Sources of enterprise success in Amish communities

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Abstract

Purpose – This research project aims to investigate Amish small businesses in North America to determine their success rate and the factors that explain their vitality. Amish entrepreneurs have developed some 10,000 small businesses despite taboos on motor vehicles, electricity, computers, the internet, and education. A theoretical model consisting of five types of socio-cultural capital (human, cultural, social, religious, and symbolic) was conceptualized to explain and interpret the success of Amish enterprises. The model includes capital deficits that identify the hurdles that successful enterprises must overcome.

Design/methodology/approach – The research employed qualitative ethnographic methods that included participant observation, face-to-face interviews with business owners in eight states, and document analysis.

Findings – The paper finds that Amish businesses have a success rate above 90 percent, which is much higher than that of other American small businesses. Five types of socio-cultural capital (human, cultural, social, religious, and symbolic) account for the high success rate of Amish enterprises.

Research limitations/implications – The qualitative methods do not permit quantitative analysis or tracking the performance of businesses over an extended period of time.

Practical implications – Understanding the importance of socio-cultural capital assets and deficits for business success is critical for entrepreneurs, consultants, and scholars.

Originality/value – The five concepts of socio-cultural capital assets and deficits are a significant expansion of traditional social capital theory. These concepts offer a rich resource for understanding small business failure and success and merit inclusion in future research. Religious and symbolic capitals are especially pertinent for understanding enterprise building in religious and ethnic communities.

Keywords Business enterprise, North America, Entrepreneurs, Social capital

Paper type Research paper

1. Overview

The Amish are a thriving traditional community in the USA and Canada that spurns many aspects of modern technology and popular culture. This distinctive ethnic
community shares a common religion, history, German-Swiss cultural background, German-derived dialect, and folk practices – using horse-drawn transportation, wearing distinctive clothing, and selectively adopting technology. Religious beliefs, long-standing customs, and church regulations known as *Ordnung* guide the enterprising activities of members.

Amish communities are located in 425 geographic settlements in 28 US states and the Canadian province of Ontario. Amish life is organized around 1,825 local church districts, composed of 25 to 35 households. Amish people typically live interspersed among their non-Amish neighbors. North America’s population of 250,000 Amish doubles every 20 years, primarily through biological reproduction and a robust retention rate that tops 85 percent[1].

Although Amish society espouses collective values and cooperative behavior, members may own private property and participate in the larger capitalist market economy. Some Amish are farmers, but others are owners or employees in businesses. Approximately 10,000 Amish-owned enterprises operate in North America[2]. Most businesses are owned by sole proprietors while others are organized as small partnerships or limited liability corporations.

Throughout much of their history, the vast majority of Amish households earned their livelihood from small family farms. The non-farm work increased after 1975 because economic conditions made it difficult for horse farmers to compete with highly mechanized farm operations. In 2010, over half of Amish households receive their primary income from non-farm sources[3]. Microenterprises are an attractive alternative to farming because they require a smaller start-up investment, offer work for children and extended family, and keep employment close to home (Kraybill, 2001).

Amish enterprises can be sorted into two broad types: small businesses oriented to profit and growth and microenterprises that seek stability and survival. The microenterprises, with fewer than five employees, are usually family-related, home-based operations that engage in activities such as small engine repair and sales, greenhouses, cabinet shops, quilt shops, carriage or bicycle shops, auction companies, and small retail stores.

Owners of small microenterprises are content with a modest income for family members and a few other employees. Jennings and Beaver (1997) note that success in lifestyle operations is achieved by sustained satisfaction of the principal stakeholder(s). Familial satisfaction, cultural values, and lifestyle preferences, rather than financial rewards and growth, are the primary motivation for entrepreneurs (Blackwood and Mowl, 2000). Owners of Amish microenterprises also seek stability and have a more custodial, less entrepreneurial style, and are less growth- and profit-driven that Amish small businesses. The stability-focused microenterprises reflect the traditional Amish values of humility and modesty and are, by Amish standards, successful because they provide a stable income for one or more families and enable family members to work together at or near their homes.

By contrast, small businesses (five to 30 employees) require more investment capital, generate larger sales, and the owners are more entrepreneurial. As Wesner (2010) has shown, these owners are more competitive, take more risks, experiment more, articulate a vision for growth, emphasize efficiency and productivity, and seek profits to reinvest in their business. Sales volumes range widely but it is not unusual for the largest Amish firms to have annual revenues above US$10 million.
Furniture making and farm equipment manufacturing are two dominant types of small business. Construction firms specializing in residential or commercial building, as well as related trades such as roofing, plumbing, and painting, are also prominent. Retail stores that sell products (food, clothing, hardware, equipment, and tools) purchased wholesale from Amish and non-Amish manufacturers also compose a significant segment of small businesses.

2. Research methods

Most previous research on Amish businesses has focused on a single settlement (Kraybill and Nolt, 2004; Dana, 2007), a single entrepreneur (Hawley, 1995), or a single industry such as furniture making (Bumgardner et al., 2007). Kraybill et al. (2010) explored how the rise of business activity transformed traditional values of Amish society. Although some of these studies report low failure rates, the previous research has not explored the reasons why Amish enterprises are successful. This study addresses that gap and advances knowledge of Amish enterprises by exploring the socio-cultural factors that contribute to their success in North American communities.

Our research explores this question: what socio-cultural factors can explain the vitality and success of Amish enterprises in the face of numerous obstacles? In other words, how have the horse-and-buggy-driving Amish, despite restrictions on education, electricity, internet, and motor vehicles, been able to build and sustain flourishing enterprises?

Qualitative ethnographic methods involved participant observation, interviews with Amish and non-Amish people, and document analysis to permit triangulation of the different sources. Face-to-face interviews were conducted with 161 Amish business owners in 23 settlements in eight states over a ten-year period (1999-2008)[4]. Interviewees were selected from Amish community directories and through referrals in order to create a purposive stratified sample[5]. The sample of owners was stratified to assure that key components of Amish industry – settlement, affiliation, gender of owner, size of enterprise, age of enterprise, type of product, wholesale/retail, and type of market – were represented in our study. Fewer than 2 percent of the selected owners refused an interview[6].

Notes from the interviews were transcribed for analysis. Amish business publications were analyzed to learn more about the socio-cultural context and the investigators participated in community events to better grasp the context that supports the formation of Amish enterprises[7]. Although our ethnographic methods do not generate quantitative, survey-based information, they do provide qualitative interpretations of enterprise-building that represent the diversity of business activity in Amish society.

Our operational definition of an enterprise includes any business that produces and sells goods and/or services, or buys and resells products, with or without adding value, with annual sales of US$10,000 or above. None of the Amish businesses are traditional farms, although some are agriculture-related operations that breed pets or raise produce, but require little land. Most are manufacturing or retail operations ranging from those that provide self-employment for the owner to ones that employ as many as 30 people.

The literature on business failure shows that outcomes are more complicated than simple binary distinctions between success and failure (Chattopadhyay and Ghosh, 2008; Dalziel, 2008; Lussier, 1995; Walker and Brown, 2004; Wu and Young, 2003).
Headd (2003) makes a persuasive case for distinguishing between closure and failure, arguing that some forms of closure are, in fact, successful. A successful or healthy closure may occur as a result of selling the business, selling parts of the business, or closing it when an owner retires after years of successful operation. Other scholars (Okpara and Wynn, 2007; Lussier and Pfeifer, 2001) have also shown that failure rates and the meaning of success vary by cultural setting.

Failure in the Amish context is the termination of a business because of financial collapse, for whatever reason, that leads to defaulting creditors and ends in bankruptcy, foreclosure, or a forced sale. This enterprise success in Amish society is measured by businesses that do not fail for financial reasons. Success is not defined by profitability and growth, but by the survival and sustainability of microenterprises and small businesses as well as healthy closures.

3. Evidence of success
All the evidence from our research shows that Amish business failures are rare. In one settlement, Kraybill and Nolt (2004) found a failure rate of 4.2 percent over a five-year period. Similarly, in another study, Kraybill (2009) identified a failure rate of 2.6 percent over a five-year period[8]. Both of these studies defined failure as “failed or closed,” and thus they likely included some healthy closures that did not result in financial collapse.

Reports from Amish informants confirm these low failure rates. An Amish bishop who does accounting work for dozens of Amish businesses said:

I can’t think of any [enterprises] that have failed in our local four or five districts over the past 15 years. I’m sure that the failure rate is below 5% in the first five years.

An Amish business leader in another settlement, familiar with hundreds of Amish businesses, estimated that fewer than 10 percent fail in the first five years: “I don’t know of any that filed for bankruptcy. That would be very discouraged and unheard of here.”

Non-Amish professionals who work closely with Amish owners concur. An attorney who has organized hundreds of limited liability companies for Amish clients said, “I don’t know of any Amish business foreclosures in our community. There are sales and transfers to other individuals, but not typical liquidations”[9]. A certified public accountant who serves a large number of Amish businesses estimates that 90 to 95 percent survive beyond five years, a rate that he calls “significantly high”[10].

Likewise, a loan officer for a bank that has a $125 million portfolio of loans to Amish small businesses estimates that their failure/closure rate is below 10 percent. Indeed, he noted that “in the last 10 years, we never had any of our Amish clients go into foreclosure, nor have we had to force a sale”[11].

Although bankruptcy is rare, some businesses do close because of financial pressure. A few Amish construction companies folded during the 2008-2009 US recession because of the weak housing market. Other small contractors are “on life support and some are owed substantial sums [from non-Amish customers], which are not likely to be paid,” according to one non-Amish financial advisor[9]. Some enterprises, such as saw mills and furniture manufacturers slowed production, shortened their work week, or gave employees temporary furloughs. An attorney who consults with Amish business owners said in 2009, “The saw mill has been a low-tech Amish favorite [. . . ] now it’s in a major funk. But I know of no mill that has shut down and not paid creditors”[9]. An advisor to Amish businesses summarized them this way: “Most have fewer
than 15 employees. And most have very low debt leverage. Thus, they can adjust very quickly to downsizing and market flux[9].

Failures may occur because of inept management, poor quality products, inadequate capital, changing market conditions, or weak promotion. In one case, some Amish-owned businesses failed because they were victims of unscrupulous companies that subcontracted with them to produce products, but then defaulted. Nevertheless, the rate of financial failure is remarkably low. All evidence points to a failure rate below 10 percent, far lower than the 49 percent failure rate of American small businesses within the first five years, according to the small business administration[12]. The high success rate is especially surprising in light of the cultural obstacles that Amish business owners face.

In sum, successful outcomes for Amish businesses include maintaining both growth-oriented businesses and stability-oriented microenterprises. Healthy closures that involve selling to a new owner or dividing a company’s specialized product lines and disbursing them to a family member or other co-ethnics to seed new enterprises are also considered a positive outcome.

4. Conceptual orientation

Our research points to five types of socio-cultural capital whose additive impact accounts for the success of Amish enterprises in the face of considerable obstacles. These factors include: cultural, human, social, religious, and symbolic capital. An abundance of research in the last two decades has highlighted the importance of social capital for business productivity (Anderson and Jack, 2002; Baker, 2000; Assudani, 2009; Flora, 1998; Lesser, 2000; Lin and Erickson, 2008; Lyons, 2002). The concept of social capital focuses on resources embedded in social networks, but sometimes overlooked are other forms of socio-cultural capital. Our field research and review of the literature suggest four additional types of socio-cultural capital (cultural, human, religious, and symbolic) that help to account for the vitality of Amish businesses. These additional theoretical concepts, when applied to enterprise formation, expand our knowledge of the various types of resources that can be capitalized for productivity.

Any form of capital is only a potential resource until it is activated. Fungible resources left untapped are dead capital, so to speak. Accessing and marshalling capital in all its forms is a social process that requires structures of access and mechanisms of activation to transform it into useable resources for productive purposes. In this broad sense, all forms of capital, including economic (land, money, and physical resources) have social dimensions. Our conceptual focus however, is on five forms of socio-cultural capital.

Cultural capital, in our conceptualization, includes the values, predispositions, orientations, and habits of mind engrained in a particular society’s way of life (Field, 2008). Cultural values and orientations that are aligned with enterprise building can, if activated, enhance business operations. Although Amish religious convictions may amplify some of these enterprise-empowering cultural values, some of them, such as honesty, are held by non-Amish people as well.

Human capital encompasses the skills, knowledge, and experience that individuals use for the generation of products or services (Field, 2008). Amish entrepreneurs and employees bring human capital, unique skills, and information rooted in their ethnic culture, to their enterprise activities.
Social capital emerges from the social relationships and networks – the infrastructure – of a society, that when summoned, can support the goals of a business (Field, 2008; Lin and Erickson, 2008). Friendship connections, familial networks, and business ties with mutual obligations can be marshaled to support enterprise builders.

Two additional forms of capital, religious and symbolic, are resources that also empower Amish enterprise builders. Because religion stretches like a broad canopy over the entire Amish way of life, it offers unique capital assets to members of this society. Religious capital is a potent resource for enterprise building since beliefs and convictions not only legitimate values of trust and industriousness, but also obligate members to assist one another in a host of practical ways. This form of capital is potentially powerful because it carries divine sanction.

Finally, symbolic capital entails perceptions of status, esteem, and prestige attributed to a group by members of the surrounding society. Symbolic capital is an asset that can be leveraged to bolster enterprise success. Products produced by esteemed groups, for example, enjoy certain advantages in the marketplace, whereas products manufactured by stigmatized communities carry less appeal, if not disdain.

Social capital research usually focuses on fungible assets that can be converted into resources for enterprise building, but neglects the absence of assets – capital deficits or liabilities. Our research identifies capital deficiencies in Amish society that enterprises must overcome in order to thrive. Socio-cultural capital deficits, if not addressed, may drag or burden enterprising societies.

5. Socio-cultural capital deficits
Amish entrepreneurs face numerous hurdles – social capital deficiencies – in setting up a business. Some are related to the social location of Amish society (rural and marginal) in American society but others are imposed by their own community. These contextual deficiencies, enumerated below, represent various forms of capital deprivation – an absence of potential assets – that otherwise could be mobilized to build and sustain enterprises.

All Amish people live in rural areas. The literature on small business formation shows that enterprises in rural areas are more likely to fail because of poor supply lines, limited access to expertise, and difficulty reaching markets (Miller et al., 2007). Moreover, the Amish are a minority group, marginalized by their dialect, limited education, and separatist practices, which impair their access to mainstream culture. Their social location as a minority, rural people in a high-tech postmodern society disadvantages them as prospective entrepreneurs.

The Amish terminate formal education after eighth grade in one- or two-room Amish-operated schools. The schools are not equipped with electricity, laboratories, or electronic media. Thus, Amish entrepreneurs enter the world of business without a high school diploma, let alone any technical training or college-level business courses. Amish people speak English when they interact with outsiders, but often speak with an accent.

Research on entrepreneurial success has shown the importance of education. Lussier and Pfeifer (2001) found significant associations between education and enterprise success and Head’s (2003) research noted specifically the importance of a college degree. Coy et al. (2007) also report positive associations between higher education and the perceived success of small business owners. These findings suggest that a meager
education is a major capital deficit that should limit the capacity of Amish entrepreneurs to build productive enterprises.

Amish religious beliefs stipulate that their church should be separate from worldly (mainstream) cultural values and practices such as individualism, consumerism, sports, entertainment, politics, and violence (Nolt, 2003). Amish leaders fear that, without clear boundaries between church and society, the forces of modernization will erode separatist practices such as distinctive clothing, endogamy, horse-and-buggy transportation, and the taboo on television and the internet. By their very nature, business involvements require interaction with non-Amish suppliers, wholesalers, and customers – activities that negate the principle of separation from the world.

Another cardinal value that hinders entrepreneurs is the religious virtue of humility. Amish leaders promote communal values to accent the authority of the church community over the individual. Whereas, American culture touts individual freedom, choice, and autonomy, Amish society extols the virtues of humility and submission to the church community. Entrepreneurs who highlight their achievements and take credit for their success may be rebuked for exhibiting pride and transgressing Amish principles.

A church-imposed taboo on litigation prohibits owners from using the force of law to protect themselves in corporate competition, sue debtors, or make other legal claims. Amish entrepreneurs are permitted to hire attorneys to create articles of incorporation, handle real estate transactions, and attend to legal matters that do not involve litigation.

Amish leaders hold a deep bias against large-scale operations. A church-imposed limitation on enterprise size restricts growth so that well-to-do business owners do not disrupt the egalitarian balance of power and wealth in their communities. A 30-employee operation is considered very large. This cultural norm is an additional capital deficit for entrepreneurs who want to expand their growing enterprises.

Amish people, including business owners, are expected to follow the regulations of the church which may curtail some business activities. For example, church rules forbid business owners from producing or selling certain products, traveling by airplane, and conducting business on Sundays. Industries related to alcohol, entertainment, computers, electronic communications, gambling, and theater are all off-limits. Television and radio ads are prohibited, as are promotions that feature photographs of the business owner.

Church regulations also restrict certain types of technology for Amish businesses. These include prohibitions on owning and operating motor vehicles, tapping electricity from the public power grid, freely using telephones, owning computers, and using the internet. Moreover, entrepreneurs who violate regulations by selling goods on Sunday or by purchasing a motor vehicle, for example, face censure by the church and, if unrepentant, excommunication from the Amish community.

These Amish values and practices are capital liabilities – not merely dormant capital, but an absence of it – that hinder the development of successful enterprises. Such deficiencies require other forms of compensatory capital to offset them (Figure 1).

6. Cultural capital
Several traditional Amish values, dispositions, and habits can be conceptualized as cultural capital – potential resources – that, if mobilized, can empower entrepreneurship. These deeply embedded dispositions, legitimated by religious teaching, lead to enterprise
success by reducing operational costs. Four values in particular energize enterprise vitality: practicality, a vigorous work ethic, honesty, and frugality. The Amish amplify these values in the socialization of their children and promote them throughout adulthood.

The transferability of pragmatic skills from farming to business is one of the reasons that homespun Amish farmers, within one generation, were able to develop thriving businesses. Farmers face contingencies such as weather, fluctuating prices, and machinery breakdown. Moreover, they must juggle many different tasks – growing crops, managing herds, and maintaining facilities, among others. The agrarian heritage and limited education of Amish people foster a pragmatic, common-sense attitude of finding creative ways to “make things work” despite obstacles. This inventive approach to solving problems characterizes Amish business owners and employees. An entrepreneur touting the virtue of practical hands-on education said, “You can be taught it, you can see it, you can know how it feels, but you can never learn it, until you actually do it.” This disposition toward practicality empowers Amish entrepreneurs as they face challenges that require innovation, flexibility, creativity, and risk taking.

Outside observers have long noted the vigorous work ethic in Amish life. Dana (2007) has called the Amish an “enterprising community.” Work is viewed as wholesome, rewarding, and virtuous. Idleness – sometimes called the devil’s workshop – is scorned. Both entrepreneurs and their employees value hard work and disdain laziness. One entrepreneur, who manufactures gazebos, summarized the typical Amish attitude:

I love working. I got two hands, I’m healthy, and I love getting up in the morning knowing I got a job to go to. That is a blessing in itself – just being able to work.
Stopping short of calling laziness a sin, he continued, “If somebody doesn’t like to work, and always thinks of it as drudgery [...] he’s not going to enjoy himself. He’s going to have a miserable life.”

Honesty is a central value in Amish life, one that translates into patterns of trust. Truthfulness reflects godliness and lying is considered a sin. A successful entrepreneur offered this advice to business owners:

Never give false information [...] Honesty is always the best policy [...] Don’t issue bad checks [...] Be true to your promises [...] Always be honest about your financial condition [...] A person who is honest, dependable, and consistent will be trusted (Lapp, 2008).

Many agreements are oral, inked with trust and signed with a handshake. Written contracts and lawyers are employed when necessary, but Amish life is predisposed toward oral agreements grounded in trust.

Frugality is another cultural disposition that aids Amish enterprise development. Saving is considered a virtue. An Amish guidebook filled with folk wisdom for prospective entrepreneurs emphasizes the importance of thrift:

Save all that you can [...] It’s not what you earn, but what you save and give that counts [...] The importance of not wasting money in your early years cannot be stressed enough [...] Every dollar which has been saved will come in handy [...] If you can’t pay as you go, you are going too fast [...] Nobody ever went broke saving money (Lapp, 2008).

Frugality translates into business austerity – low overhead, sparse office furnishings, absence of air conditioning, avoidance of expensive advertising, and repairing rather than replacing broken machinery whenever possible. Clearly these four values, this potential cultural capital in Amish life, can boost the profitability of operations when owners tap them.

7. Human capital

This important resource includes the skills, knowledge, and experience held by both owners and employees (Field, 2008). Amish entrepreneurs and employees bring work-relevant values (cultural capital) from their ethnic culture to their enterprise activities. The labor pool comprised of family, neighbors, and other co-ethnics is a significant in-group resource. Amish owners attest to the advantages of hiring their own people and one study found that 80 percent of the employees in Amish businesses were Amish (Kraybill and Nolt, 2004).

One widespread disposition of Amish owners, rooted in humility and made possible by small-scale operations, is a willingness to work alongside their employees, even in unpleasant tasks. The owner of a wood-finishing shop with nine employees said:

I would never ask an employee to do something that I wouldn’t do – ever! If it’s too dirty, or too filthy, or too crappy of a job for me to do it, I wouldn’t ask an employee to do it.

This hands-on, humble approach motivates employees, strengthens their respect, and increases their commitment to the goals of the enterprise, thus leveraging human capital for increased productivity.

Hiring co-ethnic employees has several advantages. Advertising for help is largely word-of-mouth or occasionally through ads in Amish newspapers. The extended family network makes it easy to obtain references prior to hiring. Owners who hire employees within their ethnic ranks can assume that they will bring a vigorous work ethic to the job.
By tapping the co-ethnic labor pool, employers can assume that employees will be honest, willingly obey authority, hold similar religious views, and not challenge policies or sue for damages. Moreover, a co-ethnic employee base contributes to corporate solidarity and avoids the disruptions that may occur with a culturally diverse workforce.

The primary form of technical and entrepreneurial training is apprenticeship. After youth end their formal education at 14 years of age, they begin informal apprenticeships where they work for pay under the supervision of experienced adults (mechanics, welders, cabinet makers, painters, to name a few). Depending on their interest and aptitude, some learn administrative and managerial skills as well. One 18-year-old, for example, began managing his father’s carpentry shop and supervising five other employees. The apprenticeship program enables the community to provide youth with the skills needed to succeed within Amish society. One cabinet maker, explaining the reason for the low failure rate of enterprises, said:

Most everyone [every business owner] starts out working with someone else, so they learn how to do it and know what they are getting into and so not many of them fail.

Apprenticeship provides significant culturally based training to enhance enterprise performance.

Some business owners also reach outside the Amish community to hire employees who have special skills not available within the community, such as providing and/or driving trucks to serve the transportation needs of the enterprise. Most Amish churches permit business owners to hire private “taxis,” vehicles owned and operated by non-Amish drivers, to transport raw materials and products, as well as employees, to work sites. In addition, other non-Amish people are hired, especially in larger businesses, to provide computing, accounting, marketing, or other technical skills that may not be available in the Amish community. These examples show the importance of reaching outside the ethnic community for specialized human capital to bolster productivity.

8. Social capital
Social relationships and networks – the web of social connections – offer important conduits of resources for business. Friendship connections, familial networks, customary practices, and interorganizational ties are capital assets that, when transformed, can empower entrepreneurial activity. The importance of networks as a key resource for business is frequently highlighted in the social capital literature (Anderson and Jack, 2002; Lin and Erickson, 2008). Monk (2000), for example, found that enterprises operating in dense networks generate 50 percent more revenue than those working in isolation. Amish enterprises tap numerous networks both inside and outside their community for support, information, suppliers, and markets. These structural channels give owners access to valuable resources that are critical to the success of their enterprises.

8a. Ethnic networks
In-group networks provide resources for support, information, and marketing. Shared cultural values (humility, honesty, trust, and service to others), taught by Amish religion, enhance cooperation within ethnic networks. Informal mentoring is a vital
source of information that feeds business success. A producer of vinyl windows, citing the crucial advice he garnered from his father-in-law, concluded that mentors “mean the difference between being successful and failing.” An Amish mentoring network in one community consists of small, informal clusters of owners from different industries who gather occasionally for breakfast or coffee to share ideas and support.

A harness and leather shop owner, who received help to start his business from a co-ethnic entrepreneur, has passed on the favor. Rather than focusing on expansion, he has helped to start three nearby enterprises that produce similar products. He explained:

I keep saying I can’t do it all, so why not let the other people work, too? If God gave me a chance […] I’m here to help. I’m not here to turn anybody down.

Although Amish manufacturers do compete for sales, it rarely becomes cutthroat or “nasty,” in the words of one owner. Even competing businesses may pool their buying power to purchase raw materials at cheaper prices. One Amish contractor, describing cooperation among Amish businesses in his area, noted, “There’s a lot of that [cooperation] and even though they do almost exactly the same thing, they still work with each other, and help each other out.”

A growing number of Amish trade networks provide information and support for business owners. “Reunions” are held each year for various occupations: accountants, auctioneers, harness makers, storage barn builders, metalworkers, furniture makers, buggy makers, and so on. These annual gatherings blend fellowship with the exchange of new techniques and opportunities to hear other Amish people share their experience in a particular trade or business. Some of these informal gatherings, involving several 100 participants, are regional, while others are national in scope. For example, at the annual Horse Progress Days manufacturers of horse-drawn equipment demonstrate their new machines in field conditions. The three-day event rotates among Amish settlements and attracts hundreds of Amish and non-Amish wholesalers and horse farmers.

Ethnic newspapers and trade magazines provide another layer of support. National Amish newspapers and regional newsletters publish ads for products and announce upcoming trade gatherings. Trade magazines, such as Plain Communities Business Exchange, Buggy Builder’s Bulletin, and Truck Patch News, report new techniques and carry ads for new products.

Co-ethnic supply networks provide raw materials for manufacturers as well as wholesale products for retail stores. Bumgardner et al. (2007) identified a cluster of 429 Amish manufacturers of household furniture in one large Amish settlement. Amish suppliers, manufacturers, and distributors related to furniture production are located within a 1,000-square-mile area and Amish suppliers produce various components for nearby furniture enterprises. For example, one shop supplies chair seats and chair backs to co-ethnic manufacturers. Moreover, in this community businesses that specialize in one product (chairs, tables, bed, or cabinets) collaborate to produce a coordinated collection of furniture.

Amish manufacturing and retail operations also receive raw materials and products from co-ethnic suppliers outside their locale. An Amish buggy manufacturer may rely on as many as a dozen Amish suppliers in several states for component parts – fiberglass bodies, wheels, springs, vinyl tops, etc. A business that builds battery-operated fans
A web of ethnic networks consisting of publications, extended families, and church relationships promote the distribution of products. These market networks in Amish society are an important resource for enterprise success.

8b. Non-ethnic networks

Amish entrepreneurs also reach outside their community for resources. Their reliance on non-ethnic supply and market networks confirms Granovetter’s (1973, 1983) classic work on the importance of weak ties with casual acquaintances. Aldrich and Zimmer (1986), Assudani (2009) and Light and Gold (2000) argue that dense networks in ethnic groups raise the salience of group boundaries and identity, which makes weak ties to outsiders critical to gaining access to outside expertise and markets. Amish entrepreneurs with ties to outsiders can obtain key resources – business information, technical expertise, external markets – to build their enterprises.

In some settlements, Amish business leaders arrange seminars, led by outside consultants, on financial management, employee policies, leadership, and marketing. One successful entrepreneur described these seminars as “[our] means of education beyond the eighth grade.” Such seminars provide key links to non-ethnic streams of information, especially for growth-oriented enterprises. In addition, many owners subscribe to external trade magazines and newsletters – lumber, woodworking, plastics, solar applications, diesel mechanics, and so on.

Amish manufacturers and retailers purchase hundreds of raw materials and wholesale products, from non-Amish suppliers. Lumber, plastics, and steel from non-Amish sources are used in manufacturing. LED lights and battery-powered hand tools from non-ethnic suppliers sit on the shelves of Amish hardware stores. Sales representatives for outside suppliers are a key source of information for owners in Amish enclaves.

An Amish version of a trade show for non-ethnic suppliers features equipment – pneumatic tools, hydraulic-run machines, diesel engines – and samples of raw materials for manufacturing. Dozens of outside suppliers set up displays in an exhibit area where Amish business owners can inspect and order new products.

On the flip side, Amish leaders also organize trade shows for outside wholesaler buyers. Amish exhibitors display their wares for buyers who pay a registration fee to view hundreds of Amish-made products, place orders, and arrange shipping. This one-stop shopping for wholesalers eliminates the need to track down enterprises on obscure backcountry roads. Such shows create valuable networks with outsiders who enthusiastically market Amish products.

Because of capital deficits in education, marketing, and computer technology, the use of outside ties helps to boost sales. Marketing consultants design brochures, catalogs and other media to promote Amish-made products. In one settlement, an outside firm creates and prints a large directory of four-color ads to promote Amish products and businesses. This rich resource for non-Amish wholesalers, retailers, and consumers is distributed free.

Larger businesses have dozens of outside wholesalers and distributors to sell their products in the region or across the USA. Non-Amish wholesalers and distributors
frequently use internet and web site services to market Amish-made products that otherwise would not appear on the internet.

9. Religious capital
Religious capital operates when religious belief and obligation motivate industrious behavior. This form of capital is powerful because it carries divine sanction. Numerous studies have shown the link between religion and enterprise building, but the resources generated by religious convictions vary by the particular faith community (Candland, 2000; Dana, 2009; Dodd and Gotsis, 2007).

Religion, stretching like a broad canopy over Amish society, provides a significant resource for enterprise success. Amish faith cites biblical teaching about church members’ moral responsibility to help each other in time of need. Thus, they typically reject commercial insurance because it undercuts their religious obligations. The traditional ritual of a communal barn-raising symbolizes the Amish commitment to help co-ethnics. These reciprocal obligations, a cardinal teaching in Amish religion, apply to ethnic-owned business.

Five forms of material aid feed the success of Amish enterprises: fire and storm aid, liability aid, medical aid, retirement aid, and trusteeship for ailing businesses. Informal, community-based insurance plans for fire and storm, heath care, and product liability operate with very modest expenses because they do not have employees, offices, or the bureaucratic complexity of commercial companies. In one community, a volunteer committee oversees product liability claims for business owners, who are covered by the simple fact that they are members of the Amish church. The committee periodically collects voluntary contributions from business owners to cover claims, which are normally settled in a conciliatory fashion without lawyers. Similar community-based health plans assist individual members with medical expenses.

The structure and scope of the plans vary among settlements. In some states, Amish employers are also exempt from government-run workers compensation insurance for on-job injuries because the church community covers such costs. Some owners do not provide any health insurance benefits, whereas others pay the modest annual premiums of ethnic aid plans for their employees. In general, Amish employees do not expect employers to provide health care benefits because these obligations fall to the church community.

Convictions about mutual aid include the care of the elderly. Aging parents normally reside in a small apartment in, or adjacent to, the home of one of their children who care for them. Because elder care and financial support is provided by the extended family, many employers provide few, if any, retirement benefits for their employees, while others may offer tax-deferred accounts to which employees can contribute. Compared with the employee health care and pension benefits of non-Amish firms, these ethnic practices substantially reduce the cost of employee benefits paid by Amish owners.

Some Amish communities have established a unique custom to preempt business failure. If an enterprise is struggling financially because of inept management, changing market conditions, or other reasons, church-appointed trustees step in and oversee the operation to avoid bankruptcy. Trusteeship is a key Amish practice that prevents business failure. Three trustees appointed by the church assume legal oversight of failing businesses (if the owner consents) and try to nurse them back to health. In most cases, trustees are able to make the changes necessary to resuscitate the business and hand it back to the original owner or find a new one.
This practice of trusteeship safeguards enterprises from bankruptcy and bolsters their credit worthiness with suppliers and commercial banks. Speaking of the trusteeship program, an attorney who works with hundreds of Amish businesses said, “These are very successful and I know of no failures.” This tradition of rescue reduces failures without the expense of lawyers, courts, or bankruptcy.

These five community-based forms of mutual aid, anchored on religious principles, provide social capital resources for Amish enterprises that reduce their operating costs and contribute to their success.

10. Symbolic capital

The perceptions of status, respect, and prestige that a group garners in a society can be leveraged to bolster its enterprise success. Products from esteemed groups enjoy certain advantages in the marketplace. Symbolic capital, first conceptualized by Bourdieu (1977, 1984), has rarely been used to understand enterprise development and success (Swartz, 1997). In the last quarter of the twentieth century, the Amish gained symbolic capital in American society as outsiders began to view them as a distinctive community that embodied a nostalgic, often imagined, past. Positive impressions of the Amish in the American imagination compensate for the disadvantages of their minority, marginal status in mainstream society. The power of this symbolic, public capital has created an Amish brand, helped entrepreneurs to penetrate non-ethnic markets, fostered respect in government relations, and bestowed some legal exemptions.

Amish entrepreneurs inherit a unique benefit: a free but potent “Amish” brand in the market of public consumption. By simply being members of a distinctive ethnic community, business owners automatically tap the mystique of the brand. Batey (2008) defines a brand as “consumer perception and interpretation of a cluster of associated attributes, benefits, and values.” The distinctive Amish brand embodies the universe of social meanings associated with products manufactured or sold as “Amish,” regardless of any direct connection to Amish people. The labels “Amish made,” “Amish crafts,” “Amish furniture,” or simply the word “Amish” associated with chairs, quilts, rugs, pies, apple butter, melons, or flowers immediately adds value to products because the word “Amish” carries overwhelmingly positive meanings. Although the Amish themselves rarely place the word “Amish” on their products or advertising (some use a horse-and-buggy as part of their logo), the brand sells and it sells higher than similar products without the Amish label. Plenty of non-Amish retailers who sell Amish-made goods are eager to exploit the Amish label.

Some of the meanings associated with the term “Amish” include old-fashioned values such as honesty, hard work, family, and community, as well as a simple, low-tech lifestyle. The brand is so potent and attractive that non-Amish retailers may tag non-Amish products ranging from chicken and beer to software and furniture as “Amish” or “Amish style,” regardless of who produces them. The symbolic capital embedded in the label is a major asset to the growth of Amish enterprises. The power of the brand, a free gift to Amish owners, adds value and consumer interest, which in turn promote sales.

Altinay (2008) has argued that a key to the success of ethnic enterprises is breaking out of the enclave of ethnic markets. Bolstered by the symbolic capital of their ethnic brand, Amish enterprises have penetrated four breakout markets beyond the Amish fold: tourism, regional, national, and international. At least half of the sales of Amish
businesses collectively go to outside markets, a segment that is growing from internet advertising of Amish products by non-Amish wholesalers and retailers. Amish-themed tourism, which likely exceeds 20 million people, provides an important breakout market. Urban markets consume Amish products such as organically grown produce, quilts, crafts, pets, furniture, and food products. Other products, including harness and saddlery items for horses, wooden storage barns, gazebos, playground equipment, play houses, lawn furniture, and indoor furniture, are sold regionally and nationally across the USA and Canada. In addition, a few Amish-produced items, such as leather products and small horse-drawn equipment, are sold on the international market.

Symbolic capital not only plays a role in providing markets for their products, but also by enabling flexible interpretations of zoning regulations. Start-up microenterprises on farms may violate restrictions for businesses in agricultural zones, but in some communities local authorities view the Amish as a cultural asset (and, in some cases, a tourist magnet), so they amend zoning regulations to permit non-agricultural businesses. This collaboration between local government officials and the Amish has made it possible for enterprises to thrive in rural areas where they might otherwise be banned.

The Amish have enjoyed respect and legal protection for their beliefs under the first amendment of the US constitution. This amicable political environment has aided the growth of enterprises by producing three exemptions in national legislation related to education, child labor, and Social Security that benefit Amish businesses in a positive way (Kraybill, 2003).

In 1972, the US Supreme Court decided, in Wisconsin v. Yoder, that Amish youth could terminate formal education at 14 years of age, two years earlier than the state requirement. Thus, Amish youth can enter the workforce at an early age and receive on-the-job training through apprenticeships. Employing Amish youth in some industries, however, violated federal child labor laws. In 2004, after a decade of conflict, the US federal government exempted Amish youth from certain child labor restrictions. These two exemptions increase the supply of ethnic and family labor for Amish industries.

In 1965, the US Congress exempted self-employed Amish from the social security system, and in 1988 expanded that exemption to include the Amish employees of Amish employers. Neither group pays social security tax or receives its benefits[13]. The exclusions related to education, child labor, and Social Security, coupled with reduced pension benefits and health insurance, greatly reduce compensation costs for business owners and make their operations more competitive and profitable. The favorable symbolic capital the Amish command in the wider society has granted their enterprises benefits unavailable to non-Amish businesses, and thus enhanced Amish entrepreneurial success.

11. Discussion
The results highlight five forms of socio-cultural capital (cultural, human, social, religious, and symbolic) that help to explain the success of Amish enterprises in the face of numerous capital deficits. Moreover, the results demonstrate the importance of combining in-group and out-group social capital resources for information, technology, and market penetration outside the ethnic community. One of the reasons for the success of Amish enterprises is that they exploit both strong ethnic ties and weak outsider ties
to access and mobilize various forms of socio-cultural capital. This study also underlines the importance of defining and interpreting enterprise success with culturally grounded and culturally sensitive measures.

Enterprise builders in Amish society face significant capital deficits (low education, rural setting, minority status, and religious taboos), for which they compensate by tapping other resources. The success of Amish enterprises challenges the results of previous studies that underscore the necessity of education, technological expertise, and an urban setting for business success. These findings clearly demonstrate that high levels of education, formal technological training, and an urban context are not essential for entrepreneurial success, at least in Amish communities.

The results also show the powerful influence of Amish religion on enterprise success. Religious practices reduce employee benefit and insurance costs, and provide the unique practice of trusteeship to prevent financial collapse. The findings also show the important power of symbolic capital in the Amish context for boosting sales, creating legal exemptions, and establishing good relationships with local government. Our results underscore the imperative of including cultural, religious, and symbolic capital when conceptualizing and researching enterprise success in ethnic communities because these factors may be an asset or deficit depending on the particular ethnic group.

Although entrepreneurs deserve much credit for their vision, hard work, and willingness to take risks, our findings underscore how contextual factors largely outside the scope of entrepreneurial influence, both inside and outside the Amish community, can boost the performance of small businesses.

The results demonstrate the importance of understanding the unique cultural factors that underlie enterprise success and show how social capital assets and deficits can contribute to enterprise productivity. These findings indicate that social capital (deficits and assets) fluctuate by cultural setting and group ethnicity. Apart from the particular antecedents of Amish enterprise success, our study documents the critical importance of digging deep into the socio-cultural soil to obtain a full understanding of the dynamics that enable or hinder enterprise success.

Notes
1. These statistics, updated in July 2010, are gathered by the Young Center for Anabaptist and Pietist Studies at Elizabethtown College and posted at: www.etown.edu/amishstudies
2. Based on our interviews and review of church directories from various settlements, five to seven enterprises per church district is typical – yielding a range of 9,100 (1,825 × 5) to 12,800 (1,825 × 7). The number 10,000 is a conservative mid range estimate.
3. This estimate is derived from a sample of church directories listing families and occupations in various settlements.
4. The states were Delaware, Illinois, Indiana, Iowa, Maryland, New York, Ohio, and Pennsylvania.
5. A purposive sample (sometimes called a judgement or strategic sample) involves selecting sample units based on the investigator’s judgement, in order to obtain a representative sample of the population under study (Frankfort-Nachmias and Nachmias, 1996; Babbie, 2004; Mason, 2002).
6. Out of a total of 164, only three refused to be interviewed (3/164 = 0.018). All quotes from Amish people in this paper come from these interviews.
7. The publications include *The Budget*, *Buggy Builder’s Bulletin*, *Die Botschaft*, *The Diary*, *Plain Communities Business Exchange*, *Family Life*, *Truck Patch News*, and newsletters from various settlements.

8. The failure rates in both of these studies included failures and closings over a five-year period, but did not track start-up failures in the first five years.

9. Correspondence with the authors, 14 September 2009.

10. Correspondence with the authors, 28 September 2009.

11. Interview with the authors, 18 September 2009.


13. Amish working for non-Amish employers must pay social security payroll taxes, but these workers represent a small percentage of the Amish labor force nationwide.

**References**


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