

Disadvantaged and Embedded: Arab Women Entrepreneurs in Israel

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Abstract

The aim of this article is to contribute to the endeavor of operationalizing and assessing the research of small firm's embeddedness. We hope to contribute to the existing literature by investigating form and degree of embeddedness of women entrepreneurs belonging to a marginal minority group in the periphery. A comprehensive questionnaire was administered in 2006 to a sample of 372 Arab-Muslim women entrepreneurs in the Northern and Southern "Triangle" of Israel, using a snowball convenient method. The data reveal that the vast majority of Arab women entrepreneurs are "over-embedded" within their minority ethnic milieu in the periphery. Highly embedded businesses are owned by women with an average of nearly 3 young children, with many of their businesses located at home and not registered. The women also reported on many difficulties and complain about lack of counseling opportunities.

Key words: Entrepreneurship, Disadvantage theory, Embeddedness, Arab women, Israel

1. Introduction

Arab women in Israel suffer from double disadvantage: they are women and they belong to a national minority. In spite of or maybe due to these situational particularities, they engage in entrepreneurial undertakings, although the rate of female entrepreneurs within the Arab population in Israel is extremely low. Recent data reveal that in 2008 among the veteran Jewish population* in Israel there were 4.4% male entrepreneurs versus 2.2% female entrepreneurs. Among immigrants from the Former Soviet Union (FSU) 1.7% of all men and 1.4% of all women were entrepreneurs, whereas among the Arab population only 2.1% of the men and 0.6% of the women engaged in entrepreneurial undertakings (Menipaz, et.al. 2009). Thus, in 2008, Arab women comprise the group with the lowest rate of entrepreneurship in Israel. In many studies there is no differentiation as to immigrant, ethnic or minority entrepreneurship (NDoen et.al. 1998; Kontos, 2003). Here we refer to minority entrepreneurship only, since Israeli Arabs are a distinct national minority in the country.

Arab women in Israel establish businesses in a socio-economic context which is characterized by inhibiting structural conditions due to their national minority status, by culturally rooted constrains of gender seclusion and within an ethnic enclave located in a geographic periphery. Schnell and Sofer (2002) propose an analytical framework for explication degree and form of embeddedness of a marginal minority group operating in the periphery. Two major forms of embeddedness emerge, over-embeddedness characterized by commitment to the local community and kinship groups, preventing the entrepreneur from exploiting opportunities in the market external to the enclave, and under-embeddedness, characterized by failure to exploit external complex networks and translate them into an economic advantage. The aim of this article is to contribute to the endeavor of operationalizing and assessing the research of small firm's embeddedness and in particular to investigate form and degree of embeddedness of Arab women entrepreneurs in Israel. We hope to contribute to the existing literature by investigating the form and degree of embeddedness of women entrepreneurs belonging to a marginal minority group in the periphery.

2. Theoretical Framework

The disadvantage theory rooted in Weber's (1930) work, suggests that those excluded from the dominant mainstream economy will often chose self-employment over unemployment (Light and Rosenstein, 1995; Berger, 1991). The disadvantage theory has been used to explain the fact that immigrants and minorities often embrace entrepreneurship as an economic survival strategy, and thus have high rates of small-business ownership (Valenzuela, 2001; Horton and DeJong, 1991; Light and Rosenstein, 1995; Light, 1979).

Boyd (2000) found that the tendency for women to become entrepreneurs was positively correlated with their level of disadvantage in the labor market and that for minority women this correlation was stronger than for white women. Boyd (2000) attributed this fact to a tradition of survivalist entrepreneurship among minority women (Smith-Hunter & Boyd 2004). Despite of paucity of resources, minority women intensely desire to become self-employed, frequently out of necessity (Smith-Hunter & Boyd 2004). The notion of "double disadvantage" of racism and sexism explains the situation of minority women facing many barriers in the labor market (Smith and Tienda, 1988; Haddleston-Mattai, 1995; Reskin and Roos, 1990). Nee and Sanders (2001) state that social capital is only one of the variables of entrepreneurial resources and that the mode of incorporation into the labor market depends upon a mix of Bourdieu's (1986) three forms of capital: social, human and financial. Studying Koreans, Filipinos and Chinese in the USA they found that migrants who became self-employed are those with a lack of financial and human capital more than that they have social capital. They also found a negative relationship between human capital and entrepreneurship, with the better educated and acculturated people using their resources to enter high status and public sector careers (Ram et.al. 2008). In the framework of this study we imply that lack of forms of capital expresses itself in the difficulties met by the entrepreneurs in the process of becoming self-employed.

Women's economic clustering in niches in advanced societies has been explained by three overlapping frameworks: human capital theory, dual labor market theory accounting for the institutional and labor market segmentation and feminism (Light, 2007). Combining these three layers one can state that societal patriarchy causes a deficit in relevant human capital of women (such as inferiority because of motherhood) and they are disadvantaged in a segmented labor market which is not competitive but rather politically and structurally segmented. For minority populations both race and gender status limit economic opportunities especially for women (Raghuram & Hardill, 1998). Disadvantaged positions in the social structure have a profound effect on how entrepreneurs identify, shape and pursue their entrepreneurial undertaking (Robinson et. al., 2007, Pines & Schwartz, 2008).

Embedding is the mechanism enabling the entrepreneur to draw upon and use resources (Jack & Anderson, 2002) and become part of the local structure. Schnell & Sofer (2002) discuss the notion of embeddedness and maintain that it refers to cultural, socially structured and institutional milieus in which entrepreneurs act (Grabher, 1993; Portes & Sensenbrenner, 1993; Todtling, 1994; Klosterman et.al., 1999). Economic and non-economic networks related to the firm and reflecting its owner act as indicator of levels of integration into the economy (Curran & Blackburn, 1994; Bennet, 1998). Minorities have to integrate into two – often separate milieus, which each have its challenges and barriers. Success to be embedded in both milieus fosters economic and social integration and development of minorities (Barrett et.al., 1996). Schnell and Sofer (1999, 2000, 2002, 2003) studied Arab entrepreneurs in Israel and developed the concepts of over – and under – embeddedness in order to account for the milieus in which the Arab minority in Israel act (Schnell & Sofer, 2002). Over-embeddedness describes how entrepreneurs handle their community and kinship system to support their business which often prevents them from entering the inter-ethnic market.

Under-embeddedness is "defined as the entrepreneur's success in developing intensive and complex interethnic networks, while failing to gain adequate evaluation capabilities of relevant business opportunities and enough power to translate complex networks into economic growth and development" (Schnell & Sofer, 2002:60). Summing up we maintain that entrepreneurial strategy evolves at the intersection of demand and supply side elements, where forms of capital, opportunity structures and institutional frameworks interact and where gender is influential at all levels. Arab women entrepreneurs in Israel present a case of "double disadvantage" of gender and race and enable us to investigate evolving forms of embeddedness.

3. The Context

The low participation of Arab women in the labor market can be explained by cultural limitations and structural disadvantage, mainly lack of human capital, lack of mobility and lack of day-care facilities. Some studies on Arab women in Israel maintain that in spite of processes of modernization the culture is still characterized by many traditional notions of family orientation (Al Haj, 1995; Malach Pines, 2003), strong group affiliation, collectivistic orientation (Triandis, 1990), stressing ideals of solidarity, cooperation, commitment, mutual trust, support and sense of belonging (Haj-Yahia, 1997). Hence, gender differences are due to culturally - and traditionally rooted seclusion of women (Youssef, 1972), with culturally constrained participation in the labor market (Haider, 1990). As in other Muslim countries (e.g. Pakistan, Jordan, Iran) the Arab society in Israel is still considered traditional and highly influenced by Muslim culture (Abu Baker, 1998; Taraki, 1995; Terhorst, 1995), especially in regard to gender relations, sexuality and women's roles. In line with a rather clear-cut gender division, women are mainly seen as wives, mothers and as persons whose honor should be protected (An-Nabhani, 1999).

Thus Muslim women, unlike men, are mostly active within the private sphere, namely in the home and family (Khattab 2002). Lack of human capital: During recent years the gap in formal education between the Jewish and the Arab population has become significantly smaller but has not yet closed completely (Abu-Asbeh, 2007). More importantly, data show that formal education does not necessarily improve the occupational chances of Arabs in the Israeli labor market (Abu-Asbeh, 2007). Thus, despite the fact that Arab women's level of education and human capital has improved over the last years, the labor market participation of Arab women with higher education has recently dropped (Shtewee, 2008; Abu-Asbeh, 2007). When there are no accessible means of transportation, working outside the home is very difficult. 53.5% of employed Arab women work at home or in the town they live in. 88.5% of the working women have jobs up to 29 kilometers from their homes (Galilee Society and Mada, 2004). A survey carried out by the Kayan Feminist Organization reveals that public transportation is lacking in Arab towns, both within the towns themselves and between towns and centers of employment. Following traditional limitations, the movement of Arab women to nontraditional roles requires social "permission"**. Thus due to the lack of transportation services and to traditional limitations, Arab women suffer from lack of mobility.

Fichtelberg (2004) found a connection between the family status of women and their participation in the labor force with the proportion of married women being lower than that of single women. Shtewee (2008) reports a negative relationship between the number of children and the participation of Arab women in the labor force. The participation of mothers with infants and babies is lower than the participation of mothers with older children, which is at least partly due to a lack of day-care centers in Arab locations. Shtewee (2008) maintains that Arab children account for only 6% of all children in Israel in approved day-care centers for preschool children, although they constitute 27% of the population of children under the age of three.

Based upon the data presented above we claim that Arab women entrepreneurs in Israel present a case of "double disadvantage" of gender and race and enable us to investigate evolving forms of embeddedness. More specifically we address the following two exploratory research questions:

1. What is the emerging pattern of embeddedness in terms of form and degree?
2. What are the factors influencing the degree of embeddedness?

4. The Study

4.1 Data collection

A comprehensive questionnaire was administered in 2006 to a sample of 372 Arab-Muslim*** women entrepreneurs living in the Northern and Southern "Triangle" of Israel. The women were approached via a snowball convenient method – we contacted business women in the "Triangle" area by word of mouth. Based on data provided by the Center for Fostering Entrepreneurship (in Hebrew "MATI") in Bakka el Garbia, we assume that we reached about 75% of all Arab women business owners in this area. The comprehensive questionnaire included demographical data on the women themselves, information as to type, size and location of the businesses they established, and evaluations of difficulties they encounter in the process of being self-employed. The questionnaire was administered by an Arabic-speaking interviewer. The business women answered the questionnaire while the interviewer was present.

4.2 Variables and Measures

Variables in our study describe characteristics of the women entrepreneurs, their businesses and degree of embeddedness. Personal characteristics of the women entrepreneurs' concern age, family status, number of children under 18 years old, formal education and work experience before start-up. Business characteristics concern size and type of business, registration, opening hours and location of the business. Lack of forms of capital was operationalized via evaluation of difficulties. Five questions concern difficulties due to absence of counseling, lack of management experience, bureaucracy, recruiting financial capital and lack of family support on a scale from 1 – 4 (1 = no such difficulties encountered; 2 = some of those difficulties encountered; 3 = many of those difficulties encountered; 4 = very many of those difficulties encountered).

The degree of embeddedness was operationalized via the entrepreneurs' evaluation of client characteristics (see also Dyer & Ross, 2000). Two aspects of client characteristics are relevant:

1. Frequency of contact with client (regular clients versus irregular clients/passers by);
2. Home location of client (client is living within the community of the entrepreneur or in another place).

Based on the combining four emerging options we determined three levels of embeddedness:

1. Low level of embeddedness: most of the clients visit the business on an irregular basis and are from outside the community in which the business is located.

2. Medium level of embeddedness (2 options):

- a. most of the clients visit the business on an irregular basis and are living in the same community in which the business is located;
 - b. most of the clients visit the business on a regular basis and are from outside the community in which the business is located.
3. **High level of embeddedness:** most of the clients visit the business on a regular basis and are living in the same community in which the business is located.

4.3 Sample Characteristics

Table 1 depicts the characteristics of the Arab women business owners who took part in the study.

Insert Table (1) here

The average age of the Arab women entrepreneurs is about 36, nearly 80% are married and they have an average of 2.4 children under the age of 18. More than 80% have formal education of 12 school years or more and nearly 60% have former work experience.

Table 2 depicts the characteristics of the businesses established by the Arab women who took part in our study.

Insert Table (2) here

The average number of employees is 0.58 (Std.Dev. = 1.240) with only 1 business employing more than 10 employees. The average age of the businesses is 6.8 years (Std. Dev. = 6.028) with the youngest business established one year prior to the study and the oldest business 31 years old. The vast majority of businesses are shops. Only a very small percentage of the businesses deal with production (for example cheese production, olive products and jewelry) and about 26% supply personal services (for example beauty parlors and hair-dressers). So we can say that more than 90% of the businesses deal with commerce, selling products or personal services. About 70% of the businesses are registered and nearly 60% are open during the entire work day. We also found that a rather high percentage (35%) of the business established by the women in our study is located at home.

Finally the women were asked to evaluate difficulties which they encounter in the process of being self-employed. Table 3 depicts the descriptive statistics of their answers.

Insert Table (3) here

Note that recruiting financial capital is evaluated as the most difficult issue by the women followed by dealing with bureaucracy. Absence of counseling possibilities and lack of management experience rate similar and the lack of family support is evaluated as the least difficult subject, although it also rates higher than the median.

5. Results

In order to discuss the first question we investigated the degrees of embeddedness. Table 4 depicts the distribution of embeddedness of the sample businesses.

Insert Table (4) here

The data reveal that the group with the lowest level of embeddedness (most of the clients visit the business on an irregular basis and are from outside the community in which the business is located) is by far the smallest one (20% of the sample). About half of the businesses can be described as medium embedded and nearly 30% are highly embedded, with most of the clients living in the same community as the entrepreneurs and visiting the business on a regular basis.

Table 5 depicts the results of cross-tabulating categorical variables with levels of embeddedness. Note that we present the results only for significant differences between the levels.

Insert Table (5) here

The data reveal that shops are the major type of businesses at all levels of embeddedness (around 60%). More than 30% of the businesses which are highly embedded compose personal services other than shops, so that more than 90% of this group is dealing with commerce of some kind. A similar picture evolves for businesses with a medium level of embeddedness. About 17% of businesses with a low level of embeddedness deal with production. Although most businesses are registered, the highest percentage of unregistered businesses can be found in the group of highly embedded businesses (about 40%). In this group we also found a significant correlation between home location and registration (Pearson correlation = .452**, $P < .000$) meaning that many of the businesses in this group are located at home and not registered.

We found no significant differences as to opening hours of the businesses.

In order to investigate whether there are differences between the levels of embeddedness and continuous variables (age of entrepreneur, number of children under the age of 18, size of business in terms of number of employees and age of business) we conducted Anova analysis comparing the means. Note that we present the results only for significant differences between the levels.

Insert Table (6) here

The Anova analysis comparing means between levels of embeddedness reveals significant differences for two continuous variables. Women entrepreneur whose business is highly embedded have significantly more children under the age of 18 than women in the other two groups. Their businesses are also significantly smaller. We found no significant differences between levels of embeddedness and age of the entrepreneur and age of the business.

Table 7 depicts the results of Anova analysis comparing difficulties between levels of embeddedness. Note that we present only the significant results.

Insert Table (7) here

Women whose businesses are highly embedded reported significantly more difficulties due absence of counseling and lack of managerial experience. We found no significant differences as to levels of embeddedness and difficulties due to bureaucracy, recruiting financial capital and lack of family support.

6. Conclusion and Discussion

Schnell and Sofer (2000; 2002; 2003) and Drori and Lerner (2002) conducted a number of studies on Arab entrepreneurship in Israel, mainly focusing on industrial enterprises. These studies did not account for gender differences and the vast majority of the entrepreneurs investigated by the authors were men. Schnell and Sofer (2003) found that entrepreneurship is not yet a major leverage for economic growth of the Arab population in Israel. This concurs with the low rate of Arab entrepreneurship as reported by the GEM. Constrained by their peripheral status even more than by their minority status (Schnell et. al ,1999) Arab entrepreneurs in Israel in general operate in a complex and difficult environment characterized by structural and cultural disadvantages. Arab women in Israel suffer from double disadvantage, as women and as belonging to a national minority. Therefore, it is not astonishing that they comprise the group with the lowest rate of entrepreneurship in Israel. In the theoretical framework we maintained that entrepreneurial strategy evolves at the intersection of demand and supply sides elements where forms of capital, opportunity structure and institutional frameworks interact and where gender is influential at all levels.

When discussing the context in which Arab women entrepreneurs in Israel act, we explained the inhibiting structural and institutional conditions at the intersection of minority status, geographical segregation and gender. Thus it is not astonishing that our data reveal that the vast majority of Arab women entrepreneurs are "over-embedded" within their minority ethnic milieu in the periphery. Their businesses are oriented to serve the needs of their local, national/ethnic communities and kinship group. Whereas Schnell & Sofer (2002) found also cases of under-embeddedness Arab entrepreneurs in Israel, with a significant number of Arab enterprises having a certain degree of access to Jewish markets (Schnell & Sofer, 2002:63) our study of women Arab entrepreneurs did not reveal similar data. Taking into consideration the data on the businesses under investigation here, we maintain that nearly all of them can be described as over-embedded. Thus when investigating degrees of embeddedness of women owned businesses we actually remained within the local community structures of the Arab minority, reconfirming the fact that gender is influential at all levels.

Here, three degrees of embeddedness emerged, with the group comprising the lowest degree of embeddedness (in terms of client characteristics) being the smallest one (n = 74, 19.9%). Factors influencing the degree of embeddedness are located at the supply side and include number of children under the age of 18, number of employees, type, registration and home location of business. In short the results reveal that highly embedded businesses are owned by women with an average of nearly 3 young children at home, many of their businesses are home based and not registered. These women also reported on significantly more difficulties with managing there business and complain about lack of counseling opportunities pointing to a lack of human and social capital. Combining the results of our study with data on Arab women in Israel which are presented in the context part of this study, we maintain that in terms of forms of capital, a deficit can be observed at all levels: human capital (level of education, lack of managerial experience), financial capital (institutional barriers, difficulties recruiting money for the business) and social capital (need for "social permission", absence of counseling). Thus, social structure affects entrepreneurial activity particularly in terms of resource constraint and we conclude that demand and supply side factors interact and inhibit Arab women entrepreneurs, suffering from double disadvantage as women and as members of the Arab minority in Israel.

Those who manage despite of these circumstances to establish their own business deserve our utter respect. Further studies should attempt to investigate motivations, obstacles and success factors of Arab women entrepreneurs in Israel, relating also to additional groups of women, such as Druze, Bedouin and Arab-Christian women.

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Appendix

Summary of results.

Variable Name	Type of Variable/Analysis	Differences between levels of embeddedness
Personal characteristics of entrepreneur		
Age of entrepreneur	Continuous/Anova	NS
Family status	categorical/cross-tabulation	NS
Number of children under 18	Continuous/Anova	Owners of highly embedded businesses have significantly more children under the age of 18.
Formal education	Categorical/ Cross-tabulation	NS
Work experience before start up -	Categorical/Cross-tabulation	NS
Business characteristics		
Size of business	Continuous/Anova	Businesses with low degree of embeddedness are significantly bigger in terms of employees.
Type of business	Categorical/cross-tabulation	Businesses with low level of embeddedness deal more with production and highly embedded businesses deal more with personal services.
Age of business	Continuous/Anova	NS
Registration	Categorical/cross-tabulation	Among highly emdedded businesses about 40% are not registered. Among low embedded businesses only about 19% are not registered.
Opening hours	Categorical/cross-tabulation	NS
Home location	Categorical/cross-tabulation	More than 85% of the low level embedded businesses are located outside the home of the entrepreneur.
Difficulties encountered due to:		
Absence of counseling	Continuous/Anova	Owners of highly embedded businesses perceive absence of counseling as more problematic.
Lack of management experience	Continuous/Anova	Owners of highly embedded businesses perceive lack of management experience as problematic
Bureaucracy	Continuous/Anova	NS
Recruiting financial capital	Continuous/Anova	NS
Lack of family support	Continuous/Anova	NS

Tables

Table 1: Personal characteristics of Arab women entrepreneurs

Category	Frequency	Percent
Family status		
Single	49	13.2
Married	289	77.7
Divorced	7	1.9
Widowed	15	4.0
(Missing)	(12)	3.2
Total	372	100
Formal education		
0 – 12 years	62	16.7
12 years	165	44.4
12 + years	142	38.5
(Missing)	(3)	(0.8)
Total	372	100
Work experience before start-up		
Yes	218	58.6
No	151	40.6
(Missing)	(3)	(0.8)
Total	372	100

Table 2: Business characteristics

Category	Frequency	Percent
Size of business		
0 employees	264	71.0
1 – 4 employees	100	26.9
5 – 12 employees	8	2.2
Total	372	100
Type of business		
Shops	231	62.1
Production	32	8.6
Personal services other than shops	99	26.6
(Missing)	(10)	(2.7)
Total		
Registration		
Registered	264	71.0
Not registered	106	28.5
(Missing)	(2)	(0.5)
Total	372	100
Opening hours		
All day long	216	58.1
Part of the day	151	41.1
(Missing)	(5)	(1.3)
Total	372	100
Home based location		
Business located at home	131	35.2
Business located outside the home	241	64.8
Total	372	100

Table 3: Descriptive statistics of difficulties encountered

Difficulties due to:	N	Min- Max	Mean	Std. Deviation
Absence of counseling	350	1 – 4	2.417	.527
Lack of management experience	348	1.5 – 4	2.477	.481
Bureaucracy	282	1 – 4	2.521	.654
Recruiting financial capital	226	1.5 – 4	2.803	.533
Lack of family support	352	1 - 4	2.118	.535

Table 4: Distribution of levels of embeddedness

Level of Embeddedness	Count	Percentage
Low level of embeddedness	74	19.9
Medium level of embeddedness	194	52.2
High level of embeddedness	104	28.0
Total	372	100

Table 5: Cross-tabulation of categorical variables with levels of embeddedness

	Low level of embeddedness	Medium level of embeddedness	High level of embeddedness
Type of business			
Shops	47 66.2%	125 66.1%	59 57.8%
Production	12 16.9%	11 5.8%	9 8.8%
Personal services other than shops	12 16.9%	53 28.0%	34 33.3%
(Missing)	(3)	(5)	(2)
Total	71 100%	189 100%	102 100%
Note: Chi-square = 12.165; df = 4; P < .05			
Registration of Business			
Business is registered	60 81.1%	143 74.1%	61 59.2%
Business is not registered	14 18.9%	50 25.9%	42 40.8%
(Missing)	(0)	(1)	(1)
Total	74 100%	193 100%	103 100%
Note: Chi-square = 11.549; df = 2; P < .05			
Home location			
Business is located at home	10 13.5%	62 32.0%	59 56.7%
Business is located outside home	64 86.5%	132 68.0%	45 43.3%
(Missing)	(0)	(0)	(0)
Total	74 100%	194 100%	104 100%
Note: Chi-square = 37.3281; df = 2; P < .00			

Table 6: Results of Anova analysis comparing continuous variables between levels of embeddedness

	N	Mean	Std.Deviation	Min-Max	F (sig)
Number of children under the age of 18					
Low degree of embeddedness	74	1.89	1.504	0 – 5	7.290 (.001)
Medium degree of embeddedness	185	2.25	1.770	0 – 6	
High degree of embeddedness	104	2.84	1.696	0 - 7	
Size of business in terms of number of employees					
Low degree of embeddedness	74	1.00	1.902	0 - 12	10.583 (.000)
Medium degree of embeddedness	194	0.64	1.121	0 – 6	
High degree of embeddedness	104	0.17	0.565	0 - 4	

Table 7: Anova analysis comparing difficulties between levels of embeddedness

	N	Mean	Std.Deviation	Min-Max	F (sig)
Difficulties due to absence of counseling					
Low degree of embeddedness	69	2.37	.545	1 – 4	3.694 (.026)
Medium degree of embeddedness	187	2.36	.516	1 – 4	
High degree of embeddedness	94	2.54	.521	2 - 4	
Difficulties due to lack of managerial capabilities					
Low degree of embeddedness	69	2.42	.463	2 - 3.5	8.661 (.000)
Medium degree of embeddedness	186	2.40	.467	1.5 – 4	
High degree of embeddedness	93	2.65	.482	1.5 - 4	

Endnotes

- * Veteran Jewish population refers to Israeli born Jews as opposed to immigrants.
- ** The survey reveals that 70% of participating Arab women do not leave their town alone (Kayan Report, 2007: 51).
- *** Druze, Bedouin and Christian Arab women entrepreneurs were not included in the present study because they constitute a very small minority within the geographical area of the Northern and Southern "Triangle".