

The Entrepreneurial Group: Social Identities, Relations, and Collective Action, Martin Ruef. Princeton University Press, Princeton, NJ (2010). 306 and xvii pp., \$35.00, ISBN: 978-0-691-13809-1 (hbk. : alk. paper)

How do entrepreneurial ventures, the lifeblood of an economy, emerge and operate? A common perception has an individual visionary seeking out and exploiting profitable opportunities, but given that such opportunities will likely require external financing, timely expert advice, technical expertise, physical labour - in short, *help* - it is possible that this focus on the individual is misplaced. In this book Martin Ruef invites us to shift the focus from the individual to the social group - from 'the entrepreneur' to 'the entrepreneurial group'.

After setting up the necessary preliminaries and establishing a case for a group-based approach (Chapters 1-3), Ruef begins the work of unpacking 'the entrepreneurial group'. Even at the earliest stages of this unpacking, it becomes clear that a group-based approach to entrepreneurial activity unearths a range of interesting issues that would otherwise be concealed by an individualist approach.

Perhaps the most obvious issue is that of the social composition of entrepreneurial groups - simply, who matches with who (Chapter 4)? And then there is the allocation of roles within a group - who provides finance, who provides labour, and who provides expertise, etc. (Chapter 5)? If firms consist of more than a single entrepreneur, then one must consider the appropriate provision of incentives - how is ownership assigned, and how are control rights allocated (Chapter 6)? How do entrepreneurial groups mitigate collective action problems, and discourage opportunism in general (Chapter 7)? In what ways do groups facilitate or stifle the production and implementation of new ideas (Chapter 8)? If the image of a solo entrepreneur is indeed too simplistic, perhaps so too is the assumption of purely pecuniary motivated individuals - if so, what factors motivate individuals within entrepreneurial groups and what compels them to join in the first place (Chapter 9)?

Coming to terms with such a mass of issues requires a robust theoretical framework, and the range of theoretical perspectives that Ruef brings to bear on the entrepreneurial group is impressive. This arsenal, called relational demography, builds on insights from economics, sociology, and business management. To give a flavour, relational demography takes "embeddedness" seriously; specifically, the idea that the establishment of relationships between group members (whether formal, such as the creation and imposition of incentivising contracts, or informal, such as the establishment of trust) occurs in the presence of social relationships forged outside the group (e.g. romantic ties, previous employment ties,

etc).¹ It also argues that 'social identity' - which encompasses an individual's visible characteristics (e.g. gender, age, race) and their less-visible characteristics (e.g. goals, preferences, strategies) - is a useful construct for understanding the source of various entrepreneurial outcomes, from observed group composition to the continued dynamism of the venture.

Far from being a purely theoretical treatment, the book subjects the various moving parts of the entrepreneurial group to serious empirical analysis. The data are taken from the 2000 and 2005 waves of the Panel Study of Entrepreneurial Dynamics survey - a nationally representative survey of newly-formed enterprises in the United States. Any shortcomings of the data sources - e.g. a limited historical reach and international scope - are more than compensated for by the depth of information proffered. For instance, a time-use component of the survey - specifically a measure of the time that an individual devotes to their venture - is utilised in Chapter 7 as a proxy for an individual's 'effort' contribution to the group (in addition to observed financial contributions). Relationships between the magnitude of this effort and variables such as group size and ownership share are examined and used to discriminate between competing theoretical perspectives.

Apart from the many specific evidence-based insights offered into the nature of entrepreneurial activity, what else might a reader get out of this book? I gained a valuable reminder that theoretical abstraction often carries baggage that unintentionally prevents us from gaining insight into relevant phenomena. Specifically, economic analysis rarely compels one to consider social aspects, and this is especially true when thinking about how firms emerge. With perfect capital markets and a transparent production technology, the neoclassical entrepreneur has little need for input from others. Even when outsiders are included in the form of hired labour, the actors are not endowed with social identity but instead interact within an impersonal labour market. Thus, theoretical abstraction makes it somewhat unnatural to dwell on the social aspects highlighted in this book, but certainly no less important.

Overall, the book is structured effectively and is well-written; occasional patches of jargon are presumably unavoidable when drawing from such a broad range of theoretical bases. The tone is refreshingly respectful of each of the different social scientific traditions drawn upon, and the empirical analysis is serious, yet transparent. This book offers perspective-changing insights into the nature of entrepreneurial activity and establishes a convincing case for why the 'social group' aspects of entrepreneurial activity are not merely distracting details.

¹Granovetter (2005) presents a highly digestible description of embeddedness (and related notions from economic sociology), and the various ways in which this influences things economists care about.

References

GRANOVETTER, M. (2005). The impact of social structure on economic outcomes. *Journal of Economic Perspectives*, **19** (1), 33–50.

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