Social Capital, Resource Constraints and Low Growth Communities: Lifestyle Entrepreneurs in Nicaragua

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Abstract: In the context of the connections between lifestyle entrepreneurship and sustainability, we discuss the way in which social capital may partially substitute or compensate for manufactured and natural capital. In terms of methods we use a case study community of lifestyle entrepreneurs in Nicaragua, operating under conditions of material resource constraints and weak formal institutions. We find that social capital is highly important in such a community, with the entrepreneurs adopting a range of effectuation or coping practices that enable them to function. We document these practices and consider the broader implications of such capital substitution, noting the particularities of the case study but also the implications for sustainability and the economics of a materially resource-constrained world. We draw particularly on Bourdieu’s conception of social capital, which posits that societies inherently organize for multi-capital accumulation, a proposal that itself has implications for sustainability. We conclude that while significant substitution of social for manufactured and natural capital is feasible in communities with values that are supportive of this, it remains to be seen whether this would be attractive to the wider, consumer society.

Keywords: social capital; steady-state economy; lifestyle entrepreneurship; effectuation; Bourdieu

1. Introduction

Consumption levels have long been seen as a key determinant of environmental impact [1]. Here we discuss the case of a low consumption, micro-economy of lifestyle entrepreneurs, as examples of more sustainable business models. We are particularly interested in the way in which the entrepreneurs substitute social capital for material and economic capital and we discuss the wider sustainability implications of this in the context of Bourdieu’s particular approach to social capital [2]. We also note the limitations to the generalisability of the case with respect to sustainability, not least of which is the dependence of the clients of the entrepreneurs on long distance air travel, currently fossil-fuelled.

The specific context of the case is coastal tourism. Our contribution is also intended as a sociological contribution to the steady state economy literature, which is allied to critical perspectives of growth and which has experienced a resurgence since the financial crisis. The paper also contributes to the sub-field of lifestyle entrepreneurship, which has been particularly applied in the context of tourism (e.g., [3]). More generally, lifestyle entrepreneurship can be defined in motivational terms: as driven by the dual motivations of work and leisure, with a lifestyle orientation in which individuals bring together the production and consumption aspects of their lives [4,5]. Ref. [6] provide additional characteristics to the lifestyle entrepreneur, as people who start and run businesses but who are motivated more by goals of sufficiency and comfort than profit and growth [7]; who are seeking to balance goals such as family, social and economic life [8]; and whose identities reflect this [6].
With the above in mind, a key premise of the paper is that dominant economic paradigm rewards increase consumption and investment in manufactured rather than natural capital [9] and that this implies a need for radically different economic structures and the further need to find ways by which these may be instituted. Steady state economy debates include capital-based theories developed in the 1990s, such as the four capitals model [10]. While multi-capital models draw attention to the importance of manufactured, natural, human and social capital, our focus here is on the substitution possibilities of social capital. Here, we do not include financial capital as a component of social capital, which we see as inherently connected to human relationships and networks: ‘Social capital refers to those stocks of social trust, norms and networks that people can draw upon to solve common problems and create social cohesion’ [10] (p. 66).

The proposition considered here is that entrepreneurship and business activity conducted under conditions of tight resource constraints can have the benefits of limiting direct environmental impact, building social capital and substituting and compensating for manufactured and natural capital through a range of effectuating [11] practices. By tight resource constraints is meant limited availability of financial capital and supporting infrastructures of all types (While this touches on debates of ‘opportunity’ and ‘necessity’ entrepreneurship and the way in which lack of resources, rather than necessarily driving the latter (necessity entrepreneurship), can hold individuals back from taking advantage of opportunities [12], this is a debate that we leave aside here.). By compensation, here is meant a partial substitution that is perceived by the subject as acceptable. Entrepreneurs for whom subjectively-perceived quality of life is paramount tend to deliberately place that quality of life—a subjectively perceived state—above business growth in the sense of accumulated manufactured and economic capital. Moreover, under conditions where they are not put at a significant disadvantage relative to competitors, they can remain commercially viable. In other words, economic practice may be made subordinate to particular personal values and particular social structures that do not prioritise accumulation of financial and manufactured capital.

While there is a large literature on effectuation in business practice and venture creation [13], to our knowledge this has not been connected to ecological economic debates of capital substitution and sustainable enterprise. Moreover, some of the social capital literature, notably that of Bourdieu [2], raises challenging questions regarding the dynamics of social capital accumulation. We discuss these and a range of issues relating to the role of social capital in sustainable production and consumption, using a case study a community of lifestyle entrepreneurs in the remote surfing and fishing resort of Playa Gigante, Nicaragua. Social capital accumulation is highly important in such a community, with entrepreneurs adopting a range of effectuation (coping) practices that enable them to function under conditions of tight resource constraints. Given our case study, our focus is on social capital specifically in relation to entrepreneurial networks. As stated, we pay particular attention to work by Bourdieu [2], as this has much to say about the relationship between social capital and socio-economic structure.

The structure of the paper is as follows, reflecting the core aim of discussing aspects of a lifestyle entrepreneurship case study as an arena of capital substitution in the furtherance of sustainability. First we provide an introduction to the social capital literature, focusing particularly on Bourdieu’s account, followed by a classification of entrepreneurial effectuation principles provided by Sarasvathy [11]. We draw on the latter for their brief encapsulation of a wide range of entrepreneurial effectuation practices. We then describe our methods and the case study micro-economy, characterizing the effectuation practices used by the entrepreneurs to compensate and substitute for economic and natural capital. In this way, we support discussion of the extent to which such substitution and compensation may be generalized to the wider economy, as a means of steady-state or sustainable practice.
1.1. Social Capital Theory

Social capital theory is diverse but has at its core is the idea of socially embedded resources [14]. Historic contributors aside, seminal authors include but are not limited to Bourdieu [2], Coleman [15] and Putnam [16,17]. Other work has differentiated different types of social capital in business contexts: for example [18], following [19], distinguish between relational (network quality and content), cognitive (meaning-related) and structural (network configuration) forms of social capital. Here we are primarily concerned with the first two forms of social capital: relational, involving affective ties; and cognitive forms, involving the provision of information that is critical to operating in an environment subject to a degree of corruption among state actors. The concept of relational social capital has similarities with that of bonding social capital, which Putnam distinguished from bridging capital [16,20]. While bonding social capital excludes those outside of a network, bridging social capital connects networks. More generally, the use of the notion of social capital continues to expand and to be applied in a wide variety of contexts (e.g., [21] on refugee entrepreneurship), as well as having relevance to related themes such as entrepreneurial crowdfunding [22] and gender aspects of entrepreneurship [23], to name just two. Moreover, analysts have also found the concept of social capital useful across sectors and scales, including at the organizational level [24].

A key theme in the idea of social capital is that social networks have instrumental as well as intrinsic value and that social capital both supports and is an outcome of ‘successful’ social interaction [19,25]. Such relationships are held to provide network members with “the collectively-owned capital” that entitles them to forms of credit [2]. The majority of empirical research on social capital in business and management has thus focused on the instrumental use of personal networks [26]; hence Cope et al [27] emphasized the value of social capital for accessing resources that would otherwise incur various forms of cost [27] and that an understanding of the social context of entrepreneurs is important for understanding their economic role [28].

Bourdieu arguably provided the first systematic analysis of social capital, which he defined as: ‘the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition’ [2] (p. 248). Bourdieu thus connected five aspects of social capital: resources, networks, institutions and relationships and mutual recognition. He later modified this, adding that social capital exists both at individual or group level and that it has an important role to play in the structures and dynamics of societies [29].

Here, we pay particular attention to Bourdieu’s approach to social capital for two reasons. Firstly, his account relates to a conceptualization of socio-economic structure that has potential implications for all types of capital accumulation; and secondly, because the instrumental nature of this conceptualization fits well with the competitive marketplace that dominates much of economic life. Bourdieu [2] (p. 183) defines capital in general as a form of stored potential: ‘accumulated labour (in its materialized form or its ‘incorporated,’ embodied form) which, when appropriated on a private, that is, exclusive, basis by agents or groups of agents, enables them to appropriate social energy in the form of reified or living labour. The structure of the social world is seen as reflecting the distribution of different types and subtypes of capital, determining the chances of success for particular practices. For Bourdieu, social capital is defined in terms that reflect group membership and hence access to a pool of various types of capital—in addition to the above: ‘ . . . The volume of the social capital possessed by a given agent thus depends on the size of the network of connections he can effectively mobilize and on the volume of the capital (economic, cultural or symbolic) possessed in his own right by each of those to whom he is connected’ [2] (p. 286).

Bourdieu’s understanding of community or group bonds is thoroughly instrumental: ‘The profits which accrue from membership in a group are the basis of the solidarity which makes them possible. This does not mean that they are consciously pursued as such . . . ’ The social networks involved are viewed as the product ‘of an endless effort at institution . . . of investment strategies, individual or collective, consciously or unconsciously aimed at establishing or reproducing social relationships that
are directly usable in the short or long term . . . ‘. There is also often a delay in earning a return on one’s social investment—it takes time for this to be realized [2]. At the root of all varieties of capital is economic capital and the measure of all equivalences between the types of capital is labour-time (‘expenditure of time, attention, care, concern’), which has a long term pay-off. We return to this (perhaps cynical?) view of social capital in the Discussion.

1.2. Entrepreneurial Effectuation

We use ideas of effectuation to help explain the processes by which entrepreneurs—including the entrepreneurs in our case study—go about making do with limited financial and manufactured capital. Effectuation theory attributes a particular cognitive problem-solving approach to entrepreneurs who successfully manage to cope in contexts of high uncertainty [11]. Effectuation adapts different means to ever-changing ends and effectuation theory posits that entrepreneurs engaged in such practices focus not on abstract conceptions of how to succeed in business but on the resources immediately available, notably the entrepreneur’s self, their knowledge and their network [11]. Accordingly, Sarasvathy has articulated and popularized five effectuation principles and it is these that we refer to below:

- **Bird-in-hand principle**: creating something with what is available currently, rather than seeking and learning new methods;
- **Affordable loss principle**: only investing up to a point of acceptable loss, rather than investing on the basis of expected returns;
- **Crazy quilt principle**: seek the support of whoever is actively interested;
- **Lemonade principle**: take advantage of unexpected events rather than avoiding them;
- **Pilot in the plane principle**: trusting one’s own capacity for judgment and focusing on those activities that one does have control over [11].

Effectuation as a perspective is intended as a response to the perception of an overly-positivist trend in the study of entrepreneurship, in which entrepreneurship is viewed as an outcome of the actions of individuals with distinctive characteristics, acting in a world that is itself amenable to prediction and control [30]. Effectuation logic makes us question our understandings about the world, in fact our worldview and the assumption that the future is outside our control. This suggests that the world is “in-the-making and therefore makeable through human action” [30].

While not denying that there is some merit in these assumptions, effectuation theorists point to the role of less predictable elements such as contingency, opportunistic use of this and co-creation of supportive conditions by entrepreneurs themselves [30]. Effectuation is most useful in situations that lack optimality, predictability and certainty, characteristics that pertain in the particular case of our lifestyle entrepreneurs. Effectuation theory pays particular attention to making the most of available resources, including other people [31] and learning through experience, turning high level goals into workable business models [30,32].

Much of the conceptual work in the entrepreneurial effectuation literature further develops the concept of effectuation, contrasts it with work that assumes rational decision-making or causation as a more typically posited mode of entrepreneurial cognition and describes the conditions under which, when, how and why effectuation may be employed by entrepreneurs. Some of these conceptual articles also develop testable propositions concerning the antecedents and consequences of effectuation. As a result, effectuation theory has been linked to the tendency to over-trust [33–35], to entrepreneurial expertise and has been considered in the context of new venture performance [36].

As noted by [33] the majority of the early empirical effectuation articles have been of an experimental nature, aiming to identify how entrepreneurs and non-entrepreneurs process risks and returns (see for instance [37]). The present study connects entrepreneurial effectuation and social capital, as suggested by [33] but within the context of sustainability.
With the above in mind, in Section 2 we describe the material and methods of the case study, following which we apply the effectuation principles above, followed by a discussion of wider implications for the relationships between social capital and sustainability.

2. Materials and Methods

Case Study

The economic community with which we reflect on the connections between the substitution of social for economic capital is located in Nicaragua, a country of 5.89 million people, dominated by youth under the age of 21 [38]. Box 1 describes the context. An ethnographic approach of participant observation and interviews was used for a three-month study of eight lifestyle businesses operating in this environment (Playa Gigante), followed by coding and sorting of qualitative data to identify themes. Additional unstructured interviews were undertaken with two Nicaraguan entrepreneurial experts who had served in the U.S. Peace Corps business development program in Nicaragua and who provided additional insights into lifestyle entrepreneurship and the process of running a business in Nicaragua. As such, the latter provided background information on relevant conditions in the region. The eight lifestyle businesses constituted the total entrepreneurial population in Playa Gigante.

Box 1. The Lifestyle Entrepreneurs of Playa Gigante, Nicaragua.

On the pacific coast in Central America lays a bay perfectly angled for summer sunsets. Not more than fifteen kilometres down the coast line to the South, the twentieth-first and twenty-second seasons of CBS’s reality show Survivor were filmed. This remote bay is connected by one road to the nearest municipality that is over twenty kilometres away. The only road into town floods after heavy rain, is unpaved and rutted by ox carts and supply trucks. A limited supply of water and electricity is provided to the beach area, with limited state utility supply bolstered by private electric generators and bottled water trucked in once per week. Around three hundred annual residents comprised of North American entrepreneurs and local Nicaraguans who make a living from the sea and tourism call this bay home. During the year, up to forty tourists per week pass through, to experience some of the world’s best surfing and warm weather. A handful of others come by to fish for Red Snapper or to use the bay as a check-point on their Pan-American Highway trek.

Where the rough dirt road from the nearby city of Tola ends at the bay sits a village called Playa Gigante. Uninhabited until 1978, Playa Gigante has become a successful village focused around adventurous and athletic entrepreneurs from North America. The community is solely dependent on these nascent lifestyle entrepreneurs. They operate within an environment that is no more than a thousand meters long from South to North and no more than one hundred meters from the beach during low tide to the edge of the rainforest. Tourists from around the world come to Playa Gigante for the peaceful retreat from the hectic city life; to surf and swim in some the world’s most consistent waves. All of the businesses in Playa Gigante are a part of the tourism industry.

The combination of participant observation [39] and interviews enabled both a degree of ‘insider’ status—and hence access to more nuanced and detailed information than is possible from interviews alone [40]—and the ability to ask specific questions of relevance to the research objectives.

Although the entrepreneurs engage with the indigenous local community, our analytic focus is on the entrepreneurs themselves, not the indigenous community, instructive as this would also be. As with much if not most case study work, the aim is not to achieve cross-case generalizability in terms of specific circumstances but rather to explore, characterize and reflect on conditions, drivers and factors that themselves have wider relevance—in other words, the aim is to offer analysis that has wider, if bounded, applicability, rather than statistical generalisation [41].

Through axial coding, we identified 27 critical concepts relating to five major categories of practice that relate to effectuation theory [11]. Table 1 summarises the attributes of the individual entrepreneurial cases, referred to as E1-E8; as the cases are businesses, there are sometimes two or more individuals involved.
Table 1. Attributes of the lifestyle businesses and entrepreneurs.

<table>
<thead>
<tr>
<th></th>
<th>E1</th>
<th>E2</th>
<th>E3</th>
<th>E4</th>
<th>E5</th>
<th>E6</th>
<th>E7</th>
<th>E8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>30</td>
<td>36/34</td>
<td>32/32</td>
<td>23/23/24</td>
<td>29/28</td>
<td>29</td>
<td>58</td>
<td>28</td>
</tr>
<tr>
<td>Nationality</td>
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<td>USA</td>
<td>USA/Spain</td>
<td>Bahamas</td>
<td>USA</td>
<td>USA</td>
<td>USA</td>
<td>Honduras USA</td>
</tr>
<tr>
<td>Gender</td>
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<td>M/F</td>
<td>M/F</td>
<td>M/M/M</td>
<td>M/F</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Highest Education Level</td>
<td>College</td>
<td>High School</td>
<td>High School</td>
<td>College</td>
<td>College</td>
<td>High School</td>
<td>High School</td>
<td></td>
</tr>
<tr>
<td>Prior Entrepreneurial Experience</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Type of Current Lifestyle Business</td>
<td>Surf Camp</td>
<td>Hostel</td>
<td>Restaurant/bar</td>
<td>Surf Camp</td>
<td>Surf Camp</td>
<td>Surf Camp</td>
<td>Fishing</td>
<td>Surf Camp</td>
</tr>
</tbody>
</table>

3. Results

Through axial coding, salient themes for the entrepreneurs were identified, with various implications for the substitution of social for other capital. Below we italicize these themes and connect them to Sarasvathy’s five types of effectuation practice [11]. The results are presented in Table 2. We leave comment on the broader and theoretical implications for capital substitution, with particular reference to Bourdieu’s thesis, to the Discussion.

In terms of examples of effectuation practice with implications for capital substitution, we begin with a theme of the entrepreneurs having supportive early-phase connections or networks in which social capital is embedded, which helped to compensate for having limited personal assets at the point of business start-up. This theme relates primarily to the bird-in-hand principle of making do with what is available and is in part related to the relative youth of the entrepreneurs. One entrepreneur (E3) had borrowed a minimal amount of money from his entrepreneurial uncle to establish his venture. Another (E1) came to Playa Gigante with only sufficient capital to purchase the structure of a building and a boat. She relied on an entrepreneur who was already present, for experience and local knowledge, though from that point on, she had to procure everything that she needed. Her case echoed that of three of the other entrepreneurs (E3, 4 and 6), while in contrast another entrepreneur (E2) purchased a business as a ‘going concern’ that included everything required for its operation, including a strong return customer base. A further (E7) entrepreneur, the only one of this type, owned a successful venture in another location that he could sell, reinvesting the surplus into his venture in Nicaragua. Whereas this illustrates the scarcity of personal resources entrepreneurs, the lack of formal institutional infrastructure, in fact corruption was the order rather than the exception, was equally challenging. This lack of formal institutional support also required use of what is available and reliance on whoever was actively willing to help, on an ongoing basis. This constituted the second theme of reliance on personal networks in daily life. The institutional situation can be described as the ‘Wild West’ aspect of operating in Playa Gigante. As one entrepreneur (E3) stated, ‘... in fact, when we have asked for support in helping build a better road or connections to utilities we are better off screaming into the wind.’ With limited public infrastructure, particularly in service utilities, the entrepreneurs who first developed lifestyle businesses in Playa Gigante (e.g., E6 and E8) had access to only well water and supplied electricity via portable generators fuelled by gasoline (petrol). After the arrival of further entrepreneurs (E5 and E7), they collectively dug water lines and secured electric power from Tolla and surrounding areas.

In order to understand how local businesses understand and deal with the prevailing patterns of corruption, including relevant actor behaviours and suitable coping strategies, the entrepreneurs had to research and interpret the laws themselves and draw on others’ learning. Failure to do this would result in corrupt officials demanding items such as money, food and drinks in return for allowing through a breach in regulations. Accordingly, several of the entrepreneurs made sure to work with local people, that is, become socially and economically embedded in the community and other entrepreneurs.
to stay informed and shelter from abusive officials, as well as hiring lawyers to monitor changes in regulations (E4, E5 and E7).

Psychological pressures followed from the limited development stage of the community when the entrepreneurs joined, particularly regarding the state of the infrastructure at the start-up phase of each business. Whereas the unpredictability of the future clearly produced psychological pressures and made it difficult to predict the future and the success of these ventures these entrepreneurs, nevertheless controlled some of the factors which determine their life in line with the pilot in the plane principle. At least two entrepreneurs (E6, E8), who built their surf camp from small shacks, seem to have suffered from culture shock and even depression in the early years of establishing their business. As the village developed, holidays became possible and eased the pressures (E1, E5). Overall, though, the entrepreneurs have had to be opportunistic, resilient and closely connected with their community in order to survive not just economically but sometimes psychologically.

The limited infrastructure is, however, not viewed as wholly problematic. While the entrepreneurs were gradually investing in their own power generators and water collection tanks, a limit to development was viewed as paramount, as E3 states: 'We set up our businesses knowing this area will never be a huge city one day. We understand the cap we’re putting on ourselves. We do not have a desire to expand. Our business keeps us alive, keeps us happy and keeps us balanced. As long as we can do that, we do not need to expand.’ Much of this is in line with [42] that entrepreneurs prioritise values other just economic performance. The entrepreneurs had to make do with these limits to growth in line with the lemonade principle, which suggests that limits may present opportunities themselves.

Most of the entrepreneurs (E1, E3, E4, E6 and E8) were of the view that any extension of the reach of formal institutions in the area would likely entail more corruption, less control over their own business and increased taxation. E8 illustrates the situation: ‘Here is a typical situation in Nicaragua: the community or individual undertakes a project on his own because he receives no aid from the government. Once the project is completed and people can see that it improved the quality of life for that person, the corrupt tax official steps in and barterers for a higher tax rate.’ E2, recently relocated from Costa Rica, where corruption is less common, states: ‘I try not to support corrupt officials because then it becomes common place and encourages them to do it more.’ Yet co-operation with corruption (probably not what Sarasvathy had in mind when she coined the crazy quilt principle of capitalizing on the support of those actively interested) was difficult to avoid. E3 comments on travelling to the airport in Managua to retrieve clients: ‘When dealing with corrupt police officers, or, well, any police officer, I always budget $5 USD, a glass of Coke and some chips for every sixty miles I drive. I’ve also placed an FSLN (the political party under President Daniel Ortega) flag in my car and that has reduced the number of times I’ve been pulled over.’

As a means of dealing with the highly uncertain operating environment, one of the most helpful factors appears to have been not viewing making a profit as the most critical measure of success—a norm that is also key to the definition of lifestyle entrepreneurship. Given this, a more relaxed attitude to life and business was possible. This attitude reflected both particular personal motivations and the ability to cope with various stresses, as E8 states: ‘People who cannot handle the developing region will not travel here, will not like it, will not try to stay and live.’ Another comment by E8: ‘Here in Nicaragua we have that normal level of stress then compounded with the added stress of tomorrow’s political and economic uncertainty.’ Nonetheless, despite the stresses imposed by poor infrastructure and corruption, conditions which the entrepreneurs judged to be substantially more difficult than those experienced by entrepreneurs working in better regulated environments, the entrepreneurs expressed a high level of satisfaction with their lot, beyond that which they perceived that they could expect elsewhere.

The crazy quilt principle has elements of bricolage (cf. [43]), drawing on whoever will support a project, whatever their source, rather than waiting for formally institutionalized support or trying to co-opt other unwilling actors. Use of hired international staff follows the principle of utilizing who one knows; all of the cases except two relied heavily on hiring friends and those referred from
their home country, for reasons of reliability and English language ability. Of the exceptions (E4 and E7), E4 describes the benefits of hiring local staff: ‘When you hire a local, you’re contributing to their quality of life. The governmental officials see you are supporting their community and have been very generous when it comes to paying them off in corruption fees.’ The comment adds a community-interest dimension and illustrates the benefits of social and economic embeddedness of entrepreneurial activity to what is in other respects might be regarded as necessary bribery. The degree of other forms of involvement with local people varied across the entrepreneurs: for some, interacting with local people was avoided except for the tax official’s visit, supply runs to Tolla and Rivas and when local people wanted the entrepreneurs’ services. Some of the entrepreneurs wanted nothing to do with the local people, with E2 aiming simply to run a business for travellers, so he could spend his days surfing and with his family. On the other hand, others (e.g., E3 and E5) enjoyed their local interactions and ‘seeing the local kids grow’ was one of the reasons to stay. There is also an economic rationale, as E7 stated: ‘I depend on the locals to use my boats and return in the afternoons with a boat full of Red Snapper. My business model does not depend on hiring anyone but leasing my gear out to them . . . The fishing has been good in the past couple of years but it’s the solid relationship I have with them that keeps them trying hard when the fishing is not so great.’

Close connections with other Playa Giganta entrepreneurs enables the entrepreneurial community to better understand the political trends and to ensure that no one is paying more in corruption fees than the others—E6 states: ‘Once one entrepreneur is seen as weak in the authorities’ eyes they’ll raise taxes on them, eventually taxes will then raise for everyone,’ one stated. Mutual dependence is also vital in terms of coping without reliable policing, fire service or medical centre; E8 states: ‘. . . None of us want to hurt the other entrepreneurs or their businesses. We are a little eco-system here, we might not personally like someone or what they are doing but it’s like a brother-sister relationship, at the end of the day you have to respect the small village network we have established here.’

Some of the entrepreneurial practices are closely associated with particular identities and spanned several effectuation principles. Comments by E5 indicate the importance of relying on network contacts for information: ‘With the high levels of corruption, I know it’s important to rely on the information you gather than gathered by someone else. At the same time, I find it hard to access that knowledge with very little Spanish skills and a smaller personal network. I’ve hired locals especially in the development phase to stem off any drastic unforeseen changes.’ When a problem arose, the entrepreneurs preferred to use their own networks before seeking out local or outside support. They used their networks to anticipate client trends and any changes in the local environment, costs or tax rates. Pick up of clients at the airport was shared, as were trips to Rivas for food and supplies.

In terms of conventional business planning, none of the entrepreneurs had written a formal business plan but as no bank would have considered their ventures, they had not received external pressure to do so, much of which illustrates their flexibility to accommodate the conditions life and here Playa Giganta gave them, a further illustration of both the lemonade and pilot in the plane principles. Neither did they have explicit, long term business goals, in general. E3 did have detailed goals and some associated calculations, principally because he owed a debt to his uncle, who had invested in his venture. He was of the view that in general, the business community was working on a season-to-season basis. Awareness of a remote safety net via home connections was a particularly recurrent concept across all of the entrepreneurs. As E8 states: ‘No matter what happens I can go home to the safety of family, friends and no debt. I started my own company from nothing in a developing region. That looks great on my resume.’ This is clearly a very different situation from that of individuals originating locally and reflects the existence of off-site capital in its various forms, a theme we return to in the discussion. E8 has his own fall back option, he has calculated his losses (affordable loss principle) should he go back to family and friends and he has something to be proud of, which adds to the equation.
The importance of life satisfaction relative to profit was also a theme repeatedly emphasized and linked to several observations above. For entrepreneurs with children, the physical location (the beach) was valued more highly than typical developed country locations for living, though this was tempered by a perception that they needed to build savings for their children. All had travelled to surf and work in similar areas before and all wanted to work in a developing region, or not at all.

Table 2 presents the entrepreneurs’ comments in relation to those of Sarasvathy’s effectuation principles that we judge to be particularly salient to the themes identified, while bearing in mind that generally more than one such principle is relevant in any particular situation and to any particular entrepreneur. For brevity, the themes presented in Table 2 are a condensed version of those listed in the results narrative, with some themes being sufficiently similar to allow merger for this purpose. E1-E8 are again the lifestyle businesses and the presence of an asterisk in a cell indicates particular relevance of both a particular theme and principle to the comments made by the lifestyle entrepreneurs who operate those businesses. The emphasis is on particular relevance and on the illustration of connections, rather than mutual exclusivity: all of the themes and principles have some relevance to all of the lifestyle entrepreneurs and not all of the comments made by all of the entrepreneurs are presented in the results narrative above. It is also the comments of the entrepreneurs that we allocate to particular themes and principles, not the entrepreneurs or their businesses per se. The purpose of Table 2 is thus to help demonstrate how Sarasvathy’s effectuation principles help to characterize the entrepreneurial coping strategies used under conditions where resources of many types are short and reliance on social capital is high; and with the overall aim of discussing the implications of such capital substitution for sustainability.

To explain Table 2 further, the theme of reliance on supportive social networks from the start-up phase onwards connects to the bird in the hand and crazy quilt principles through their reference to making use of immediately available human and other types of resource. The theme of psychological pressure connects to the pilot in the plane principle in that the entrepreneurs generally narrow their zone of intended control to what is manageable, while accepting that the wider environment will stay rather unpredictable and unruly. The theme of there being limits to development relates to the principle of affordable loss in that the entrepreneurs know that the region is unlikely to become highly developed and that they should not over-invest. However, this theme is also highly normative, in that the entrepreneurs do not seek a high level of development in any case and this also applies to their own businesses and hence to the theme of profit not being, for them, the most important indicator of success. The theme of managing corruption links to the bird in the hand and lemonade principles in that corruption among officials cannot be avoided but needs to be worked with and made a positive feature, such that the officials become supportive. The theme of lack of conventional business planning reflects a crazy quilt, bricolage approach to resource use, supported by the ambitions of modest or subsistence-level profit. The final theme of the entrepreneurs being aware that they can ‘bail out’ if needs be—that they have a remote safety net in the sense of friends and family elsewhere, leads them to feel that they are making an affordable investment and hence an affordable potential for loss. As said, the above is an illustration of connections, not a definitive or exclusive description.
Table 2. Case themes and correspondence of both effectuation principles and entrepreneur comments.

<table>
<thead>
<tr>
<th>Salient Effectuation Principles</th>
<th>Reliance on Supportive Social Connections</th>
<th>Psychological Pressures</th>
<th>Limits to Development</th>
<th>Managing Corruption</th>
<th>Profit Not the Most Critical Measure of Success</th>
<th>Lack of Conventional Business Planning</th>
<th>Awareness of a Remote Safety Net</th>
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Note: Table 2 shows the connections between the comments and themes in the results narrative and Sarasvathy’s effectuation principles, as a means of illustrating the reasoning of the paper.
4. Discussion

4.1. Characterisation of the Case

Social capital accumulation is fundamental to the survival and prospering of the businesses in the case. This capital in part compensates for a lack of manufactured and financial capital and in part substitutes for it. That is, the entrepreneurs are able to survive commercially partly because they can rely on each other and are able to deploy a range of coping practices and partly because their financial expectations are relatively low. Being a member of the community has instrumental and non-instrumental values that foster the solidarity that Bourdieu and other social capital theorists describe. We hesitate to reduce that solidarity to its economic basis in the broad sense but that basis is nonetheless important. With limited institutional and infrastructural support, the community is significantly reliant on their own resources and those of the group.

Maintaining the natural capital stock is similarly fundamental to the operation of the businesses in question. The qualities of the environment, including its remoteness, are highly valued and economically central. However, although the prevailing disposition of the entrepreneurs is reliance on oneself and immediate neighbours, they do have the fall-back option of selling up and retreating to their developed country origins, should their ventures fail. In addition, they have relied at the start-up phase on imported financial capital, albeit largely their own. They have also brought with them internalized skills, ways of thinking, priorities and preferences, which Bourdieu summarily describes as habitus.

Moreover, their coastal resort businesses are dependent on the inflow of foreign tourists, which in turn is dependent on the economic surpluses accrued by the tourists, who themselves have to travel a considerable distance: this is neither a closed economic system, nor does it eschew long distance travel. Fundamentally, this is the importation of a non-indigenous ideal—as one entrepreneur stated: ‘We have accomplished the American dream, in Nicaragua. We work from home; we provide for ourselves, our family and support the community. We’re safe and able enjoy the simple things. We sacrifice living in a large modern community for the developing world. We gain more than we sacrifice.’ Nonetheless, in terms of direct environmental impact at least, it is modest in its consequences.

4.2. Broader Implications

The case has a number of implications for sustainable production and consumption in other contexts. First, as described, the case functions as an example of capital substitution and compensation. In this regard it is no different to any voluntary, low impact community but such communities are rarely characterized in terms of capital substitution and the more usual discourse is around the need to avoid natural capital stock depletion, particularly critical natural capital, the existence of which is threatened globally by growth in each term of the IPAT identity [44].

Secondly, the case illustrates the importance of individual motivations, gender issues and psychology. The commitment of the individuals to coping with the many adversities of the site is critical and plays an important role in developing and deploying effectuating practices. Several entrepreneurs referred to many pioneer entrepreneurs who had come to Playa Gigante to open a business, only to fail and return home. One said that she quickly learned that chauvinistic and aggressive behaviour towards female business owners is common practice by tax collectors and that her previous experience in the military helped her cope with this. Psychological factors tend to be abstracted out of capital-based accounts in all senses, as are a commitment to particular ethics.

Thirdly, it is important to consider the broader systems in which any given economic micro-community operates. In this case, the social differentiation with respect to the local population seems to be persistent: the starting position of unequal social and economic capital is not being significantly bridged as a result of their interactions—though that interaction is limited. One expressed a shared ambivalence in this regard: ‘International help that comes here, trekked a long ways to get here, they’ll have a stronger work ethic. With the locals, some days they do not show up to work and
without cell phones, you have no idea if they’ll come back tomorrow, some just leave without notice. On the other hand, you have to help support the community.’

Among the entrepreneurs themselves, the social stratification appears relatively flat or undifferentiated. This may be a function of two key factors: first the fairly equal, low base of imported economic capital and secondly the severe constraints on the potential rate of accumulation imposed by the physical isolation of the location. With a low income indigenous population and a minimum of state-subsidised infrastructure, the potential rate of return for external investors is low. Thus, the most noticeable social differences are those between the entrepreneurs and the indigenous population rather than within the entrepreneurial group.

Fourthly, there are particular implications that arise from Bourdieu’s perspective, regarding the possibility of steady-state, low growth or even degrowth economies. In some respects the case bears out Bourdieu’s analysis well, particularly the instrumental value of social capital and of a pre-existing *habitus*, defined by Bourdieu as “a system of acquired dispositions functioning on a practical level as categories of perception and assessment or as classificatory principles as well as being the organising principles of action” (Bourdieu 1990, p. 13) inclusive of a wide set of effectuation competences and the willingness to use them to overcome challenging obstacles. However, the accrual of social, economic and cultural capital will (in Bourdieu’s terms) tend to have different consequences. Social capital need not result in increased material throughput: the consequences of its use will depend on how it is used—what types of technologies are used and what services are rendered. The same applies to economic capital but this is in short supply. Cultural capital in the form of artefacts implies some form of manufacture, locally or off-site but again the impacts will be technologically mediated and the scale of the available cultural capital is primarily dependent on the scale of the economic capital available.

We can also consider the implications of Bourdieu’s increasingly influential account of practice and practices. The transition to steady-state economies (or economy at the aggregate scale) requires changes in practice at many levels, from international institutions through to individuals. Bourdieu’s approach to practice offers a way of understanding change and inertia. It does not make effecting or catalysing that change any easier but it does draw attention to the socially-embedded nature of behaviour and to particular processes. Hence Warde [45] alludes to the need to focus on the development of practices when thinking about changing practices, going beyond individual psychology, to examine what types and combinations of practice are prevalent; the social position of individuals and their level of commitment to particular practices; and by implication how individuals’ careers within practices take off, develop and end; how people come to an understanding of what is required by a particular practice and their role in this; what associated criteria of effectiveness and excellence there are (peoples’ ideas of ‘the good life’ and how these develop; and how different practices affect one another.

In the present case, effectuating practices have evolved to be consistent with the lifestyles that the entrepreneurs seek. Yet Bourdieu’s theorization is equally applicable to circumstances in which high, low or intermediate returns on an investment are likely and hence in which natural capital is more or less likely to be converted to manufactured capital. The theory assumes that people will seek to accumulate the various forms of capital in accordance with their habitus (disposition, inclination and competence) and through their involvement in particular practices. It implies that changing practices requires examination of the larger socio-technical system in which individuals are embedded and the smaller, activity-specific fields in which they operate. This directs attention towards the nexus of factors that shape the specific aspects of how people live their lives.

Most importantly of all, it tells us that if we want to build a different form of economy, we need to shape the social drive to capital accumulation. Warde [46] discusses Bourdieu’s [2] formula: [(habitus (capital)] + field = practice, whereby Bourdieu sought to summarise his thesis as practice in a given field being the outcome of habitus and capital. Yet the term ‘capital’ in this identity is multi-faceted. Bourdieu adopted Marx’s definition of capital as accumulated labour, a form of stored work or power and he also viewed the different forms of capital as inter-exchangeable. Yet social capital is arguably
special—it is important in the small beach economy considered here and it is equally important in the macro-economy and in the quality of wider social life [47]. Reasoning from Bourdieu’s analysis, we need to support changes in practice that in turn change the mix of capitals so that lower impact capital, particularly the social capital that we are assuming people value, is maximized as a function of cultural and economic inputs. This would reduce the level of the (A) term in the \( I = P\cdot A\cdot T \) formula [1], which holds that to reduce impact \( I \) we need to change either the level of population \( P \), affluence [consumption] \( A \) or technology \( T \). We would also need to find ways of limiting the convertibility of the social capital to economic or cultural capital.

5. Conclusions

We have examined a community of lifestyle entrepreneurs in the remote surfing and fishing resort of Playa Gigante, Nicaragua, from the perspective of Bourdieu’s social theory and with reference to the substitution of social for manufactured and economic capital and the general implications for steady-state, low growth and degrowth economics. We find that social capital accumulation is by necessity highly important in such a community, with the entrepreneurs adopting a range of effectuation practices that often draw on that social capital as a means of coping with regulatory corruption and limited infrastructure.

In terms of the wider implications for degrowth, the range of possible, alternative inferences depend upon one’s point of view and degree of optimism. They include:

1. Bourdieu over-generalises when assuming a universal human tendency to social struggle and associated capital accumulation: co-operative communities oriented to mutual well-being are possible and are not precluded by some aspect of human nature or identity;
2. Bourdieu may be largely correct to assume a universal human tendency to social struggle and capital accumulation but there are exceptions;
3. A tendency to seek capital accumulation is an inherent problem for the objective of a steady-state economy;
4. A tendency to seek capital accumulation is an inherent problem for the objective of a steady-state economy but can be tempered by measures supporting the creation and maintenance of social and natural capital over economic and manufactured capital;
5. Life-style entrepreneurship illustrates the way in which the pursuit of personal happiness and quality of life may be integrated with economic imperatives in a challenging environment.

In other words, the implications of the case and its Bourdieusian characterization are conditional and debatable and we are also aware that the above raises many issues that we do not have space to deal with here. Most notably, our empirical case is very different to the economy of a high consumption, industrial society. It has served to illustrate the role of social capital in enabling effectual practices that allow economic survival and it has served as an illustration of how social capital can satisfactorily substitute for the accumulation of manufactured and economic capital and the consumption and impact associated with its expenditure (exchange). However, drawing detailed operational parallels for more affluent economies is quite another matter. Rather, our objective here has been to illustrate a way of thinking about an economy as deeply socially embedded and which we think has promise in further work on capital substitution.

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