, while social entrepreneurs hold particular values that facilitate their ability to create social returns (cf. Guclu et al., 2002; Lumpkin and Dess, 1996). By contrast, our study suggests that such a distinction may be erroneous. More specifically, we show that some entrepreneurs may be motivated by their values to achieve both economic and social returns.

3. Networks, tie portfolios and homophily

3.1. Entrepreneurial networks and tie portfolios

Research on the formation and functioning of entrepreneurial networks has increased markedly in recent years (see Hoang and Antoncic, 2003; Jack, 2010 for overviews). This research draws heavily on the networks literature in sociology, a basic underlying assumption of which is that human behavior is embedded in a set of social relations that shape and frame action (Granovetter, 1985; Polodny and Page, 1998), but focuses on the role these networks play in venture formation and entrepreneurial success.

One important stream of scholarship on entrepreneurial networks highlights the resources that these networks provide, which may be tangible (e.g. capital) or intangible (e.g. information, knowledge and legitimacy) (e.g., Birley, 1985; Smeltzer et al. 1991). A second strand focuses on issues of network governance. A key distinguishing feature of network governance is that it relies heavily on enforceable trust (Portes and Sensenbrenner, 1993); unlike non-networked relationships, transactions between networked firms are likely to be facilitated by social mechanisms (e.g. norms of reciprocity or fear of exclusion or reprisal) rather than formal contractual mechanisms (Krackhardt, 1990). A third strand in the literature is concerned with network structure. Much of this work has focused upon network size, network density and network position (e.g. Freeman, 1999). Other scholars have built upon Burt's (1992) concept of structural holes, suggesting that bridging between unconnected actors can provide access to new knowledge and information (e.g. Baum et al., 2000).

More recently, researchers have begun to focus more narrowly on the role of tie portfolios (also called egocentric networks) in entrepreneurial activity. As noted above, a tie portfolio can be defined as a firm's set of direct or dyadic ties (Ozcan and Eisenhardt, 2009), and the formation of a tie portfolio is the first step in developing a broader entrepreneurial network. Furthermore, the management of a tie portfolio has been linked to firm performance over the longer term (Baum et al., 2000; Ozcan and Eisenhardt, 2009) and the nature of the whole portfolio—i.e. the particular mix of ties—has been shown to be as important as the individual ties themselves.

Work on tie portfolios has also focused on the dynamics through which portfolios form. Ozcan and Eisenhardt (2009) identify three mechanisms. First, ties may form due to resource dependencies. That is, when firms are interdependent they are likely to form ties to access each others' resources. Second, social network theory provides an explanation for tie formation in the need to reduce uncertainty. As social embeddedness reduces uncertainty, entrepreneurs will seek out ties with familiar partners when uncertainty is high. Finally, there are explanations of tie formation based on agency and strategic action. From this viewpoint, entrepreneurs will seek out opportunities to form ties with partners that bring with them some form of strategic advantage.

3.2. Homophily and tie formation

An additional explanation for tie formation in tie portfolios grows out of the concept of homophily, or the idea that similarity of potential partners increases the likelihood of tie formation. The idea that similarity leads to association is not new. In fact, some of the first recorded references to the phenomenon appear as early as Aristotle's *Nicomachean Ethics* and Plato's *Phaedrus* (McPherson et al., 2001). In modern social science, the fact that there is a positive relationship between the similarity of nodes in a portfolio and the likelihood of a tie developing was one of the earliest observations made by structural analysts in the 1920s and 1930s (see Freeman, 1996 for a review). Early studies of friendship ties among children, for example, found that there was a greater likelihood of a friendship tie forming between children who were demographically more similar (e.g. Hubbard, 1929).

Lazarsfeld and Merton's (1954) use of the term homophily provided the label that drew together these early findings and connected the work of structural network theorists to related work on marriage ties in anthropology (homogamy) and other relevant work from across social science. Following Lazarsfeld and Merton (1954), the term homophily has been used widely to refer to people's propensity to interact with those like them. More precisely, "homophily is the tendency for people to associate with others similar to them in terms of attributes (e.g. race, gender) and values" (Mollica et al., 2003: 123).

In their classic article on the topic, McPherson et al. (2001: 419) draw on Lazarsfeld and Merton (1954) to differentiate between two types of homophily—status homophily and value homophily—and identify a number of characteristics upon which these forms of homophily can be based:

> Status homophily includes the major sociodemographic dimensions that stratify society—ascribed characteristics like race, ethnicity, sex or age, and acquired characteristics like religion, education, occupation, or behavior patterns. Value homophily includes the wide variety of internal states presumed to shape our orientation toward future behavior.

These characteristics result in different degrees of homophily (McPherson et al., 2001). Race and ethnicity create the strongest ties, and have been found to be highly salient across a range of relationships and organizations (Ibarra, 1993). Age has also been shown to be a key source of homophily, but the effect varies with the type of relationship. For example, age homophily is much stronger in marriage and friendship ties than in close confiding relationships or emergency help (McPherson et al., 2001). Similarly, religion is an important source of homophily in societies with religious diversity, but less so in societies with a single dominant faith (e.g. Laumann, 1973). Gender is "one of the most studied ascriptive characteristics" (Reuf et al., 2003, p. 199) and has been found to be important across a range of settings. However, the effects are weaker than race, ethnicity, age and religion. Finally, education, occupation, and social class are also important sources of homophily, although their dynamics are distinct because they are rooted in achieved rather than ascribed characteristics (McPherson et al., 2001).

In organization theory, homophily has been shown to play a significant role in networks within organizations. Talking specifically about race and ethnicity, Mollica et al. (2003, p. 123) argue that, on the one hand, "racial homophily is important because racial minorities are often marginalized in social and occupational settings", but at the same time "homophilous relationships can serve as an important source of social support for minorities in organizations". While race and ethnicity are particularly strong bases for homophily, these same dynamics appear to exist in other forms of homophily: powerful organizational members tend to exclude others who do not share the "appropriate" characteristics, thereby making it more likely that those who are excluded will form strong ties with other minority members.

In an influential study, Ruef et al. (2003, p. 216) examined the role of five different mechanisms, including homophily, in the development of the structure of entrepreneurial founding teams. Their results showed "strong support for one mechanism that influences group composition: homophily with respect to ascriptive *and* achieved characteristics (in particular, gender, ethnicity, and occupation)". In other words, homophily is clearly important in the formation of entrepreneurial tie portfolios, yet its role and the mechanisms that underlie it remain unclear.

3.3. Research questions

In this paper, we seek to shed additional light on the role of homophily in the formation of entrepreneurial tie portfolios. We do so through a longitudinal case study of an entrepreneur who founded a venture by deliberately building a highly homophilous tie portfolio. The tie portfolio comprised dyadic relationships with distributors, retailers, and suppliers across Russia, Europe and Turkey, and was critical to the success of the firm as it developed. We explore how the entrepreneur constructed these ties, how homophily contributed to tie formation, and the role these ties played in making the venture successful.

4. Empirical context

Two main events set the stage for our case. First, between June and August 1989, more than 360,000 Bulgarians of Turkish ethnicity were forced to emigrate from Bulgaria to Turkey. Those who left settled either in immigrant camps set up by the Turkish government or moved into the homes of friends or relatives. The entrepreneur we studied was one of the Turkish Bulgarians forced to immigrate (along with his wife and two children) in 1989.

The second important historical event that frames our study was the fall of the Berlin Wall in 1989. The effects of this transition were dramatic, not least in terms of the rapid expansion of consumer options and entrepreneurial opportunities in the post-Soviet bloc and Eastern Europe. One common form of entrepreneurship was for entrepreneurs from the transition countries to travel to neighboring countries in order to purchase consumer goods and bring them back for sale in their home countries in order to satisfy the rising demand for Western style products. In Turkey, these "luggage traders"—so called due to their practice of bringing their purchases back to their home country as excess luggage—were a somewhat unexpected, but very welcome, export opportunity. Russian, Bulgarian and Romanian traders, in particular, came to Istanbul's Laleli and Beyazit districts to purchase small consumer goods such as clothes, leather goods, and bags, which they then took back to their home markets. This trade, initially a trickle, soon became a flood and reached an estimated US$8.8 billion by 1998 (Yukseker, 2003).

In this study, we focus on the entrepreneurial tie portfolio created by Iso Karov to support the creation and growth of a venture founded to take advantage of the rapidly growing luggage trade. As a Turkish Bulgarian, Karov was in an ideal position to build on his knowledge of the Turkish language and culture, his knowledge of Eastern Europe and the former Soviet Union, and his ability to speak Bulgarian and Russian, to forge strong homophilous relationships of various kinds to support his venture.

Karov used these relationships to overcome the difficult and uncertain context he faced doing business in transition countries. Specifically, the rapid pace and dramatic nature of the transition from Communism led to high levels of market uncertainty, particularly with respect to the core institutions required for market transactions, such as established governance mechanisms to support contracts.

4.1. An entrepreneurial tie portfolio underpinned by homophily

Shortly after his expulsion from Bulgaria in 1989, Karov found a job as a welder in Istanbul. However, he quickly became frustrated with the lack of opportunities for immigrants to progress. His frustration led him to return to Bulgaria and liquidate his few remaining assets in order to raise some capital in hopes of starting his own business. He then traveled throughout Eastern Europe and the Soviet Union observing the market and contemplating his next step. He perceived Russia to be the market with the most potential because of its "sophisticated and educated clientele" and so began trying to build a business to service some aspect of this market.

During the first few months of 1990 he investigated different options such as exporting pool tables and construction marble. Eventually, however, he spotted a potential business opportunity:

> [I saw] many stylish women on the streets of Moscow carrying their belongings in plastic bags. Not that they wanted to do that, but because they had no option. There were no purses or bags available at that time…I saw an opportunity in the market and I acted on it.

When he returned to Istanbul, he contacted a Turkish Yugoslavian acquaintance—Kamal—whom he had met some years ago while vacationing in southern Bulgaria. Kamal was the owner of a leather factory manufacturing leather fashion goods (mainly wallets and purses) for the local market. Karov asked Kamal if he would be interested in jointly opening a small shop in the luggage trade area of Istanbul. As Karov only had a small portion of the required capital, Kamal agreed to provide him with the capital to set up the new business, Jenni, in return for a 90% stake in the new venture.

From the beginning, Karov worked to create a bond with the luggage traders. For example, Karov displayed a sign that said "Please come in for a cup of homeland coffee" in Russian, Bulgarian and Turkish, designed to signal that he had close cultural ties with the traders. In fact, Karov said that early on many of the traders came to the store just for coffee and to chat, and did not actually purchase anything. Karov also described how he and his wife would take some of the luggage traders for dinner and back to their home for drinks. They attended birthday parties and weddings and went on vacation with some of them. Within six months, Karov had developed close relationships with fifteen Russian traders, with whom he negotiated contracts for the sale of Jenni products in cities across Russia.

The transactions between Karov and his Russian partners were based, from the beginning, on mutual trust. He allowed them to take goods back to Russia on consignment, sell the products on the streets of Russia, and then bring the money back to Turkey. This flexibility, combined with the strong demand for leather goods in post-Communist consumer markets, translated into immediate success. Karov claims that few of the Turkish shop owners trusted Russian luggage traders enough to provide goods in advance, in part because they did not understand Russian language or culture. As Ivan, the main distributor in Russia commented:

> The luggage trade area at the time consisted of cheap, but bad quality products. People who were coming from Russia to the area did not have much money and that's the only type of products they could afford. Jenni products were ten times more expensive than the other leather goods being sold in the area. Not one of the Russian traders would have been able to sell them if it was not for Karov who trusted us and allowed us to take the goods in advance. This is how I, like many others working with Karov, was able to start in business.

As the brand became more successful, Karov realized that in order for him to sustain the growth of Jenni, he needed to ensure that the products were sold in retail outlets in Russia instead of being sold through street vendors, a decision that was well-received by his partners. This proved a crucial step in the firm's development, helping establish the Jenni brand in the minds of Russian customers. As the Marketing Manager in Moscow explained:

> Jenni products were the very first branded leather goods to be sold in the country. It was Karov who put conditions on all of us to open up proper Jenni stores and sell the products in the stores, and not in the street market. I think this was the first step in building the brand. And people saw the stores, which immediately signaled that this is… a good quality brand name.

By the end of 1994, Karov had established a profitable partnership of retailers and distributors across Russia. The retailers were responsible for selling Jenni branded products in retail shops (which were owned by the retailers) to the final customer. The distributors operated at a regional level and were responsible for distributing stock to a group of retailers in a particular geographical location. In addition, Karov had built strong relationships with a group of suppliers from whom he sourced his products, and these ties constituted the third main type of relationship in his tie portfolio. But his ambitions did not stop with Russia and with leather goods. In order to continue the growth of the company, Karov broadened the range of products to include clothing.

More significantly, Karov believed that Jenni also had potential across Eastern Europe. He and his wife made a point of speaking with traders from the republics of the former Soviet Union, often at trade fairs in various locations across Eastern Europe, building relationships with them, and assessing their trustworthiness and suitability as partners. They were helped in this respect by their ability to speak Russian, as well as the cultural experiences that came from living for most of their lives in part of the Eastern bloc.

The first Jenni stores outside of Russia were opened in two Ukrainian cities—Kiev and Odessa—in the first part of 1994, and by the end of 1995 a further two Jenni stores had opened in the Ukraine. This was followed by new stores in three other former

Soviet countries—Kazakhstan, Byelorussia and Kyrgyzstan—in 1996 and 1997, with each jurisdiction having its own distributor. At the same time, Karov was building close relationships with suppliers in Turkey, Italy and elsewhere as his need for high quality supplies increased.

The high level of understanding and co-operation between Karov and his partners (distributors, retailers, and suppliers) led to the formation of a very effective supply and distribution system. But problems began to arise. In particular, Karov found himself increasingly in disagreement with the owners of Jenni over investments in the brand and further expansion into new markets. This led Karov to create another brand in 2000 that he named after his daughter, Neroli. He nonetheless continued to use the same distribution system for the two businesses and retained his involvement with the Jenni brand: he felt obligated to the owners of Jenni because they gave him an opportunity to establish himself when he first moved to Turkey, and he was still on friendly terms with them. Over time, however, his focus shifted towards the Neroli brand and by 2004 Jenni had become a secondary activity. In this paper we focus on the founding and growth of Jenni from 1990 to 2004. By the end of the study in 2004, Jenni directly employed around 150 people and the brand was distributed in 77 stores in 8 countries.

5. Method

5.1. The research site

We chose to study Karov for a number of reasons. First, one of the authors had worked as one of his translators for several years. She therefore knew him well, was familiar with the history and development of the firm, and knew many of the individuals and firms with ties to Karov. Because of this, we had extensive access to key informants and they were willing to provide us with a wide variety of information. Research in Russia and Eastern Europe is notoriously difficult and this pre-existing connection to the tie portfolio was very important for effective access. We were also able to return to the main firm on multiple occasions to gather further data and to reflect back our understandings of the case.

Second, Karov had "rare or unique" qualities that made him a logical candidate for "theoretical sampling", the goal of which is to select cases with the potential to extend emergent theory (Eisenhardt, 1989: 537). The study began as part of a larger research project on entrepreneurship in emerging markets concerned with issues such as ethnicity and internationalization. It became increasingly apparent, however, that a distinctive feature of this venture was the strong homophilous ties that existed between members of the entrepreneurial tie portfolio surrounding Karov. Because homophily remains under-theorized in the entrepreneurship literature, we believed that the case had the potential to make an important theoretical contribution in this area and began a project looking at this aspect of the founding and growth of the venture.

Finally, Karov had been an entrepreneur for just over 10 years at the beginning of the study and most of the key actors that had been involved with him since the inception of his venture were still available to be interviewed. Moreover, the relative newness of the firm made it more likely that the details of its early development remained fresh in the minds of the interviewees, that the

Table 1
List of respondents.

Respondents	Geographic location	Type	# of times interviewed	# of times observed at a meeting
Iso Karov	Istanbul, Moscow, Milan	Face to face, telephone, email, fax	7	8
Wife of Iso Karov	Istanbul	Face to face, telephone	3	
Karov's translator	Istanbul, Moscow	Telephone and face to face	2	5
Kamal, co-owner of Jenni	Istanbul	Face to face	1	1
Jenni Marketing Manager	Moscow	Face to face	3	1
Retailer 1	Istanbul	Face to face	5	
Retailer 2	Moscow	Face to face	7	
Retailer 3	Moscow	Face to face	1	1
Retailer 4	Kiev	Telephone	2	
Retailer 5	Chelyabinsk, (Russia)	Telephone	2	
Retailer 6	Moscow, Sofia	Face to face, telephone, email	5	
Belt supplier 1	Istanbul	Face to face	1	1
Bag supplier 1	Istanbul	Face to face	2	1
Leather supplier 1	Istanbul	Face to face	1	
Leather supplier 2	Istanbul	Face to face	1	
Leather supplier 3	Firenze (Italy)	Face to face	2	1
Leather supplier 4	Bologna	Telephone, email and face to face	4	1
Leather supplier 5	Milan	Face to face	2	
Men's clothing supplier 1	Eskisehir (Turkey)	Telephone	2	1
Men's clothing supplier 2	Bologna, Firenze (Italy)	Telephone, face to face, email	3	1
Distributor 1	Moscow	Face to face, telephone	3	1
Distributor 2	Baku (Azerbaijan)	Face to face	1	1
Distributor 3	Astana (Kazakhstan)	Face to face	1	
Distributor 4	Istanbul	Face to face	1	
Distributor 5	Istanbul, Moscow	Face to face	2	
Total			64 interviews	24 meetings

motivations and experiences of partners could be readily recalled, and that many of the original documents from the firm's early stages were still in existence.

5.2. Data collection

Our primary data source consisted of semi-structured interviews with members of Karov's entrepreneurial tie portfolio. As noted, this portfolio contained three main types of partner: (1) suppliers from whom Karov sourced his products; (2) distributors who operated at a regional level and who distributed stock to a group of retailers in a particular geographical location, and (3) retailers who sold Jenni branded products in retail stores to the final customer. In addition to these interviews, our data set comprised interviews with several members of Jenni: Karov himself, Karov's wife, one of Karov's translators, Kamal (an investor and co-owner of the business), and a marketing manager employed by Karov who was based in Moscow. In total, we conducted 64 interviews with 25 respondents. A list of the interviewees is given in Table 1.

We began our study by interviewing the entrepreneur and several of the key employees of the venture. We then followed a standard snowball sampling technique where we asked interviewees from the firm for the names of external people or firms who worked closely with the company during its founding and as the firm had grown. The individuals we identified through this process were then contacted on our behalf by the entrepreneur and asked to participate in the study. All of the external partners contacted agreed to participate and were interviewed.

We worked to increase the validity of our data in various ways (Miller, et al., 1997). Interviewees were prompted for facts and accounts of events rather than opinions to reduce cognitive bias and bypass impression management. To alleviate retrospective bias, we triangulated between the accounts of the same events provided by Karov and his tie partners and returned with clarification questions when the accounts differed. We also tried to compare the descriptions of events that had happened recently with events that had happened early in the venture to detect any systematic bias in the dynamics described. Finally, we promised confidentiality to respondents to enhance the level of detail in the information provided.

Interviews were conducted and archival data collected during several trips to Turkey, Russia, Kazakhstan, Azerbaijan, Bulgaria, and Italy. The archival data collected included memos, faxes, minutes of meetings, contracts, and financial reports. This phase of the data collection was greatly facilitated by attending and observing business meetings where many of the entrepreneur's partners were present from disparate geographic locations. In addition, a number of telephone interviews were conducted with members of the tie portfolio in Chelyabinsk (Russia), Kiev (Ukraine), Bologna and Milan (Italy), and Sofia (Bulgaria). One of the authors speaks Turkish, Russian, and Bulgarian and has working knowledge of Italian, so the interviews were carried out in the language of choice of the interviewee. We also collected secondary data including newspaper reports, government statistics, and academic books and papers in order to better understand the economic and political context within which the entrepreneur worked.
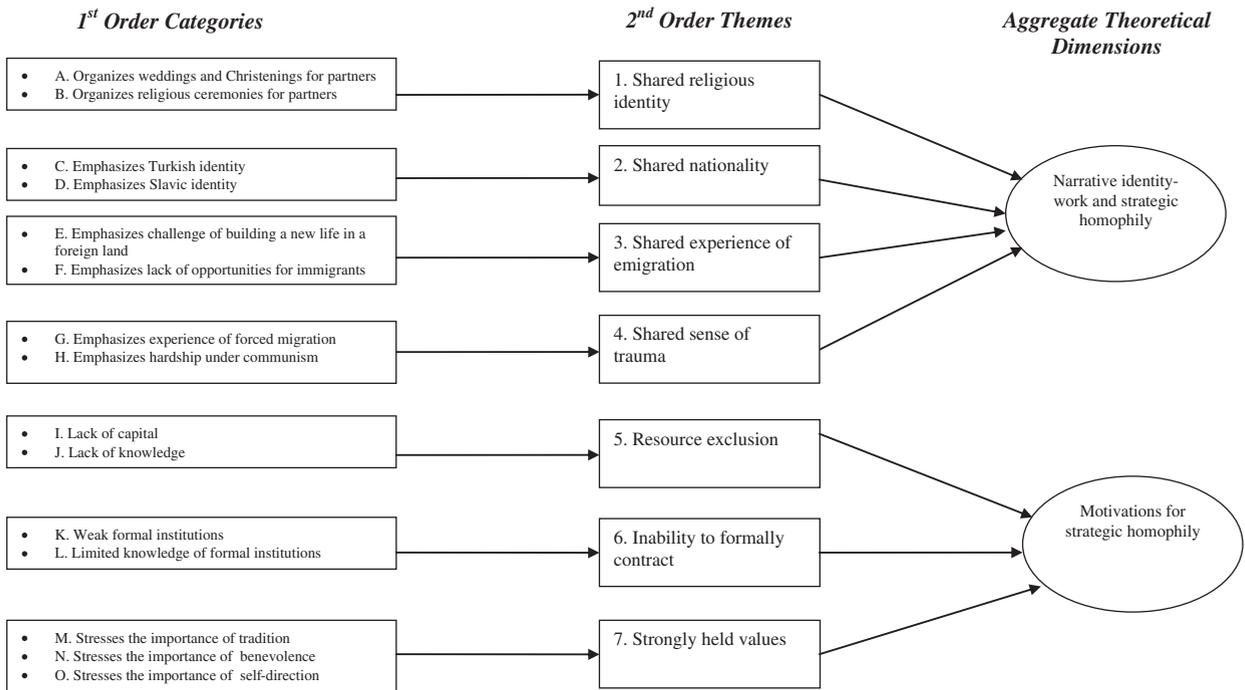

Fig. 1. Data structure.

5.3. Data analysis

The data analysis comprised a series of partly overlapping stages. In the first stage, we organized the case study data into an "event history database" (Van de Ven and Poole, 1990). This was done by chronologically ordering descriptions of events taken from the raw data—interview transcripts, field notes, and secondary sources such as journalists' accounts of the political and economic context—to develop a narrative of the formation and development of the focal firm. This was crucial for understanding Karov's approach to relationship building and tie formation.

In the second stage, we began coding the interview transcripts and notes in order to identify the main ways in which Karov connected to his partners and the dynamics associated with these relationships. This allowed us to identify a set of first order categories. The codes we identified in this stage focused on the construction and functioning of Karov's tie portfolio.

In the third stage we looked for connections that would allow us to collapse the first order categories developed in stage two into a smaller number of second order themes. The analysis continued iteratively, moving among data, emerging patterns, and the relevant literatures on tie portfolios, identity, and entrepreneurial networks until the patterns were refined into adequate conceptual categories.

In the fourth stage, it became clear that each of the second order themes developed in stage three related to a different aspect of the strategic use of homophily. Some were concerned with specific identity narratives that Karov had used to construct his tie portfolio while others were concerned with the motivations that led Karov to engage in the strategic use of homophily. Narrative identity work and motivations therefore became our aggregate theoretical dimensions.

Finally, given that one of the authors was so close to the case, we used both internal and external "peer debriefing" (Corley and Gioia, 2004) to help address the potential for bias in our analysis. Peer debriefing involves asking a researcher experienced in qualitative research and the type of analysis in a study to audit the coding scheme, data structure, and findings, and to ask critical questions about the approach, and to help evaluate the dependability of the analysis. Internally, one of the authors who had no previous experience with the firm or the context was asked to explicitly challenge the emerging findings and question the insights of the other two authors who were closer to the data and the analysis. Once all members of the research team had agreed the findings, a colleague of one of the authors with extensive experience of qualitative research repeated this peer debriefing process from an external perspective. This proved very helpful in clarifying our thinking and refining our results. The resulting data structure is shown in Fig. 1.

6. Findings

Our findings reveal that homophily was constructed by the entrepreneur in a deliberate fashion in order to provide the foundation for an effective tie portfolio. With respect to Karov's tie portfolio, it was not simply a case of "birds of a feather flock together". Karov not only chose partners with whom he felt "comfortable" and that he believed shared his values, he also searched for and emphasized aspects of the identity of the potential partner that he perceived as similar to his own. He did this by carrying out narrative identity work (Ibarra and Barbulescu, 2010) to produce identity narratives that created a connection on the basis of common ascribed or achieved characteristics. These narratives would be shared with the potential business partner and co-constructed in an ongoing conversation that continued for the duration of the relationship. In this section, we present our findings that show (1) how this process occurred and the repertoire of narratives that Karov drew upon, and (2) the motivations that led him to build his tie portfolio in this way.

6.1. Narrative identity work and strategic homophily

The narrative identity work that underpinned the strongly homophilous ties we encountered took place during periods of intense interaction between Karov and his partners. The interactions often occurred in social situations where stories of past experiences, values, likes and dislikes, and other elements of identity could be casually discussed. Karov's willingness to spend considerable time socializing with potential partners and his enthusiasm for dinners and other social activities mentioned earlier is partially explained by his wish to "get to know" people away from the formal constraints of the office and workday.

In these contexts, Karov would engage in long narratives of his own history, highlighting aspects that he felt were relevant, and encouraging the potential partner to share related narratives. This mutual sharing would allow the identification of points of similarity around which a shared identity narrative could be constructed as the basis for a strongly homophilous tie where the two partners felt a strong sense of "being alike" regarding particular achieved or ascribed characteristics. During this process, Karov told us that he would emphasize areas of similarity while areas of difference would be played down or excised from the shared identity narrative.

Thus, while homophily is essentially conceptualized in the literature as a static construct that refers to a collective sense of "we-ness", we found that strategic homophily is a dynamic construct that refers to a set of negotiated identities that may differ between portfolio members but which provide a similar template for trusting behavior. Homophily in this sense is an accomplishment where aspects of identity are highlighted and connected through a specialized kind of narrative identity work. While some forms of homophily are based on observable characteristics (e.g., gender), others require substantial amounts of information to be exchanged (e.g., the experience of migration) and create the possibility of narrative identity work. This suggests a much more complex and nuanced conception of homophily than is currently espoused in much of the entrepreneurship literature.

Interestingly, different ties within the same tie portfolio were rooted in very different forms of homophily. The tie portfolio was constructed of strong dyadic relationships with Karov, but members of the tie portfolio did not necessarily feel similar to one another. What mattered was that the members of the tie portfolio perceived themselves to be similar to the entrepreneur in some way. For

example, Russian retailers felt little in common with Turkish suppliers (they did not speak the same language, did not understand each others' cultures, did not share any history, etc.), but each group shared a very strong bond with Karov.

From our coding, we identified a specific set of identity narratives focused on different elements of identity that Karov used to develop his tie portfolio. These sets of identity narratives are referred to as "narrative repertoires" in the literature (Ibarra and Barbulescu, 2010). The first identity narrative that Karov used for relationship building was designed to leverage *religious identity*. This was particularly important for building ties with his Turkish partners. Karov, like most Turks, is Muslim, and he was able to use this shared religious affiliation as a way of solidifying relationships with other Turks. In conversation, he would highlight the fact that he was Muslim and that being a Muslim was an important part of his life. Moreover, he would emphasize how important he thought it was to be a "good Muslim", and talk about the things he did like paying for less fortunate people to celebrate Eid and, when the business became more successful, building a small mosque in his hometown in Bulgaria.

The latter was a highly symbolic act that reinforced to his partners (and to many others in his life) the central role that Islam played in his identity. Interestingly, he also used religious identity to build relationships with some of his Christian partners. In these circumstances he would emphasize the importance of religious observance in general, and highlight the similarities rather than the differences between Islam and Christianity. As Karov explained:

> My distributor's [Christian] wife in Russia was pregnant. During the pregnancy, my wife and I travelled to Russia to make sure everything was set up for the arrival of the baby. My wife bought groceries, furniture for the baby. We then went to the hospital when she was giving birth… Then, that baby grew up, and it was time for the Christening, and I was the godfather of the baby, although I am Muslim and I am not technically supposed to be the godfather… I don't believe in things, in anything that separates people. With my customers, we are in every step of the way in the path of life, and this is what makes us stronger.

Second, we found that Karov used narratives of *nationality* to build shared identity. Interestingly, Karov was able to skillfully use nationality when dealing with Turkish and Slavic[5] partners. With his Turkish partners Karov would emphasize the Turkish aspect of his identity and produce narratives that revealed his interest in traditional Turkish music and food, and use these to indicate to his partners his pride in being Turkish and in their shared cultural heritage. With his Bulgarian and other Slavic partners, on the other hand, he would talk about his pride in being Slavic. The Slavic countries have rich traditions and a distinctive heritage, and he would connect with these partners by talking glowingly about Slavic culture and the bonds that connect all Slavs:

> The Slavic identity is about unity, about togetherness, teamwork and working together. It is a life that is lived together, collectively, and with respect to each other. There is no such mentality as "you are better than me, less than, better than". Such thinking doesn't exist in the Slavic mentality, and it is about sharing what you have, sharing life, and working together. It is about sharing your life, your happiness and even your sadness.

A third narrative used by Karov to construct homophily involved creating a common identity through the *shared experience of migration*. This was his most common tactic for relationship building with partners who were not Turks or Slavs. Regardless of the country in which he was doing business, Karov sought out partners who were immigrants. He would then use his own experience as an example of what they could achieve. Thus the narrative that he deployed involved a story of great deprivation followed by great success. This allowed him to draw on what Karov described as the most significant and formative experience of his life: being expelled from Bulgaria and trying to build a life for himself and his family in Turkey with virtually no capital or connections. He frequently shared with partners the challenges he faced during this period (as he also did with the researchers in explaining his motivations to start Jenni), and sought to empathize with them:

> When we first arrived in Istanbul we missed the social life, friendships and the life we had back in Bulgaria. Because Turkey is very different to Bulgaria, and especially the first few years were extraordinarily difficult. As I told you, I had no money and had to work in several different jobs, and would work in automobile factories, construction sites, and even as a driver. I would start at 8 am and finish at 11.30 pm every single day, and I would not stop working. I knew however that by working like this, I could never send my children to good schools, and I could never provide for my family in the way that I would like to… [immigrants] are not considered part of the country, not even socially, and you always feel like you don't belong, like an outsider.

Finally, we found that some of Karov's relationships with his partners were based around a *shared sense of trauma*. He sought to emphasize two sorts of trauma. The first partly overlaps with the previous tactic, namely the trauma of forced migration. Although his partners were more likely to be economic migrants than forced migrants, for those partners who were Turkish–Bulgarian immigrants like Karov, the shared sense of trauma that emanated from being expelled from Bulgaria formed a powerful bond.

A second source of trauma that Karov drew upon was the trauma associated with growing up under Communism. Having spent the early part of his life in Bulgaria, Karov spoke fluent Russian and frequently shared identity narratives that included references to the hardship of life during that period. He would also talk of how liberating it felt to own a business, something that was forbidden by the Communist party, but that many young people growing up behind the Iron Curtain in the 1960s and 1970s aspired to.

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[5] The term Slavic refers to a broad ethno-linguistic group spread across Eastern Europe whose members speak languages belonging to the Slavic language family. They also broadly share certain cultural traits and historical backgrounds. Bulgaria is a Slavic country.

Interestingly, he also used a shared experience of Communism to build a common identity with partners from other Balkan countries. However, in this instance he would emphasize the shared experience of living under Russian oppression and the fact that they had been forced to suppress their national identities in the face of a repressive regime in Moscow. According to Karov:

> Communism is not a utopia… The soldiers would wake us [Bulgarians of Turkish ethnicity] up in our sleep with dogs, forcefully take all of us into stations and force us to change our Turkish names to Bulgarian–Slavic names. We were forbidden to speak our language, our mother tongue, and elderly people who don't usually speak a word of Bulgarian had to speak Bulgarian all of a sudden. The government would also change the names on the graves. My wife's father's gravestone, my grandparents' gravestones, they were all changed. They randomly wrote some Slavic names on them. These were definitely very difficult times but it also brought us even closer and meant that we have to stick together, and to support each other.

In generating ties in this way, Karov created a distinct shared identity narrative for each dyadic relationship in his tie portfolio using narratives that emphasized aspects of his identity and highlighted the similarity with the particular partner with whom he wished to form a tie. In each of these cases, Karov drew on his narrative repertoire to skillfully construct an identity narrative that created a sense of identification upon which deep relationship ties could be established. The core elements of the four narratives were broadly consistent across partners and over time, but he used different combinations depending on the background and experiences of the partner in question.

From the point of view of theorizing the role of homophily in entrepreneurial tie portfolios, this has important ramifications. Homophily is not just a matter of the degree of similarity of a given dyad, but partners' perceptions of their similarity, and this perception can be negotiated and managed through talk and action. When an entrepreneur successfully highlights forms of similarity, the resulting perceptions of homophily will be stronger than if the same two individuals collaborated without narrative identity work being performed by the entrepreneur.

6.2. Motivations for the strategic use of homophily

Anecdotally at least, it is clear that not all entrepreneurs engage in this form of narrative identity work to the same degree. We found that Karov's extensive use of strategically constructed homophily was motivated to a large extent by the circumstances surrounding the entrepreneur and his venture, as well as his desire to build particular types of relationships. Specifically, the case analysis revealed three factors that motivated Karov's strategic use of homophily: resource exclusion, an inability to formally contract, and his strongly held values.

The first motivating factor we identified was the need to overcome *resource exclusion*. In the early phase of the business Karov and his partners operated at the margins of social and economic activity in their new countries. Like many immigrants, they were excluded from mainstream labor and capital markets by their lack of knowledge regarding the workings of their new context, and/or by weak linkages with "local" actors.

The resources in question were sometimes financial, taking the form of debt to facilitate the formation or expansion of a venture, asset sharing, or preferential terms and conditions with respect to specialized inputs. In the early days, Karov would host his distribution partners from Russia and Eastern Europe in his house when they visited Istanbul to purchase Jenni merchandise, giving them free lodgings and food:

> When the business was first starting in the early 1990s, none of my distributors were wealthy. None of us had money in the beginning… [They] would not even have money to spend on hotel and food. When they were here in Istanbul for business, I took them to my house and we ate dinners together—altogether with my family…. We did not allow them to spend money on food and accommodation, and this lasted for at least 5 years.

Perhaps more importantly, the benefits also related to knowledge and information about market opportunities and threats—Karov was able both to pass on to individual partners the benefits of his experience, and to learn from his partners about the challenges of competing in particular markets and the reactions to particular products. For example, one of Karov's partners explained that, in the early days of the business, the luggage traders that Karov sold his goods to, some of whom subsequently formed the basis of his distribution network in Russia and Eastern Europe, knew little about the basics of the luggage trade in Turkey:

> When the Russian distributors were first coming to the Grand Bazaar area to buy goods and take them back in their luggage, they did not actually know about the stores, about doing business with Turkish people, and it was all foreign.

Karov was able to convey to the luggage traders important pieces of information, fragments of knowledge about how the system operated, and how they could make their businesses work profitably. Interestingly, Karov also said that he benefitted from knowledge that he gained from his partners, both as the venture matured but in particular shortly after the founding of Jenni:

> In the beginning I did not know about legal regulations in Turkey… I also did not know about making bags, about leather, but I was hungry to learn… It was an exchange of skill and knowledge [Karov providing knowledge about Russia and Eastern Europe, his Turkish partner providing knowledge of the leather industry]… Today, of course, I consider myself an

expert on making bags, on making leather products. I am one of the best, but at the time it was about exchanging what we know best.

Thus while Karov's ties were dyadic, there was a sense in which he was able to share knowledge across the network (with nearly all the information being channeled through him). Moreover, while, as noted below, Karov wanted to build a business that was built on shared values with each partner, sharing resources was not solely based on the assumption that one should help others simply because they shared a common bond. For Karov, there were clear competitive advantages to this sort of behavior.

It is notable that even as the business matured and Karov became less resource constrained in his adopted homeland, Karov continued to use homophily strategically because he perceived there to be resource benefits associated with establishing ties this way. This suggests that resource exclusion, while important, is unlikely to be the only motivating factor for the strategic use of homophily, although our analysis suggests that it was a significant one in our case.

A second factor that we identified as motivating Karov to use homophily strategically was his *inability to formally contract*. Karov and his partners were operating in an environment characterized by high levels of institutional uncertainty (Phillips et al., 2009). As noted, Russia and Eastern Europe were in the process of dramatic economic and social transition, and many of the rules, norms and institutions that underpin market transactions in Western economies simply did not exist. Moreover, where they did exist, Karov and his partners often lacked the knowledge and resources to be able to use them. Karov explained that as an immigrant in Turkey he was unable to participate in the legal system:

> In Turkey at the time, they don't give you rights as immigrants. So, I was not able to enter into any contracts. I could barely rent my own house. It was that bad. This is the worst part of being an immigrant… As an immigrant you don't have any protection, no social rights, nothing at all.

The result is that Karov felt that the only way that he could build durable relationships in this environment was to create a strong sense of shared identity, which allowed him to establish a sense of reciprocity, shared expectations, and trust between him and his partners.

While trust is clearly a feature of many relationships that are not characterized by strong homophily, we consider that the level of trust exhibited in the tie portfolio in our case goes beyond what one would see in most commercial relationships. Moreover, our analysis suggests that this was due to the fact that it was rooted in a shared sense of identity. This kind of identity-based trust is a more effective way of ensuring that partners act with predictability and benevolence than both deterrence-based trust that relies on threats or fear of punishment and calculative-based trust that relies on reputation and certification (Rousseau et al., 1998; Hardy et al., 1998).

The power of this form of identity-based trust was evident in our case. For example, on several occasions, Karov's partners exhibited extraordinarily trusting behavior, with some of the key actors allowing themselves to be exposed to levels of risk that might be considered reckless in "standard" business transactions. In some cases these risks were mitigated by the fact that the relevant parties had known one another for long periods and interacted frequently with one another. For instance, when it became apparent that distributing merchandise through street vendors was damaging the Jenni brand, Karov approached Ivan, a longstanding business partner, and asked him to set up a flagship store in the heart of Moscow. Ivan was required to shoulder significant financial risk, but was willing to do so because he "knew that he [Karov] would not let me down".

At other times, partners engaged in high risk transactions with actors about which little was known, confident that their goodwill would be reciprocated in kind but with little or no contractual protection in the event of malfeasance. This was exemplified most obviously by the strategy that Karov employed of allowing new partners to repay him for goods *after* they had been sold. The strongly homophilic relationships between Karov and his partners led Karov to take very high levels of risk that he felt were justified by the similarities between himself and his distributors. It is worth noting that there were no instances when a partner failed to pay for the stock Karov had advanced to him. One of Karov's Russian-based retailers told us how Karov came to her aid following the collapse of her business during the severe Russian financial crisis of the late 1990s:

> Having only my word, without any bank guarantees—to be honest there were no proper banks in Russia at that time, just the ones that asked exorbitant rates, up to 50% of the credit sum in a month—I got goods without any contracts amounting to dozens of thousands of US dollars… My mother still cries when she recalls the moment of receiving the boxes from the transport company full of wallets and bags in a practically empty shop.

Our analysis suggests that a third factor that motivated Karov to engage in the strategic use of homophily was his *strongly held values*. In social psychology values are defined as "the criteria people use to select and justify actions and to evaluate people (including the self) and events" (Schwartz, 1992, p. 1), and it is this definition that we use here. This literature delineates a series of core values, which represent particular goals or guiding principles that individuals use in different situations (Schwartz and Rubel-Lifschitz, 2009). The importance that individuals attach to each value varies, with behavior shaped by a subset of dominant values.

In the case of Karov, we found that he held three core value sets especially strongly: values based on (1) tradition, (2) benevolence and (3) self-direction. These were the values that structured his relationship building with his partners; values that guided

his own behavior and that he looked for in his partners. With regard to tradition, Karov had a great respect for, and commitment to, local cultural customs and practices. He sought to make these a central feature of the relationships in his tie portfolio. As described above, the way that he did this varied between partners, but organizing weddings and Christenings, other religious ceremonies, and celebrating local customs (such as the custom of Turkish hospitality) constituted the main approaches. We also came across a number of instances where his partners went to unusual lengths to include Karov in their traditions. For example, as mentioned above, Karov was invited to be a godfather to a child of one of his Russian partners even though he is Muslim and his partner Russian Orthodox.

In terms of benevolence, Karov appeared genuinely concerned for the welfare of his partners and saw part of his role as supporting their development. He repeatedly highlighted the central importance of sharing, helping and forgiving in these relationships. For example, in explaining his personal philosophy he emphasized that "Life is about sharing, about respect, love." In addition, he said that "We need to forgive each other and be tolerant towards one another. In order to succeed in life and work well with people, you need to forgive." Interestingly, Karov told a number of examples to illustrate that his partners also held strongly the value of benevolence and said that he had been supported by several of them on a number of occasions. He gave the following account of his relationship with his main leather supplier:

> "My supplier of leather in Turkey is a Jewish immigrant from Spain… actually his great grandfather was asked to leave Spain, and he came first to Greece and then to Turkey… He is the reason my business grew so much. He is very generous and understanding, and he gives me a 90 day credit to pay him for the leather. Such a thing is not possible from my Italian suppliers. Forget about credit, they ask for 50% of the money up front."

One of his Ukrainian retailers emphasized that "kindness" was an important component of Karov's business philosophy:

> What I can definitely say is that Karov has a genuine sense of Eastern [European] wisdom… He always advises us to be kind to each other. His belief is that we all have our place in the world, our space in business. He encourages us to consider free markets philosophically, and to build one's business in the correct manner.

With respect to self-direction, Karov's drive and independence of thought and action were continually emphasized. This was most obvious in his detailed account of his forced migration from Bulgaria to Turkey, when he described how he needed to take responsibility for his family's welfare, and how he needed to work extremely hard to become successful. He looked for partners who also held strongly the value of self-direction; people who were hard working and disciplined. One of his Russian distributors said:

> With the help of Karov we have realized that it is necessary to work hard and not to lie to customers and partners. Of course we knew it before but our understanding of this has come stronger in our minds [since meeting Karov]… We have all been brought up under communism and one of the merits of this time was diligence and responsibility.

Thus, while Karov established the firm with the primary aim of generating significant surpluses for himself and his family, part of his motivation for using homophily strategically lie in his strong values and his desire to build a venture with others who shared them, a business that was not based on a simple profit maximization logic. He did not see a conflict between these two desired outcomes. Indeed, his strongly held values and their effects on the nature of the relationships he established was rewarding on a personal level because they allowed him to create a feeling of belonging as well as a sense of reconciliation.

More specifically, this appeared to help him to work through the difficulties, injustices and hardships that he had experienced in the past. It also allowed him to feel a sense of inclusion and to overcome the sense of being an outsider that he felt so strongly when he first moved to Turkey. As a result, he appeared to derive personal satisfaction from his ties.[6] The sense of anger and frustration that he felt about his past, as well as his desire to work with others experiencing similar difficulties, came through strongly in our data. For example, when talking about his forced migration from Bulgaria to Turkey, he said:

> The most difficult thing in the world is to be kicked out of the country you grew up in, you lived in, and to start a new life in a completely foreign land. This is like wearing a shirt made of fire. This is what migration is: a shirt of fire. Imagine, taking a child from his or her mother and giving her to another family. How would that child feel? We did not leave Bulgaria by choice, but we were forced. We were ethnically cleansed, and forced to leave the country we grew up in. We left all of our friends, family members, and the life we used to live behind, and we immigrated only with two suitcases and nothing else. When we arrived in Istanbul, we did not know anyone, we had no money, did not speak the language. The only person whom we knew was a relative of ours who had immigrated in 1978, and she was the one to open her house to all the relatives of hers who were being forced out of Bulgaria… This is why, when I hired people during the first few years of my business, I wanted to hire immigrants like me because I know the hardship and I know how difficult it is.

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[6] We are grateful to an anonymous reviewer for this suggestion.

In sum, we identified three distinct factors that motivated Karov to use homophily strategically. Two of them—resource exclusion and an inability to formally contract—were rooted in the circumstances that Karov found himself in. The third, his strongly held values, was rooted in his desire to build a particular kind of business, one where relationships were held together by a sense of shared commons, rather than formal or contractual mechanisms.

7. Discussion

Our finding that homophily can be strategically managed through narrative identity work has a number of important ramifications for our understanding of the development of entrepreneurial tie portfolios. In this section, we will further explore how narrative identity work increases perceptions of homophily, discuss how this process leads to the generation of strong forms of trust, and discuss the important link between values and homophily.

7.1. Narrative identity work and homophily in entrepreneurial tie portfolios

The ways in which individuals fashion and negotiate their identities at work is the focus of increasing attention in management research (e.g. Karreman and Alvesson, 2004). This expanding body of literature grows out of a recognition of the central importance of identity at work and of the complex relationship between work and non-work identities. The concept of identity has also been applied with increasing frequency to discussions of organizations, resulting in a large body of work on organizational identity and on the interactions between organizational and individual identities (e.g. Gioia et al., 2000).

In the entrepreneurship literature, the concept of identity has also been examined. While much of the discussion is focused on the role of organizational or new venture identity (e.g. Lounsbury and Glynn, 2001; Navis and Glynn, 2011), the ways in which individual identities are constructed, and the complex effects of the resulting identity on entrepreneurial dynamics, are also beginning to receive some attention (e.g. Martens et al., 2007; Navis and Glynn, 2011). Our study adds to current understandings of the dynamics of individual identities in the specific setting of venture creation and growth. More specifically, it begins to explain how individual identities interact in the context of entrepreneurial tie portfolios, highlights the importance of homophily underpinned by shared identity in their construction, and sheds light on how different aspects of the 'self' become more or less relevant in different contexts (see, for example, Stryker and Burke, 2000).

Underlying the growing discussion of identity in management is a commonly accepted view of identity as the socially constructed meanings attached to an individual. These meanings can be based on socially defined roles or on the idiosyncratic characteristics of an individual (Ashforth and Mael, 1989). They evolve over time as individuals work to make sense of changes in their life in the broader context in which they live. Identities are not, therefore, static and pre-determined, but a dynamic and negotiated accomplishment characterized by tension and contradictions that must be actively managed.

One important way that individual identity is constructed is through narratives or accounts that make sense of the disparate elements of identity (Ashforth, 2001). From this perspective, individuals perform extensive identity work to make sense of their identity for themselves and others, drawing on a more or less extensive narrative repertoire (Ibarra and Barbulescu, 2010). Our study has shown that entrepreneurs may build on these individual narratives to co-produce a series of dyadic shared identity narratives that explain what each member of the dyad has in common and produce a sense of more or less profound homophily. This sense of homophily, which may differ for each tie in a portfolio, can form a strong basis for a relationship in an entrepreneur's tie portfolio.

There are a number of conclusions we can draw about effective shared identity narratives in entrepreneurial tie portfolios. First, shared identity narratives tend to change over time. We know that individual identities are continually being constructed and reconstructed through identity work in response to changing circumstances (Sveningsson and Alvesson, 2003), and we also saw this dynamic in the shared identity narratives developed by Karov. The shared identity narratives evolved as the relationships developed and elements were introduced, dropped, or elaborated upon as the partners in the tie worked to produce a more effective narrative. Unlike the identity work involved in the production of an individual's identity which is designed to construct an acceptable and cohesive identity for the self, this sort of identity work relates to the desire to produce feelings of similarity between two people. Crucially, then, strategic homophily in the context of entrepreneurial tie portfolios involves the creation of a shared identity between members of a particular dyad, and not just the creation of a distinctive identity for the entrepreneur him or herself.

Second, shared identity narratives produced in this way draw on narrative repertoires (Ibarra and Barbulescu, 2010) and broader macro-cultural discourse (Lawrence and Phillips, 2004). Karov regularly used a number of narratives to build shared identity and as such had multiple potential bases for creating homophily. Some of these narratives were specifically about his personal experiences as an immigrant or a Muslim, but others integrated broader macro-cultural discourse to frame, make sense of, and add detail to his personal narrative. The ability to construct multiple identities through these narrative repertoires gave Karov much needed additional flexibility as he sought to build his business; finding suitable and trustworthy partners arguably constituted his most important strategic challenge, and his capacity to leverage multiple identities was thus a source of competitive advantage. It could be argued, therefore, that strategic homophily increases entrepreneurs' capacity to exercise agency; i.e. the capacity to exert control over their environments.

Finally, our research suggests that the active participation of the partners is critical to the development of homophilious relationships underpinned by shared identity narratives. This fits well with the literature on storytelling that emphasizes the co-production of narratives (Boje, 1991; Linde, 1993). While Karov was central to the construction of these narratives in our case

and took the lead in shaping them, they were co-produced to various degrees and the active participation of the dyad partner was also required. Shared narratives are therefore negotiated, and the resulting identity narrative must include aspects of both parties' identities.

7.2. Homophily and the generation of trust

In the entrepreneurship literature, trust is mentioned in passing in various discussions but "few entrepreneurship studies have researched the role of trust in creating and developing a new venture" (Welter and Smallbone, 2006, p. 467). While it is generally accepted that entrepreneurs need to generate trust in order to build support for their ventures, surprisingly little time has been spent defining trust or considering the sources of trust in the entrepreneurship literature. There has been some recent work in entrepreneurship which has explored the dynamics of trust in countries where contracts are difficult to enforce (e.g. Nguyen and Rose, 2009 and Tan et al., 2009), but our understanding of trust in the context of entrepreneurship, and more specifically about how trust is generated during entrepreneurial activity, remains limited.

Trust is, of course, a key concept in management and the broader literature on trust is large and complex (e.g. Dirks and Ferrin, 2001; Hosmer, 1995; Kramer, 1999; Mayer et al., 1995; Rousseau et al., 1998; Schoorman et al., 2007). Many authors herald the virtues of trust, arguing that it leads to more effective intra- and inter-organizational relations by curtailing opportunistic behavior, reducing complexity, and fostering co-operation and co-ordination beyond that achievable through hierarchies and formal contracts (Dasgupta, 1998; Gambetta, 1988; Zucker, 1986).

Yet while researchers agree that trust is important, it remains an elusive concept with various theoretical traditions conceiving of it differently and offering conflicting prescriptions for its creation and maintenance (Kramer, 1999; Mayer et al., 1995; McAllister, 1995). There is general agreement, however, that trust is not a trait, but rather an "attitude or expectancy about other people and the social systems in which they are embedded" (Kramer, 1999, p. 575). Even more importantly for our discussion here, trust is often conceptualized as a set of "socially learned and socially confirmed expectations that people have of each other, of the organizations and institutions in which they live, and of the natural or moral social orders that set the fundamental understandings of their lives" (Barber, 1983, p. 164). It is therefore generated in a situation through repeated interaction and draws on wider social myths and understandings.

The most important outcome of the narrative identity work we observed in our study was the resulting high levels of trust that were generated between Karov and his partners (at the level of the dyad). This finding is perhaps not surprising given that trust has long been identified as a key consequence of homophily (McPherson et al., 2001). However, while not surprising in a general sense, it is highly significant with respect to our understanding of venture formation and growth, and particularly for our understanding of the mechanisms that link entrepreneurial activity to trust. Our study suggests that by creating identity narratives that construct a sense of shared identity, entrepreneurs can produce strong forms of trust based around homophily. In other words, trust in entrepreneurial tie portfolios is not simply a result of happenstance, but can be actively constructed by entrepreneurs as they create highly homophilous ties through narrative identity work. With respect to our case, Karov's desire to find partners with whom he could create these sorts homophilous ties was in part rooted in a desire to develop the strong forms of trust that his venture required. This finding provides an initial answer to the important, but currently unanswered, question of how trust can be purposefully generated in an entrepreneurial context (Nguyen and Rose, 2009). While much additional work needs to be done to develop a nuanced theory of the generation of trust in entrepreneurial activity, our study begins to unravel some of the dynamics of this important process by proposing a mechanism that may underpin it.

Our study also lends support to the notion that identity-based trust is a particularly strong form of trust. Several typologies and categorizations of personal and interpersonal trust exist, organized, typically, around the basis upon which trust rests. Most notably, Rousseau et al. (1998) distinguish deterrence-based trust that depends for its enforcement on threats or fear of punishment, from calculative-based trust that depends on reputation and certification, and relational (or identity-based) trust that depends on an emotional connection between the parties. Shapiro et al. (1992), Lewicki and Bunker (1996), and Maguire et al. (2001) develop a parallel set of categories. Our findings suggest that the sort of identity-based trust that Karov used to create homophily, generated through identity narratives, can form the basis of a remarkably strong bond. Specifically, because homophily is underpinned by a shared identity that contains aspects of the self, acting in an untrustworthy manner involves challenging aspects of one's own identity making it very difficult to act in this manner.

7.3. Values and entrepreneurship

A third interesting aspect of our findings concerns the role of personal values in the creation of entrepreneurial tie portfolios. The notion of values features prominently in entrepreneurship scholarship. Most notably, entrepreneurship researchers have suggested that successful entrepreneurs hold particular values that distinguish them from non-entrepreneurs and that underpin their ability to create economic outcomes. For example, the concept of entrepreneurial orientation (Lumpkin and Dess, 1996), one of the dominant ideas in entrepreneurship, is characterized by the assumption that the personal values of innovativeness, risk taking and personal aggression are at the core of successful new firm creation and growth. Indeed, Slater and Narver (2000, p. 70) note that these "entrepreneurial values may enhance the prospects for developing a breakthrough product or identifying an unserved market, both of which are fertile ground for developing competitive advantage".

In a similar vein, other researchers have argued that the personal values that successful entrepreneurs hold may be universal, and that entrepreneurs may share a common set of values regardless of the location or culture in which they are embedded. Thus,

McGrath et al. (1992) found that entrepreneurs in different countries tend to hold similar values with respect to, for instance, the role of authority, success and equality. From this perspective, the creation of social returns and the welfare of others are marginal to entrepreneurship.

Another strand in the literature focuses on the role of personal values in social entrepreneurship and the creation of social outcomes. These kinds of entrepreneurs are assumed to hold particular values that underpin their ability to produce positive social returns and promote the welfare of others. For example, Guclu et al. (2002: 3) posit that social entrepreneurship is rooted in personal values that "provide a sense of moral imperative that may serve as a powerful motivator for social entrepreneurs and their ideas". The values emphasized in this literature include community participation, due process, and stewardship (Alexander and Weiner, 1998; Zahra et al., 2009). From this perspective, values such as these underpin social entrepreneurs' desire and ability to help others; self-interest and individual profit maximization are considered incompatible with this sort of entrepreneurship.

Our study suggests that the distinction in the literature between the kinds of personal values held by entrepreneurs that lead to the creation of economic returns and the kinds of personal values held by social entrepreneurs that lead to social returns may represent a false dichotomy. Specifically, we propose that entrepreneurs may use a particular set of personal values to create both economic and social outcomes. We found that Karov's use of personal values was both strategic in an economic sense, and designed to serve his own self-interest and build a profitable economic enterprise. But we also conclude that our case is in part a story of virtue, of Karov using his personal values to help his partners build a better life for themselves and their families through the construction of a strong sense of community. Although we believe that Karov's primary motivation was economic and lay in his desire to build a successful business, he did not see this as a zero sum game; here we have an entrepreneur who wanted to generate revenues for himself, and saw value homophily as a mechanism to help him achieve this aim. But he also derived satisfaction from the fact that he was able to help others and build a sense of community in the process. Intriguingly, our study also suggests that the relationship between personal values and economic returns is itself socially constructed, and that a complementary construction between partners may be a source of advantage.

Our study therefore represents an interesting, and perhaps unusual, contrast to other studies in entrepreneurship research which consider entrepreneurs as holding values which promote the maximization of profits and self-interest (e.g. Lumpkin and Dess, 2001) and those studies which consider social entrepreneurs as holding values that promote the welfare of others (e.g. Tracey et al., 2011). Indeed, it could be argued that our study represents a "best practice" case of an entrepreneur who combines personal wealth creation with positive outcomes for other actors.

Finally, our study also highlights the important role played by value homophily in new firm creation. Entrepreneurship research has tended to focus on status homophily and more specifically on ascribed characteristics such as race, ethnicity and gender, and to a lesser extent achieved characteristics such as leadership position and occupational background. While status homophily clearly featured prominently in our study, our findings also suggest that internal states such as values may form an equally powerful basis for relationship building in entrepreneurial tie portfolios when they are held strongly and shared by both parties.

8. Conclusion

While we believe our study has provided significant new insights, our conception of homophily as something that can be managed strategically by entrepreneurs also raises a number of issues deserving of further investigation. First, we need to know much more about how this happens at a micro-level. How do entrepreneurs actually do this, and what are the sorts of entrepreneurial capabilities that underlie this activity? In other words, what makes some entrepreneurs better at this than others? It may be that effective interpersonal skills in general, and charisma and persuasive ability in particular, are important capabilities in this respect. These interpersonal skills are likely to be especially salient in the early stages of relationship building, but may also be needed in to maintain particular relationships as they mature.

Second, the very fact that the entrepreneur in our study used such different aspects of identity (religion, migration, nationality, ethnicity) highlights how the same sorts of homophilous ties can be produced from very different kinds of identities. This suggests that while it is important to examine these different forms of identity-based entrepreneurship, there is also an argument for exploring what they have in common; at a deeper level common processes of tie formation may be at work, and this issue needs further investigation. More specifically, more research is needed to examine how homophily is experienced in these forms of entrepreneurship and the strategies through which entrepreneurs construct shared understandings of homophily through talk and text.

Third, our analysis has suggested that trust is also an outcome of narrative identity work. However, the innovation literature suggests that trust is an antecedent of relationship building in general and knowledge sharing in particular (e.g. Gubbins and MacCurtain, 2008). While it did not come through explicitly in our data, it is possible that trust is both an outcome and an antecedent of narrative identity work. In other words, entrepreneurs may need to establish some basic level of comfort with the trustworthiness of a potential partner before co-producing a shared identity with him or her. Further research on the role of trust and the micro-dynamics of strategic homophily therefore constitutes an intriguing avenue for future research.

Fourth, we have argued that entrepreneurs may be motivated to engage in strategic homophily because of their strongly held values, and a desire to build relationships on the basis of these values. But the relationship between homophily and values may be more complex than implied by our framework. Specifically, as noted earlier, the existing literature suggests that values may form a basis for homophily (i.e. value homophily), and this was supported in part by our findings. Thus as well as being a motivation for homophily, values may also form the basis for shared identification. Further research which teases out in more detail the

relationship between values and homophily therefore has the potential to make an important contribution to the literature. Are values the "social glue" which underpins homophily?

Fifth, we have focused on a particular organizational form—the owner-managed firm—and shown the relevance of strategic homophily for this form in the context of emerging markets where the institutional environment is in a state of flux. However, our study may have relevance for other types of organizations that operate in environments which do not have well-developed institutional infrastructures, including NGOs and MNCs. Moreover, some organizations in developed institutional environments, such as religious organizations and social movement organizations, clearly heavily rely on reciprocity and personal ties, and strategic homophily may be an important element of the way that these types of organization function. Our study therefore offers a framework to extend our findings about strategic homophily to other forms and contexts. It would be especially interesting to learn about the extent to which other types of organization use homophily strategically to construct a sense of shared identity, the strategies and tactics involved, and the effectiveness of this approach. Moreover, the entrepreneur in our case used four forms of homophily that reflected his personal circumstances as well as the environment he was operating in. We need to know more about how entrepreneurs select different forms of homophily, and the relative importance and effectiveness of value versus status homophily.

Finally, there may well be limits to the strategic use of homophily. While the constraints of space prevented us from exploring this issue in detail in this study, there was evidence in our case to suggest that the strategic use of homophily may inhibit the functioning of a venture by, for example, binding underperforming partners to the network and constraining the supply of talent. Further research that examines the possible negative effects of the strategic use of homophily would make an important contribution to the literature. For example, there may be temporal, spatial, and geographical effects that enable and constrain entrepreneurs' ability to use homophily strategically.

To conclude, the results of our analysis highlight the fact that homophily can be used purposefully and strategically by entrepreneurs as they construct their tie portfolios. In our case, we found that the entrepreneur commonly used four narratives for forming ties: shared religious identity, shared nationality, shared experience of migration, and a sense of shared trauma. Furthermore, we found three key factors that motivated the use of homophily in tie portfolio formation: resource exclusion, an inability to formally contract, and strongly held values. It is when these three factors come together that we believe that entrepreneurs are especially likely to use homophily strategically to build an entrepreneurial tie portfolio. By shedding light on the role of identity narratives in the strategic use of homophily, the role of homophily in the generation of trust between entrepreneurs and their partners, and the role of that personal values play in the creation of entrepreneurial tie portfolios, we make important contributions to the literature. We hope that other scholars will develop our findings further, and extend our understanding of the relationship between homophily and entrepreneurship in new and interesting ways.

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