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*The Effects Of Embeddedness On The
Entrepreneurial Process*

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Abstract

This paper uses Giddens' theory of structuration to develop the conception of entrepreneurship as an embedded socio-economic process. The qualitative examination of the actions of rural entrepreneurs finds that embeddedness plays a key role in shaping and sustaining business. Being embedded in the social structure creates opportunity and improves performance. Embedding enabled the entrepreneurs to use the specifics of the environment. Thus both recognition and realisation of opportunity are conditioned by the entrepreneurs' role in the social structure.

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Executive Summary

This paper argues that in order to understand entrepreneurship we need to move away from considering the entrepreneur in isolation and look at the entrepreneurial process. Entrepreneurship is not merely an economic process but draws from the social context which shapes and forms entrepreneurial outcomes. Embedding is the mechanism whereby an entrepreneur becomes part of the local structure. This enables entrepreneurs to draw upon and use resources. Indeed in some instances being embedded actually created opportunities.

Giddens' view of structuration is used as a theoretical framework to explore the link between the entrepreneur (as agent) and the context (as structure). Applying structuration to the study of entrepreneurship enables us to recognise how social structures affect and encourage entrepreneurial activity, particularly in terms of resource availability or constraint. We narrow the concept of structuration to the notion of social embeddedness to explore how entrepreneurs use structure in the creation and operation of their businesses.

A qualitative methodology was indicated because our objective was to explore and understand the relationship. Ethnographic techniques were employed, including triangulation, to study seven entrepreneurs in local context. Data collection was conducted over a three-year period. Open interviews explored the cause and effect relationship of embeddedness and the entrepreneurial process. Analysis of the data used the constant comparative method, looking for explanatory themes from the respondent's own account of their situation.

The research highlights that the entrepreneurial process is value gathering, but process cannot be treated in the purely isolated economic sense. It is sustained by, and anchored in, the social context. The entrepreneurs were all embedded in the local area. Although there was no common mechanism for embedding and the entrepreneurs had become embedded in different ways, being embedded was clearly important. Embedding enabled entrepreneurs to recognise and realise opportunities.

Embedding realised opportunities which "fitted" the specific needs of the local situation. Embeddedness also created a contextual competitive advantage. Social embeddedness was found

to be a process of becoming part of the structure. However, it is more than simply developing social networks. Embeddedness involves: understanding the nature of the structure; enacting or re-enacting this structure which forges new ties; and, maintaining both the link and the structure. As a process this entailed developing credibility and acquiring knowledge of how business is conducted. In turn this impacted on the entrepreneur's activities and influenced the way in which their businesses were established and managed.

The contribution of our research lies in its illustration of how entrepreneurs embed as a mechanism to pursue and exploit commercial opportunities. Consequently it emphasises the social aspect of entrepreneurship, in particular the existence of socio-economic roles. The research demonstrates that opportunity recognition and realisation are conditioned by the dynamics of the entrepreneur and the social structure. Social embeddedness enabled access to latent resources and resources otherwise not available to the entrepreneur. Nonetheless, these opportunities were found to exist within the structure but only became manifest by the action of entrepreneurial agency.

The implications of our research are that it demonstrates the need to understand and appreciate how the social context influences and impacts upon entrepreneurial activity.

Introduction

Embeddedness, identified as the nature, depth and extent of an individual's ties into the environment, has recently been commented upon as a configuring element of general business process ([Whittington, 1992](#); [Uzzi, 1997](#); [Dacin, Ventresca and Beal, 1999](#)). On the premise that entrepreneurship is the creation and extraction of value from an environment, being or becoming embedded must impact upon the entrepreneurial process. This paper considers embeddedness in an attempt to further our understanding of the entrepreneurial process. A qualitative approach ethnographically explores the embedding of seven rural entrepreneurs. [Giddens' \(1979; 1984\)](#) views on structuration are used as a theoretical framework to explore the link between the entrepreneur (as agent) and the social context (as structure).

The findings confirm that the productive information and resources gathered through being embedded compensated for environmental constraints and facilitated the entrepreneurial process ([Chell and Baines, 2000](#)). In detail we found that in some instances local knowledge provided a key factor of profitability. We argue therefore that embedding provides a mechanism for bridging structural holes in resources and for filling information gaps. Interestingly we also found that being embedded actually creates opportunities. These opportunities exist within the local structure but only become manifest by the action of embedded entrepreneurial agency. This seems important because these opportunities were unlikely to be available to others not embedded. Entrepreneurial embedding therefore creates a link between the economic and the social spheres. This social bond enables entrepreneurs to more effectively exploit economic opportunity. The paper's contribution lies in its illustration of the importance of the social aspects of entrepreneurship, in particular the influence and impact of social context, and the development of a model of embedding which may have wider application.

The Relationships Between Entrepreneurship, Structuration and Embeddedness

Entrepreneurship

The literature highlights the difficulty of defining the terms, entrepreneur and entrepreneurship (Gartner, 1988; Carland *et al*, 1988; Bygrave and Hoffer, 1991; Johannisson and Sennesth, 1993; Rosa and Bowes, 1993). Questions arise about the more traditional methods used to conceptualise the entrepreneur (Chell, 1985) and problems about perceiving the entrepreneur as being a separate and distinct entity (Gartner, 1985). These debates suggest that, if entrepreneurship is to be understood, researchers need to direct attention from dealing with the individual in isolation and examine the process involved in creating new ventures (Gartner, 1985; Bygrave, 1989; Hofer and Bygrave, 1992; Sarasvathy, 1997).

As a process entrepreneurship has been described as complex; a contextual event and the outcome of many influences (Gartner, 1988). Taking the view that entrepreneurship is a process presents the dynamics of the individual and the context, (from which the business is drawn and of which the business becomes part) (Gartner, 1985; Scott and Anderson, 1994; Solymossy, 1997). However, a difficulty with studying context is that they vary; different situational and social variables interact and affect the individual (Cooper and Dunkelberg, 1981; Aldrich, 1979; Gartner, 1985; Castrogiovanni, 1991 and 1996; Sutcliffe, 1994). Nevertheless, the process of entrepreneurship draws from both the individual and the context (Anderson, 2000). According to Young (1998) economic actions between actors do not occur in a vacuum but are conditioned by ongoing structures of social relations. Young's view is that the social context influences economic outcomes. This view is supported by a number of other researchers. For example, Aldrich and Zimmer (1986) remarked that entrepreneurship is embedded in a social context, channelled and facilitated, or constrained and inhibited by people's position in a social network with the entrepreneur being dependent upon the information and resources provided by social networks (Carsrud and Johnson, 1989). Johannisson *et al* (1994b) illustrate how entrepreneurs build networks that blend business and social concerns (Johannisson, 1995:226). Gibb and Ritchie (1981:193) argued that "entrepreneurship can be wholly understood in terms of the different types of situations encountered, and the social groups to which they relate". Although entrepreneurship may be influenced, and even arise from within a social

structure, a conceptual difficulty is locating the entrepreneurial actor in the structures of society, since the foregoing has shown that entrepreneurs cannot be simply treated as isolated economic agents.

Structuration

Giddens' (1984) theory of structuration is well established and offers an approach to deal with this conceptual difficulty. Whilst little use of Giddens' work on structuration has been made within the field of entrepreneurship, his ideas have emerged in the area of management studies (Whittington, 1992; Dacin *et al.*, 1999). Applying structuration to the study of entrepreneurship enables us to recognise how social structures affect and encourage entrepreneurial activity, particularly in terms of resource availability or restraint.

Giddens' view of structuration deals with the duality of structure and agency. Giddens accords structure a formative position in social action, but also recognises the agents' freedom within the structure, a freedom to modify the structure. Giddens (1984:2) argues, "in interpretative sociology actions and meanings are accorded primacy in the explication of human conduct...for functionalism and structuralism however, structure has primacy over action". Giddens notes that both conceptions are flawed since interpretative sociologies are founded on an imperialism of the subject whilst functionalism and structuralism are founded on an imperialism of the social object, the undersocialized and oversocialized entrepreneur respectively. He goes on to point out that human social activities are recursive, that agents reproduce the conditions that make these actions possible. Since social systems involve regularised relations of interdependence between individuals or groups they can best be analysed as recurrent social practices. Social systems, the situated activities of human objects, exist syntagmatically in the flow of time. Structures are necessarily the products of systems and are characterised by the absence of a subject. Embedding mechanisms, however, allows us to link structure and agency in a dynamic relationship. It is argued here that to understand entrepreneurship we must take account of both structure and agency, we can then appreciate how societal influences shape entrepreneurial agency and how agency redefine or develop structure.

In this paper we narrow the concept of structuration to the notion of embeddedness to explore how entrepreneurs use structure in the creation and operation of their businesses. We are not testing structuration, but using it as a theoretical approach to explore links between the entrepreneurial agent and the structure. We are not attempting to develop a theory of social embeddedness but are

exploring the nature of embeddedness to gain insight into the entrepreneurial process. This will allow us to probe Staber's (1998) perspective that social embeddedness is a variable, and its causes and consequences are contingent on circumstances which may be highly space specific. Our objective is to identify the types of transactions that occur between the entrepreneur and his/her social environment ([Long, 1977](#)).

Entrepreneurship and Embeddedness

Uzzi (1997: 1) argued that research into embeddedness can help to advance understanding of how social structure affects economic life. He referred to embeddedness as "a puzzle that, once understood, can furnish tools for explicating not only organisational puzzles but market processes" (Uzzi, 1997: 22). In principle the point about embeddedness is that actors are said to be embedded in concrete, ongoing systems of social relations (Grannovetter, 1985). Grannovetter (1985) argued that behaviour is so constrained by ongoing social relations that to construe them as independent is a misunderstanding. As [Carsrud and Johnson \(1989\)](#) note, the new business development process is strongly affected by social contacts or linkages which in fact form the patterns of social interaction. [Burt \(1992\)](#) describes this as bridging "structural" holes.

Social embeddedness is relevant to entrepreneurship because it helps the entrepreneur identify social resources, an essential step to founding organisations (Hansen, 1995). Furthermore, being embedded within the social context means access to more support during the entrepreneurial process but also a likelihood of increased entrepreneurial activity (Schell and Davig, 1981). However, embeddedness can also act as a constraint. Uzzi (1997: 17) identified conditions when embeddedness can be turned into a liability, for example: the unforeseeable exit of a core network player; institutional forces rationalising markets; even over-embeddedness stifling economic action when social aspects of exchange supersede economic imperatives.

If entrepreneurship is embedded in a social context, then it must involve and draw on society. These factors may play a role in the way in which value is, and can be, extracted in terms of resource availability, opportunity perception and shape the entrepreneurial event. The argument proposed here is that when examining the entrepreneur (i.e. the individual/or "agent") the context (i.e. the "structure") has to be taken into account, since the social whole is pre-eminent over its individual parts (Cassell, 1993). Or to fit this into entrepreneurial terminology ([Gartner, 1985](#)), "who is the

entrepreneur?”, is indeed the wrong question. Thus the extent to which the entrepreneur is socially embedded and how he/she is embedded, (that is to say their congruence with the structure) will affect their ability to draw on social and economic resources. This will impact upon the nature of the entrepreneurial process and influence the entrepreneurial event.

However, whilst every process of action is a production of something new, at the same time all action exists in continuity with the past, which supplies the means of its initiation (Cassell, 1993). According to structuration theory, in order to enact a social practice, participants must draw on a set of rules. These rules can also be seen to structure and to shape the practices they help organise. Agents draw on rules in the enactment of actions, but the capacity to modify the rule is an ever-present possibility. At each point of structural reproduction there is also the potential for change. Hence our structural analysis should penetrate below the level of surface appearances to comprehend both continuity and change. Again embedding mechanisms should provide the conceptual tool to comprehend this dynamic.

The lack of a social theory of the entrepreneur has been recognised as inhibiting our understanding of entrepreneurship (Sargut, 1999). However, from a synthesis of the literature we have produced Figure 1 as a way of conceptualising the relationship between the entrepreneur and social structure, using structuration as our theoretical orientation and embeddedness as mechanism.

From the forgoing it appears that embedding is important for entrepreneurs, but that the mechanisms and nature of embedding are under researched. In consequence this research is concerned with the questions, what is the nature of social embeddedness and how does it effect the entrepreneurial process?

Methodology

The Context

Due to the complexities of the relationship between entrepreneurship, structuration and embeddedness, highlighted in Figure 1, this paper concentrates specifically on one particular context, the rural, to identify contingent variables. Although rural businesses have been studied (for example

[Blackburn and Curran, 1993](#); [Keeble, Tyler, Brown and Lewis, 1992](#)), few have considered the social aspects. A benefit of using rurality as context is that social process is easier to observe and social influence is likely to be more transparent ([Anderson and Jack, 2000](#)). To paraphrase Koestler (1964) the smallness of the area should have made it easy to survey trends which in other places appear confused and diluted by size. The particular rural context selected was the Highlands of Scotland, where an estimated two thousand new businesses were created between 1997 and 1998 (Highlands and Islands Enterprise, 1998).

Methods Adopted

Using a qualitative ethnographic approach ([Morgan and Smircich, 1980](#)) for data collection, seven established entrepreneurs were purposefully selected from remote rural areas (see Table 1 for background details). A qualitative approach was used because we were dealing with soft issues which are not amenable to quantification, searching for the meanings which lie behind actions ([Hammersley, 1992](#)). Further, our objectives were related to understanding, rather than measuring ([Oinas, 1999](#)). The data collection was conducted over a three-year period, with some respondents being interviewed twice, and others several times. The interviews varied in duration from a couple of hours to many hours, whilst the direction and length of interviews was determined by the form of the emerging data. Ethnographic techniques of open interviews were employed to explore the cause and effect relationship of embeddedness and the entrepreneurial process. We also gathered rich information about the history and background of the entrepreneur and the firm from non-entrepreneurial sources ([Denzin, 1979](#)). This material represented a resource for comparison with, and triangulation of, the emerging research themes. We felt that if we could reach an understanding of the “how” question, analysis would allow us to address the broader theoretical issues.

The analysis of the data explored themes in the responses of entrepreneur using the constant comparative method ([Silverman, 2000](#)) and analytic induction ([Glaser and Strauss, 1967](#)). Whilst the entrepreneurs are not representative of the entrepreneurial universe, they do provide useful data on embedding. The methodological techniques provided sufficient depth of data to allow a meaningful analysis of the entrepreneurial process in context, to explore embeddedness and gain an in-depth understanding of the role of each respondent. It also established the level of embedding for

each respondent and allowed us to compare this with perceptions of the local community. Quotes from the data are used to provide valuable supplements, to add voice to the text and help categorise the data ([Wolcott, 1990](#)). We also attempt to link the practices with the background of the respondents, inductively, and demonstrate veracity by telling a convincing story (Steyaert and Bouwen, 1997).

Our approach is justifiable on a number of counts; our concern for validity and reliability aided the development of analytic insights (Wiseman, 1979). This reflects [Chandler and Hanks \(1994\)](#) suggestion that longitudinal and qualitative studies are useful methods to explore the way resource capabilities are developed and environmental opportunities are identified. Dacin *et al* (1999:3) referred to embeddedness research as being characterised by taking on really rich empirical contexts and by getting “dirty” hands (Hirsh, [Michaels and Friedman, 1990](#)), in qualitative work you try to make sense out of the social world of the people studied by attempting to reconstruct their view of their world (Wiseman, 1979). We recognise these research techniques have some inherent limitations. The study area was restricted, the small number of study firms and the methodology employed inhibit generalisability ([Larson, 1992](#); [Chandler and Hanks, 1994](#)). However, the value of the research design lies in its capacity to provide insights, rich detail and thick description ([Geertz, 1973](#)) to produce a grounded model which can generate hypotheses for further testing ([Larson, 1992](#)).

Discussion

The Entrepreneurs in Social Context

Table 1 describes the entrepreneurs, their business and the social context. It shows that the businesses, previous experience, length of time in the local area and connections varied amongst the entrepreneurs. Although ([Storey, 1994](#)) suggests that entrepreneurs tend to start-up businesses in the same industry in which they had experience, for our respondents, previous employment was not necessarily related to their own venture. Nevertheless, previous employment provided background knowledge, experience of working in a business and initial contacts. For instance, Anne had no direct experience of the fashion trade, (except as a customer) but general experience had made her acutely aware of the importance of marketing and customer relations.

Respondents had varying degrees of familiarity with the rural environment. Significantly, none of the respondents wanted to move from the area, instead their experiences had led to each respondent locating their business in the rural. In spite of the structural limitations associated with rural business locations (O'Farrell and Hitchens, 1988; Townroe and Mallalieu, 1993) for these respondents the "rural" was an attraction. So, locational choice appears to contradict the rationale of profit maximisation, but may represent an optimisation of all benefits. The table also demonstrates diversity of entrepreneurial motivations. Nonetheless, it is clear that all respondents had chosen to develop strong bonds to the local context. Furthermore, these bonds had influenced the entrepreneur's decision to establish a business. The later section attempts to develop this aspect by demonstrating how each entrepreneur recognised the opportunity, describing its viability and their personal perspectives of entrepreneurship.

Entrepreneurial Process; Recognition, Viability and Perspectives

Although each business was different and involved a variety of issues and risks, what is clear from Table 2 is that the "local", at some level, was important to the entrepreneurial activity. Moreover the entrepreneurs attributed local factors to their success. This took the form of the local providing the inspiration for the venture (*Jane*) "*a lot of people were puzzled as to why we moved up. it's amazing, you see the Northern lights.....it's just brilliant and I wouldn't want to live anywhere else.....sometimes I wonder if we struggle with the business just so that we can stay here. Living up here is the most important thing.....I wouldn't have wanted to set the business up anywhere else*". The local also provided support. (*Peter*) "*In a rural area you have the advantage that, with no disrespect, you get a better class of citizens. I always find people brought up in the country are something special and very dependable, very loyal. The stories I have heard about the Central Belt are absolutely horrid...horrific.....We employ a lot of people from the local area. They're very dependable and loyal*". These factors clearly impacted upon the motivation to build a local business. The entrepreneurs could all have worked and lived elsewhere, but personal and professional motives influenced their locational decisions. Keeble (1993) refers to the quality of life being important to people who live in rural areas. For each entrepreneur, moving away from the area was an unattractive alternative. Perhaps more interestingly, the entrepreneurs all had recognised that there was an opportunity within the local area and used the

local environment. This supports the views of Smallbone *et al* (1993) who point out that opportunity recognition arises from within rural areas rather than outside. However, the activities also provided something of real benefit to the local community, which highlights reciprocity. The attraction of the local environment was not just about producing a local living but also about adding to the local.

A further feature highlighted in table 2 is the variation of markets served. Ian, Anne, Jane and Peter's businesses serve markets beyond the local area. John is gradually expanding beyond the local area as his reputation grows and expands. The nature of Fiona's product means that she specifically deals with the local market. However, such is demand that Fiona finds it difficult to keep up with local requirements. George's reputation has grown through local customers and tourists. Ian explained "*it's just a small local business that initially was very much based around the main town but now we operate in a 50 mile radius*". So, although each business was initially established to serve the local market over time markets have expanded beyond the immediate local area. This seems to support the notion of embedding as process over time.

Table 2 also highlights the respondents' personal perspectives of entrepreneurship. Although the views of the entrepreneurs illustrated in table 2 may not be untypical of entrepreneurs in general, what is interesting is that several indicated that entrepreneurship would provide security for the family, despite the risks associated with such activity. These points highlight how entrepreneurial perceptions of risk and uncertainty are moderated by self-confidence. The perspectives also demonstrate that risk assessment is subjective. George's venture was extremely risky since the business had no established customers or trading record, apart from the bankruptcy of the previous owner! The hotel had been closed for almost a year and was in a poor state of repair. However, for George becoming his own boss reduced the uncertainty, "*I didn't see it as risky, I knew this place would do well, it was just a matter of pulling it all together.....the opportunity we had been waiting for.....to build a secure future for our family.*" George saw entrepreneurship as providing security for his family and guaranteeing long-term employment; he was in control. Peter's venture was also risky because it involved construction in a small and remote area. Yet, Peter's interpretation of the venture was reduced uncertainty because he knew the area and the industry. Anne's venture involved substantial capital for stock. With the financial support of her family she decided to purchase premises, "*it's an investment of our time and effort but its for ourselves*

and the family isn't it?" Ian had initial contacts and contracts with the local council, but they were almost complete and new business had to be gained to survive. Ian was fully aware of this but "knew" the customer base was increasing and could continue to do so. He was aware of potential but knew this would rely on his skills. Entrepreneurship provided Ian with flexibility, but at the same time this flexibility became a disadvantage. Although he could decide when he wanted to take time off, he worked during evenings and at week-ends to achieve this. Ian's view was "*at the end of the day the buck stops here*". Fiona and Jane saw establishing their own businesses as the only possible route to autonomy. (Jane) "*There was no choice. It was the only thing we wanted to do*" Although their ventures required limited external finance, they had to ensure an immediate market.

Thus for the entrepreneurs location provided advantages rather than disadvantages. However, these were not conventional economic advantages but were more to do with the social aspects of the area, for example they knew the area, were known and had local contacts to support their activities. The ways in which viability was produced involved social factors and embeddedness. In a word their businesses were embedded in the locale. They drew value from the local structure and in doing so added to the structure.

Embeddedness and the Process of Embedding

All the entrepreneurs were embedded within the local context as Table 3 illustrates. However, there was no clear pattern to the actions which resulted in embedding. Embeddedness had been achieved in different ways and had different implications for the business and the way it was operated. George and Anne were known through their family ties; they both had experience and knew the area, which provided them with intimate knowledge; they had established connections and could call on people. George's in-laws were familiar with the hotel trade and could be relied on for support. Anne's family were unfamiliar with the fashion industry but had extensive business knowledge; experience and acumen; were well regarded within the local community and provided both financial and morale support. Anne's embedding actions include holding fund raising fashion shows for the local area, loyalty cards for local shoppers and keeping her customers up-to-date with new stock. Thus customers felt that Anne was genuinely interested in them as individuals.

Ian and John's situations are particularly interesting. They are not local and yet sought to embed themselves within the social context in different ways. Ian described how people tend to belong to one club or the other; they socialise in the same areas in which they work and live, and frequently with the same people. A quote from Ian helps to clarify this, *"I came home in a taxi with someone with whom I do business on Saturday night because we both happened to be at a wedding. But the wedding happened to be the wedding of the son of another local who we both have to contact through our work. We were both at his daughter's wedding as well, but he's just a guy I work with and got to know through work and through Round Table we just happened to be at his wedding so you'll mix your social and your work very much that way"*.

The Company which originally employed Ian had suggested that he joined various local clubs and offered to pay his fees. However, he said he would be joining these clubs anyway, and felt he knew enough about the area to realise that it was important to be seen to pay his own fees. These clubs provided Ian with a way to become embedded at both a social and a professional level. Yet, according to Ian, he has never joined anything to develop a business association. He joined because he was interested in pursuing the social activity. Nevertheless, he does say that *"you will develop a business association because you develop a rapport with people and they get to know you as an individual and on a personal level"*. Ian argued that if you join these clubs purely to gain business contacts, this would simply not work in the local area. Ian insists that the relationships he developed were not fostered to gain information. He described how within a small rural community everyone tends to know everyone else. *"There is a way of doing business locally which involves being fair, not forcing yourself onto someone else and not making their acquaintance purely for the sake of generating business contacts."* Business is conducted very differently and on a personal basis. This indicates that for Ian embedding is not "extractive", i.e. mining the local context for connections. It seems to be a reciprocal process of becoming accepted and also learning about and accepting the local "rules".

Similarly, John is not local but he became embedded in a different way to Ian. Initially this was through a local mentor who was well known and highly respected. He took John under his wing and encouraged people to contact John, because the locals trusted his judgement they did so. This helped John to become better known and to develop a customer base. John also married a local.

However, John's personality and demeanour have also been important. He is a likeable chap and has always done his best to get on with people by participating in village events. Clearly the local community is important to John, *"the people in the village have been a lot more supportive than ever I thought they would have been.....they've made the business grow and turned it into what it is more than I have really. I may be in the background stirring things up but certainly they are the main people that it's all down to really.....The location, that's why I wanted to start here, it was needed"*.

Peter has always lived in the area. This has helped him to understand and appreciate the local context. Peter has become both well respected and regarded as an individual, as a businessman and as an employer. Peter discussed the ways he discovers what is happening at a local level. He commented on how *"we have an underground in the rural area if there's something happening someone will know about it. We have contacts in most places and most departments, which obviously I can't name."* Clearly this "underground" is important to Peter and informs his business activities. Peter also uses the knowledge of his staff and their local social relations, *"to be quite honest I find advertising (for staff) a waste of time, we do it through personal contacts. All I have got to do is go to the factory and say to Alan or Martin, I'm needing a couple of guys. They'll come back to me in a few days. That's the way we've done it and it always works. But we don't pinch staff from other local employers"*. Thus Peter is also aware of how his staff can help him to realise opportunities. Moreover, even if staff do come from another local business Peter himself is not actually being seen to "pinch" them. Thus he retains his reputation and respect at a professional and an individual level.

Interpretation and Analysis

Entrepreneurship and the Social Context

Although there was no common mechanism for embedding and the entrepreneurs had become embedded in different ways, being embedded was clearly important. The results of embedding actions involved gaining and acquiring local knowledge, credibility and resources. The locals knew the individuals, often referring to them on first name terms. Through being embedded the entrepreneurs seemed to take pride in either being local or becoming local and all wanted to have a

close local relationship. However, this seemed to be at a personal level rather than through business, each wanted to be recognised as an individual. This reflected onto their businesses which were personally associated with the entrepreneurs. Previous research has shown that an entrepreneurial motivation is the production of prestige ([Anderson and Jack, 2000](#)). However, prestige from the view of the individual entrepreneur can be relatively superficial. In contrast being embedded, as the triangulating comments in table 3 indicate, suggests a more profound respect for the individual in context. Through embeddedness the entrepreneurs also appreciated how business was conducted in the area, the local rules and opportunities for business activity. John and Ian, being outsiders, appreciated this more sharply. They had recognised the need to become embedded for two reasons. Firstly, they realised that business was conducted in a specific way and that embedding would provide a better understanding of these local rules. Secondly, they recognised the need for the locals to get to know them as individuals as a precursor to business links.

Each individual chose to become an entrepreneur by recognising an opportunity within the local context. Within the entrepreneurial process, the context and the local environment played an important role. Whilst this does not necessarily differentiate these entrepreneurs from those in other environments, it is apparent that none of the entrepreneurs wanted to simply earn a living from rurality but offered some sort of trade-off and local benefit. They were all providing something which they considered the local community needed and would be beneficial; but equally they drew upon the locale to support their business. This goes beyond “normal” business activity. Hence structure and agency appear to be in a dynamic relationship.

Each felt that they knew, or could develop knowledge about, the local area. This helped them to understand the market place and its requirements, the labour market and business opportunities. They knew both the limitations of available resources and the local potential. This knowledge empowered them with the confidence that the business would work. So being embedded had specific benefits for the business operation. Two further components which the research highlights in the process of embedding are knowledge and trust: knowledge about the entrepreneur and trust in them, coupled with knowledge about the local context.

Embeddedness and its Effect on Entrepreneurial Activities

Being embedded within the social structure of the area provided the entrepreneurs with intimate knowledge, contacts, sources of advice, resources, information and support. This indicates that by being embedded it was easier to recognise and understand what was required and available. These perceptions, in part developed by the structure, of the entrepreneur are important in recognising the business opportunity and potential. The entrepreneurs appeared to have a vision which contributed to their success, they convinced others because they knew their venture would work. But they could only do so by being contextually aware through embeddedness.

The Embedding Process

We propose the following model as a way of conceptualising the relationship between the entrepreneur, structuration and embeddedness. This model builds upon that presented in Figure 1 but illustrates how our findings can help to understand the relationship. Furthermore, it views this relationship as a dynamic structure and illustrates the interactive context in which entrepreneurship occurs.

Figure 2 highlights that our research has illustrated that identifying entrepreneurial opportunities occurs within a specific context. However, to identify the opportunity and realise its potential, the entrepreneur needs to know and understand the context. To do so the entrepreneur has to be socially embedded. Social embeddedness enables the entrepreneur to understand the specifics of the local structure and to achieve the entrepreneurial outcome. These actions form part of the entrepreneurial process because the entrepreneur is embedded in the context (i.e. it is the structure which shapes the context). In turn the structure is changed by the entrepreneur which forms the raw material for the next round of entrepreneurial activity.

Value Extraction and Value Production

The analysis shows that value is both extracted and produced, and that this is facilitated through the entrepreneurs' embeddedness. Value is extracted through the way the entrepreneur draws on the environment in establishing and developing the venture, but value is also produced by the

establishment of the venture and grounded in its contribution to the local. Hence we see a circular process of embeddedness; drawing from (the local environment): giving to (the local environment).

Conclusion

Examining the entrepreneur within the context of rurality illustrates that embeddedness is an important factor of the entrepreneurial process. The entrepreneurs were all embedded in the local and this influenced the way in which their businesses were established and managed. The entrepreneurial process is ongoing and reflects changes in the local context. The entrepreneurial process is about value gathering, but this research highlights that it cannot be treated in the purely economic sense. It needs to be sustained by, and anchored in, the social context, particularly the local environment. However, whilst our research highlights the advantages of social embeddedness, it could also be a disadvantage. Embeddedness involves relationships, but relationships can be damaging or creative ([Johannisson, 1987](#)). For example, failing to conform to expectations or implicit rules may sour relationships and become hindrances to business operations. Therefore, the social context does not always contribute to the venture, social and moral obligations can also constrain.

All seven entrepreneurs illustrate examples of local opportunities which “fitted” the specific needs of the local situation. In these instances they recognised the need (opportunity) through being embedded which in turn helped them to develop a contextual competitive advantage. For the entrepreneurs the appeal of establishing their business was influenced by social factors; they had family in the area, their children had made good friends, they liked the way of life and the social side. The opportunities were contextual in that each required knowledge of the structure of the local context. Embeddedness facilitated this process and helped to cement the entrepreneurs into the local environment by providing a way of understanding the structure. Thus they were able and enabled to recognise and realise opportunities.

Embeddedness is a process of becoming part of the structure. However, it means more than simply developing social networks, although it is through these that social endorsement and acceptance occurs. Embeddedness is a process of becoming part of the structure. The embedding process is:

- understanding the nature of the structure
- enacting or re-enacting this structure (Johannisson, 1988 and Weick, 1969 refer to this as “environment”) which forges new ties
- maintaining both the link and the structure

The evidence suggests that the level of embeddedness in the local environment is determined by the networks, ties and relationships of the entrepreneur. Thus social networks provide the mechanism for becoming embedded. Embedding is a two way process of gaining credibility, knowledge and experience. Reciprocity provided the entrepreneurs with knowledge, contacts and resources but this was only be achieved when the locals knew the entrepreneurs.

A theoretical construct of structuration is that the future is anchored in the past. That is, the past sets the conditions for the future but not deterministically. Thus in the entrepreneurial process the local environment acts as a socio-economic context whereby social relationships impact upon economic outcomes. The process of embedding is about establishing those social relationships which enable the entrepreneur to become part of the local structure. Embedding is a way of joining the structure, by joining the structure one enacts it. Johannisson et al (1984) referred to how the personal network can help the entrepreneur to operationalise a context and its own unique logic - i.e. the values, attitudes and action rationales which are taken for granted by the members as vehicles to success - incomprehensible to outsiders. In Weick’s (1969) terms through understanding this logic the entrepreneur enacts the environment. In our study being socially embedded enabled the entrepreneur to understand the local structure and also to become a part of it. Thus the entrepreneurs were presented with a unique competitive advantage: social embeddedness allowed them to become “a part” of the structure”. As a consequence the structure becomes enabling and is thus a dynamic relationship. Structure does not empower but it can be characterised as a milieu of opportunities.

We have shown how opportunity recognition and opportunity realisation are conditioned by the dynamics of the entrepreneur and the social structure. Being socially embedded enables access to latent resources and resources otherwise not available to the individual entrepreneur. However, this study shows that in addition to entrepreneurial facilitation, being embedded creates opportunities. The opportunities exist within the structure and only become manifest by the action of entrepreneurial agency. Thus we see how Gidden’s notion of structuration provides a lucid account of entrepreneurial action and structure. Through embeddedness, entrepreneurial action converts

“limited” resources into a “rich environment”. Conversely it can also produce constraints ([Anderson and Jack, 2000](#)).

The contribution of our research lies in its illustration of how entrepreneurs embed as a way to pursue and exploit commercial opportunities. The findings from this study support the view of Dacin et al (1999: 38) that “economic rational behaviour is not only grounded in wider social structures and meaning systems but also generative of change and variation within these”. We would also agree with [Uzzi \(1997\)](#) that we need to understand the influence and impact of social relationships and embeddedness on economic activity. Our findings also illustrate the accuracy of Burt’s (1992) structural holes thesis. The entrepreneurial application of embedding has been shown to provide the mechanism for bridging these structural holes.

Implications

Whilst this research has demonstrated that entrepreneurship is embedded within a social context, further research is needed to test the model in other contexts. An implication for practitioners is the importance of the social context. There are also a number of other areas for research: the role of social capital as an embedding mechanism ([Anderson and Jack, 2000](#)); the extent to which networks provide a mechanism for embedding; the nature of the entrepreneurs’ search for status within the local environment; the impact of the constraints of embeddedness, particularly in terms of failure. Our sampling procedure prevents us from proposing that the more embedded an entrepreneur becomes the greater the number of opportunities which will arise, but the strengths of the links of our respondents certainly suggest such a correlation. Clearly this is worth exploring in future research.

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Figure 1: Agency and Structure



Table 1: The Entrepreneurs in Social Context

	Business and Year Established	Background and Experience Prior to Start-up	Locational Relationship	Spouse's Origin	Spouse's Participation	Reason for Entrepreneurship in the Rural Area
Ian	Professional service - 1981	12 years in professional services. Established rural branch office for employers which he then purchased.	Rural incomer 1973 (age 28) but intended to return to city	Moved to the rural with husband, Ian	Housewife but with very active local connections	Professional and ambitious, offered partnership in city but chose rurality because of lifestyle and perceived opportunity
Anne	Clothes retail outlets - 1987	Marketing qualification and experience in an unrelated industry.	Has always lived in rural	Also local	Owens technical business	Wanted to establish business and family (including business partner) owned several businesses within the area, providing local business knowledge
George	Hotel - 1993	5 years in hotel industry	Rural incomer 1990 (age 22)	Established local family	Partner in their hotel	Wanted to stay in area and family familiar with trade; security

Jane	Glass blowing studio - 1994	Formal qualifications. Experience of craft industry. 2 years in glass blowing studio.	Family moved to area 1974 (Jane age 4). Left for university but wanted to return.	Moved to the rural when Jane returned	Full partner in business	Wanted to establish business in the area which was seen to be inspirational for design and creativity
John	Electrical contracting and retailing - 1993	14 years as an electrician, employed by an electrical contractor	Rural incomer 1987 (age 30)	Established local	Works in business	Chose to stay in the rural area due to lifestyle and spouse's wishes
Peter	Construction company - 1977	Employed by the original construction company for 15 years as administrator	Born and brought up locally	Also local	Housewife	Wanted to stay in the local area and saw potential for growth of activity
Fiona	Fruit business - 1993	Qualifications and experience in fashion and making clothes	Family moved to area 1961 (Fiona age 1). Left to gain qualifications but anxious to return.	From established local family	Sometimes works in business but also has other business interests	Tried a number of ventures to allow her to live locally

Table 2: Entrepreneurial Process: Recognition, Viability and Perspectives

	Opportunity Recognition	Location and Viability	Markets	Advantages	Disadvantages
Ian	Original business closing but great potential outside existing contracts	Minimal capital investment; liked the area, people liked Ian, hence customer base increased through reputation	Initially small but have now developed in quality and extent	He enjoys flexibility and freedom in “doing the job”	Flexibility also means lack of structure and an open-ended commitment
Anne	Recognition and the realisation of local market potential for a quality outlet	Organic growth, family support, intimate local knowledge turned to business advantage; business partner provides support, business acumen and knowledge	Has expanded existing outlet and developed another	She and her family would benefit directly from her hard work	Does not enjoy people management and business maximisation
George	Saw potential for good management	Application of new marketing and management	Immediate area and increasingly tourists	Control of own life, security for family	Long hours away from young family
Jane	Was inspired by physical environment	Unique creative skills which were locally supported	60% trade UK and international; 40% local	Satisfied her need for autonomy and wish to	Remoteness for technical support; she

	and saw possibility of using this in product design			live locally	dislikes managing finance and the erratic income
John	Not really opportunity originally but emerging as he became established	Developed reputation for reliability and trustworthiness by association with mentor	Customer pulled expansion, business changed in nature, created retail outlet	Directly realises benefits of his integrity and effort	Overwhelming demands on time
Peter	Offered opportunity to purchase shares in an old established business with good reputation	Specific rural area opportunities, employees and ability to find good staff	Joinery and construction in local market; manufacture and supply of windows to United Kingdom	Entrepreneurship provides security for his family; he controls his own destiny	Saw no disadvantages at all
Fiona	The opportunity was suggested to them	Based upon local knowledge, local contacts; location enhances product	Very local market	She realised her determination never to work for anyone else	Managing volume of work and hours

Table 3: Embeddedness and the Process of Embedding

	Mechanism and Nature of Embedding	Embedding Outcomes	Implications for Business	Comments from Local People
Ian	Range of social activities, including joining clubs for social reasons (not to overtly develop contacts)	Understood and realised how business was conducted - cannot develop contacts purely for the sake of business	Business conducted on a face-to-face basis; no advertising; unique marketing opportunity	<i>“does a good job. works hard and long hours. can be trusted”</i>
Anne	Family and being local, enhanced by community activities and good customer relations; business benefits the local community	People know her; people trust her	Profitable business expansion	<i>“she’s doing really well for herself. she lets me know when she has something in. She always knows what will suit me”.</i>
George	Through marriage and by getting to know other people	Strong sense of belonging with intimate local knowledge; customer loyalty	Knowledge of reliability and creditworthiness; local knowledge provided a framework for information	<i>“he’s a good lad. did a great job at Wendy’s wedding”</i>
Jane	Established local, sharing	General practical and morale	Locals want to see the	<i>“they’re such a nice young</i>

	vision and ideas for the community	support from community; seen to promote natural beauty of area	business do well because it celebrates their place; locals felt a vested interested	<i>couple. deserve to do well”</i>
John	Embedded through a “mentor” but personalised these ties	Business comes from word-of-mouth; recognised how business was conducted	Business growth; not price sensitive; repeat and regular business through word-of-mouth	<i>“he’s a nice guy. will always help you out”</i>
Peter	Established local; empowered local employees	Channels to new local business; understanding local business context	Known for quality work and fair employee practices; because of quality and fair employee practices is first choice for potential customers	<i>“he’s a good man and really fair. once a Jones man, always a Jones man”</i>
Fiona	Maintaining local links; using local labour	Product fits local market; seen as the local supplier and worthy of support	Majority of customers are local; retains these customers and adds new customers on their recommendation	<i>“she’s always on the go but always cheery you have to get into the shop early to get her fruit. It goes so quickly”</i>

Figure 2: The Structuration of Entrepreneurship: Structure and Agency in a Dynamic Relationship

