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# Locating Entrepreneurship: the importance of social context

**Eleanor Shaw, Juliette Wilson, Ian Grant**

**Strathclyde Business School**

**Stenhouse Building**

**173 Cathedral Street**

**Glasgow**

**G4 0RQ**

**Contact: eleanor.shaw@strath.ac.uk**

# Locating Entrepreneurship: the importance of social context


## Abstract

This paper presents the findings of recent case study research which explored the interplay between entrepreneurship and social context. By applying established theories and concepts from outside the field of entrepreneurship, principally Granovetter's (1985; 1992) perspective on social embeddedness and social network theory (Mitchell, 1969; 1973) to the study of a small creative industry firm, the research generated rich and theoretically-informed insights into the dynamic between a small firm and its social context. The findings discussed indicate that the case firm is embedded in a complex network of overlapping relationships which have significant implications for the behaviour of the firm with respect to these relationships. Key themes which emerged included the nature of interactions used to negotiate exchanges and develop relationships and the perceived impact of hierarchy on these interactions and their strategic intent.


Key words: social context, embeddedness, networks, case study

## Introduction

While it has long been recognised that social context is important to the process of entrepreneurship it is acknowledged that empirical research has been slow to respond to this, concentrating more on entrepreneurial motivations, small firm growth and discrete entrepreneurial activities such as opportunity recognition, than interactions between small firms and their environments (Brencic *et al* 2003, Gartner and Starr, 1993; Gibb and Scott, 1983; Goss, 1991; Stanworth and Curran, 1976). IMP researchers have made some initial forays into issues of networks, entrepeneurship/SME's and social relationships (Brencic et al 2003, Kinunda-Rutashobya 2002, Raesfeld and Kraaijenbrink 2008) but such work is very much in its infancy. This paper specifically explores the interplay between the process of entrepreneurship and the social context in which this process is located.

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Entrepreneurship research has been repeatedly criticised for its weak theoretical development (Sexton, 1987; Carsurd et al., 1986; Hofer and Bygrave, 1992; Jennings, Perren and Carter, 2005). Responding to this, branches of entrepreneurship research have sought to acquire robust theoretical insights by applying theories, models and concepts developed within disciplines in more traditional social sciences. Particular to the interplay between small firms and their environments, a range of established theories including population ecology (Aldrich, 1979; Aldrich and Wiedenmayer, 1993; Hannan and Freeman, 1989), resource based theory (Pfeffer and Salancik, 1978; Barney, 1997; Eckhardt and Shane, 2003), transaction cost economics (Williamson, 1985; 1991) and social network theory (Aldrich and Zimmer, 1990; Larson and Starr, 1993; Johannisson, Ramirez-Pasillas and Karlsson, 2002) have been applied. Such theories share an interest in networks as organising mechanisms for supporting inter-organisational exchanges and in related notions of power, trust and reciprocity. However, each of these perspectives differs in the extent to which they recognise entrepreneurship to take place within a social context.

To generate theoretically convincing insights into the interplay between entrepreneurship and social context, the research presented has borrowed theories and concepts developed within disciplines outside of entrepreneurship. Aldrich's (1979) description of organisations as open systems with fuzzy boundaries and Granovetter's (1973; 1985; 1992) perspective on the social embeddedness of economic action are used to develop the theoretical context of the study presented. Specifically, the paper discusses the findings of recent case study research which sought to explore the nature and impact of social embeddedness (Granovetter, 1973; 1985; 1992) on the interactions, relationships and networks of a small creative industry firm operating within a business-to-business market.

**Theory Development in Entrepreneurship Research**

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Given the importance which most governments place on a healthy small firm sector, it is surprising that the processes involved and the social context in which entrepreneurship is situated have received little dedicated research attention. Despite reviews of entrepreneurship research published in the 1980s commenting that studies "are still primarily orientated to the characteristics of entrepreneurs and owner-managers and not to the environment in which they operate" (Wortman, 1986: 274) and observing that, at "a time when so much attention is given to innovation and entrepreneurship, it is rather pathetic that a deep understanding of the process is lacking" (Teece, 1987: pp67), few significant contributions have been made to understanding the process of entrepreneurship and how it connects and interacts with its social context in the two decades since these remarks were made. This can, in part, be explained by the absence of robust, dedicated theories of contemporary entrepreneurship. In response to repeated criticisms of the lack of theory development within the field (Low and MacMillan, 1988; Aldrich and Baker, 1997; Shane and Venkataraman, 2000), it has been noted that while there has been a 'bonanza of efforts at generating theory in entrepreneurship', these efforts have yet to generate an integrated theory of entrepreneurship (Gartner, 2001).

It has been argued that the absence of an all encompassing theory of entrepreneurship should not restrict engagement in theoretically robust entrepreneurship research. Instead, it has been recommended that entrepreneurship research can advance by applying theories, concepts and models developed within more established social sciences. For example, Sexton (1987) argues, "(i)t is imperative that researchers stop attempting to 'reinvent the wheel' and utilise ...applicable research that has been developed in other areas". He suggests that entrepreneurship researchers should involve the "transfer of up-to-date research and findings from other areas which in turn [will] contribute to the development" of entrepreneurship theory. Carsurd et al. (1986) concur that "entrepreneurial research needs to become interdisciplinary in nature". Similarly, Hofer and Bygrave (1992) state that the major challenge facing the field of entrepreneurship researcher is "to develop models and theories on solid foundations of the social sciences".

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**The Social Context of Entrepreneurship**

Responding to such comments the research presented has applied established theories and concepts developed within disciplines outside of the field of entrepreneurship in an attempt to acquire rich and theoretically convincing insights into the dynamic between small firms and their social context.

The starting point of the theoretical context developed for our study is Aldrich's (1979) description of organisations as 'open systems' and the implications of this for entrepreneurship research. Aldrich's (1979) recommendation that the environment within which the organisation exists must not be ignored is of particular relevance to small firms. It has long been recognised that as a consequence of their smaller scale, reduced bargaining power and limited market share, the environment in which small firms exist can have a disproportionate impact on their survival, sustainability and growth (Scase and Goffee, 1980; Stanworth and Curran, 1976; Gulati and Gargulio, 1999). Accepting this, Aldrich's (1979) assertion that the context in which organisations exist will impact on their activities, behaviour and performance and, that the boundary between organisations are blurred provides a useful starting point for conceptualising the social context of small firms. Considered against a plethora of entrepreneurship research which has sought to explore discrete aspects of the entrepreneurship process and which has been criticised for its propensity to investigate small firms by isolating them from the environments in which they exist, recognition that contemporary organisations are 'open systems' is of specific relevance to entrepreneurship research. In particular, the requirement to engage in research which locates investigations of firm behaviour within the context in which such behaviour occurs is pertinent to the study presented.

Building on Aldrich's discussion of firms as open systems, Granovetter's (1985; 1992) discussion of the social embeddedness of economic action as a useful way of further developing the theoretical context of this study. Social or relational embeddedness should be a familiar concept to IMP researchers (see Halinen and Törnroos 1998, Sandberg 2003, Holm *et al* 2005). Granovetter's work has been instrumental in developing understanding of the social context of economic behaviour.

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Granovetter (1985; 1992) has argued that it is unrealistic to analyse economic exchanges and the mechanisms supporting such exchanges, including markets, internal organisational hierarchies and network forms of intra-organisational collaboration which support the sharing and exchange of resources, without considering the social context within which such exchanges are embedded. His work can be used to support criticism of transaction cost economics (Blois, 1990; Powell, et al., 1996; Williamson, 1991; Ebers, 1994; Grandori and Soda, 1995) which, while recognising that firms may organise exchanges via network arrangements when it is most cost effective to do so, fails to consider the implications of the social interactions inherent in the negotiation and development of such arrangements. Granovetter's (1985; 1992) sociological explanation of economic activity argues that organisations do not take decisions devoid of the social context in which they are embedded; rather he argues, attempts at purposeful action, for example, entrepreneurship, are embedded in concrete, on-going structures of relationships. Going further, he argues that as economic action is socially situated, actors involved in such action will simultaneously pursue economic and non-economic goals, including sociability. As a consequence of the '*embeddedness of social action*' thesis, Granovetter's explanations of economic activity suggest that entrepreneurship research consider the interplay between firm behaviour and the concrete personal relationships and obligations inherent within these. Recent research which has applied this thinking to entrepreneurship suggests that firms will engage in exchanges for more than economic benefits; the social interactions involved in negotiating organisational exchanges often emerge as critical to the continuation of organisational interactions (Johannisson, Ramirez-Pasillas and Karlsson, 2002).

To operationalise his perspective on embeddedness, Granovetter borrowed concepts used in social network theory developed by social anthropologists including Bott (1957), Mitchell (1969), Barnes (1969) and Boissevain (1974). Social network theory conceives of society as a network of overlapping social relationships which connect individuals, groups and organisations. To understand social actions and behaviours, the theory argues that both the positions actors hold within such social

networks and the interactions in which they engage must be explored. An important feature of social network theory is its recognition of both the direct and indirect relationships which bind actors together and the pivotal role of 'brokers' in this process. Brokers hold special positions within networks by linking together actors not sharing a direct relationship (Tichy et al., 1979); consequently brokers hold powerful positions within networks.

Network theory identifies three aspects critical to social network analysis (Mitchell, 1969). First are the structural dimensions of networks particularly their density - which indicates the extent to which networks can be described a loose or close-knit - and also the diversity or social heterogeneity of their participants. Second are the interactional or relational dimensions of networks particularly the contents, durability, intensity and direction or balance of power of relationships. The final aspect identified as important to the analysis of social networks is the interplay between these structural and interactional dimensions. This is illustrated by Granovetter's (1973) 'Strength of Weak Ties' argument which has been applied to entrepreneurship. This argument suggests that entrepreneurs and their firms will benefit by being centrally located within loosely connected networks comprised of mainly weak relationships – those which contain one content - which can connect them with actors and therefore resources contained within distant parts of the network in which they are embedded. Entrepreneurs embedded within such networks will benefit, for example, by having access to a greater amount and diversity of information than those embedded within close-knit networks comprised of many strong relationships (Aldrich et al., 1986; Aldrich, 1987; Granovetter, 1995). The reality of entrepreneurship dictates however that most small firms will be embedded within networks containing a variety of weak and strong ties as well as areas of network density, known as cliques. Burt's (1992) work in particular has been instrumental in identifying structural holes within networks and considering the implications of these. Simply put, network theory suggests that firms are likely to be embedded within a portfolio of overlapping relationships which will provide both opportunities and constraints (Gulati and Gargulio, 1999).

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Research which has sought to understand inter-firm interactions within the context of the network in which they are embedded can most commonly be found within the field of entrepreneurship. That entrepreneurship scholars have been particularly interested in applying network theory to small firms can be explained by the restricted resource base, limited market power and lack of self-sufficiency typically associated with small firms. As a consequence of these characteristics, small firms can face particular challenges when negotiating market exchanges which can place them at a disadvantage relative to larger competitors. This is particularly so if their access to resources becomes dependent on larger organisations which exploit a power imbalance to gain control over the terms by which these resources can be acquired (Buvik, 2001). To overcome this, small firms often become dependent on ties of trust and co-operation and on the use of social networks as mechanisms for negotiating exchanges, acquiring tangible and intangible resources and facilitating trading (Starr and MacMillan, 1990; Jack, 2005).

Researchers in this area have been quick to adopt Granovetter's (1985; 1992) perspective on embeddedness and have applied network theory and concepts to explore the entrepreneur's personal contact network (c.f.: Aldrich and Zimmer, 1986; Birley et al., 1990). However, in common with network studies framed within transaction cost (Williamson, 1985; 1991) and industrial marketing (Hakansson and Ford, 2000; Ford et al., 2003) research, network studies in the field of entrepreneurship have been criticised for concentrating more on investigating the structural dimensions of such networks (Blackburn, et al., 1990; Shaw, 2006) than exploring relational dimensions or the interplay between these and morphology of a network. Exceptions to this include the work of, for example, Dodd, Jack and Anderson (2002), Shaw (2006) and Jack, Anderson and Drakopolou Dodd (2008), which has sought to explore and interpret network interactions and consider the development of network processes over time. Such research has been significant in demonstrating the insights which can be acquired into the impact of social context on entrepreneurial

behaviour when network theory and concepts are applied and a research methodology suited to the exploration of these is designed.

Building on such work, the research presented sought to explore the interplay between social context and entrepreneurship. By applying Granovetter's (1973; 1985; 1992) perspective on embeddedness and network theory and concepts developed outside of the field of entrepreneurship, the research sought to acquire theoretical and practical insights into the nature and impact of social embeddedness on the interactions, relationships and networks of a small creative industry firm operating within a business-to-business market.

## Methodology

### *Research Approach*

It was commented above that a lack of theory development in entrepreneurship has limited understanding of the process of entrepreneurship including the impact of the social context on this process. Contributing to this are the narrow range of methodologies which are typically employed by entrepreneurship scholars. A concentration on Positivist, deductive research which favours reductionism in the search for generalisability rather than inductive, heuristic research has been recognised as dominating entrepreneurship research for some time (Bygrave, 1989; Borch and Arthurs, 1995; Gibb and Davies, 1990). For example, Aldrich (1992) described entrepreneurship research as a 'mono-field' and argued that more diverse methodologies are required if insights into the process of entrepreneurship are to be acquired. Writing more recently on the implications of this, it is argued that Functionalism has become the dominant paradigm of entrepreneurship research (Chell and Pittaway, 1998; Grant and Perren, 2002; Jennings, Perren and Carter, 2005). Jennings, Perren and Carter (2005) present a number of convincing arguments for designing studies of entrepreneurship within alternative paradigms including the Interpretivist paradigm. They argue that,

"Functionalism tends to write individuals out of the story; it concentrates on so-called "objective" facts and ignores the emotion and personal angst of entrepreneurs. It puts function and the system before people, and this can be dangerous without a strong counterbalance" (Jennings, Perren and Carter, 2005:147). This description of Functionalism suggests it is not suited to guiding research interested in understanding the social context of entrepreneurship. Specifically, as the research presented in this paper sought to explore the relationships in which entrepreneurship is embedded, the interactions inherent in these relationships and the implications of each of these on entrepreneurial behaviours, Functionalism was not an appropriate paradigm within which to design such a study.

Recognising that a number of alternative paradigms are available, the Interpretivist paradigm was identified as particularly appropriate for this study. While interested in order, regulation and the status quo, this paradigm also recognises reality as subjective and is interested in individual perspectives on social phenomena (Jennings, Perren and Carter, 2005).

***Research Design***

Working within this paradigm, the creative industry was chosen as the focal point for this study. The characteristics that define firms within this industry make such firms particularly suited to research interested in the interplay between social context and entrepreneurship. The creative industries, covering the cultural, artistic and entertainment industries (Caves, 2000), is largely made up of small, fragmented, and less hierarchical firms (Ancliff et al. 2007). Such firms operate within complex networks of individuals, agencies and organisations. As such, firms within the creative industries are inherently social organisations (Amabile, 1983; Woodman, et al., 1993) operating within networks of overlapping interpersonal relationships, within and across organisational boundaries (Simonton, 1994). They are therefore firms inherently connected by webs of overlapping organisational and personal relationships (Curran and Blackburn, 1994; Silverside, 2001; Shaw, 2006). This sector

provides an excellent environment for exploring the interplay between social context and entrepreneurship.

In designing the study, case study methodology was selected as appropriate. Case study research has an established recognition within entrepreneurship research (Manimala, 1988; Chetty, 1996; Chirico, 2008; Murray, 1996; Perry, 1996; Perren and Ram, 2004; Romano, 1989) and is ideally suited when studying contemporary, real life phenomena in which the boundaries between such phenomenon and context are unclear and complex (Yin, 2003). The multiple sources of data, typically used in case study research allow for a more holistic and in-depth understanding than other single method qualitative approach (Riege, 2003) and encourage a more contextually based understanding of social phenomena (Patton, 2002). This is an essential aspect of any study focusing on social context and embeddedness.

It was decided that to fully understand the complex relational environment within the creative industries a single case approach would be used. Single case studies can provide powerful insights, Siggelkow (2007: 20) advocating that, “it is often desirable to choose a particular organisation precisely because it is very special in the sense of allowing one to gain certain insights that other organizations would not be able to provide”. Creative industry firms typically operate within a multiple stakeholder, multiple agency environments and the careful choice of a single organisation allowed the research team to provide deeper, more extensive theoretical insights than comparing across cases (Dyer and Wilkins, 1991). It should be noted that because of the dearth of knowledge concerning embeddedness and the social context of entrepreneurship, the study concerned itself more with exploration than replication or extension (see Eisenhardt, 1991). The design, incorporating a single case covering multiple units of analysis, is referred to as “embedded case study design” (Grümbaum, 2007:90). Specifically, we selected a small arts-marketing agency embedded within a complex relational environment involving interactions with a raft of diverse stakeholder groups, on several levels. The organisation, which will be referred to as CCR, operates as a marketing and

research agency on behalf of small, medium and large arts organisations from both the private and public sectors. The complexity of its relationships with existing and potential clients, funders, public bodies and a variety of other interested groups identified the organisation an ideal for exploring the nature and impact of embeddedness with the creative industries. The case firm is located in the geographical and business heart of Scotland, allowing the research team access to study an organisation surrounded by, and engaged in, a complete set of local, regional and national arts-related networks

The research approach was influenced by Perren and Ram's (2004: 85) 'multiple stores milieu' paradigmatic approach. This assumes a subjective position in which researchers are interested in "understanding the way in which the individual creates, modifies and interprets the world" (Burrell and Morgan, 1979:3). The boundary of the case lies with the firm in question (in this case the owners and employees of CCR), whilst the focal lens is turned towards their individual interpretations of the phenomena in question, in this case the internal and external networks and relationships in which the firm is embedded, as experienced by each participant. Individual actors are assumed to have differing cultural interpretations (Miles and Huberman, 1994) within a shared social milieu (Perren and Ram, 2004:90). The research team is assumed to be reflexive in seeking interpretation of meaning and as such, attuned to the range of possible interpretations when participating in site visits, conducting interviews and assisting in management meetings. Such an approach is ideal when required to explore complexity and avoid over-simplified models or answers.

***Data collection***

Working in pairs, the research team conducted personal depth interviews with the four key members actively involved in management of the organisation. First names have been changed to respect their anonymity. Their anonymised names and position within the organisation are as follows: Jane (Managing Director), Caitlin (Head of Market Research), Davina (Audience Development Manager)

and Nadia (Marketing Executive). Given the need to obtain individual and potentially conflicting accounts, depth interviews were used as the primary data collection method. This was supplemented by notes taken at board meetings, supplementary informal discussions with external board members and secondary data collection (company magazines, internal documents, company website, annual report). Informal discussions were initially held before more formal interviews were conducted in the autumn of 2008. Each varied in length, lasting between one to two and a half hours. Interviews were conducted on the premise of the organisation.

***Data Analysis***

After each interview, the researchers discussed initial impressions and observations, taking notes to crystallise the main themes emerging (Bryman and Bell, 2007). All interview transcripts were digitally recorded and transcribed by a third party. Once the interview stage was complete, all transcriptions was gathered together and stored in an electronic database, using NVivo. Interview data was triangulated with information gathered from supplementary informal discussions, meetings and secondary sources to provide a detailed context upon which to develop case explanations. Initial interpretations of the combined data set allowed for the emergence of thematic codes relating to nature and impact of embeddedness within and across networks. Comparison of responses from each respondent then allowed for the surfacing of areas of commonality and differing viewpoints. Guided by the existing literature, emerging insights were referred back the theoretical concepts of embeddedness and network theory for clarification and refinement.

As a team of three researchers were involved in this case-oriented network research, the third member of the team was able to digest the transcripts in detail and discuss and debate interpretations of the main themes found by the initial pair of researchers involved in data collection. This process ensured that a high level of internal *credibility* (Lincoln and Guba, 1985) was attained, consistent with an interpretive study of this type. After the interviews, a workshop was arranged to present back the findings to the organisation, helping to corroborate the collective understanding of responses

given. Finally, as highlighted above, multiple sources of data (primary and secondary sources) were triangulated to improve the quality of the final research team interpretations arrived at (see Miles and Huberman, 1994, Yin, 2003).

From this process of inductive, triangulated analysis a number of core themes pertinent to developing an understanding of the dynamic between the case firm and the social context in which it was embedded emerged. Having identified these underlying themes, analysis then concentrated on acquiring a deeper understanding of these themes, for example by considering their characteristics and related dimensions. Analysis was also concerned with searching for any relationships between these themes. Finally, analysis was concerned to explore both commonalities and differences within and across each of these. In this way, the data as it related to these emergent themes was compared and contrasted to ensure that it contributed to an understanding of the dynamic between the case firm and its social context.

## Key Findings

### *Social Context*

Findings from interviews, board meetings, informal conversations and secondary data revealed the degree to which this small arts-orientated firm is firmly embedded within an extensive, complex and interwoven social context. This context comprised of a variety of overlapping intra- and inter-firm relationships, both formal and informal. CCR operates as a regional audience research agency, acting on behalf of a range of clients and members who pay either project fees or annual subscriptions for a package of research intelligence and advice, marketing training, networking events and strategic consultancy, all relating to the marketing of the arts to Scottish audiences. For such a small firm, it was enlightening to discover both the variety and inter-linkages between the firm's stakeholders which included clients and members, public funding bodies, influential politicians, professional and networking organizations, CCR board members and employees.

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Their 2007/08 annual report sets out the importance CCR ascribes to this embedded social context: "*when one organization improves, everyone gains and when empty galleries, theatres and concert halls prevail, everyone is diminished. To develop and sustain audience growth for the arts, organizations must work together*". This emphasises the degree to which the firm subscribes to, and actively pursues networking activities which they believe are beneficial to all involved. *Figure 1* illustrates, the range of internal and external stakeholders with whom CCR are involved and Appendix 1 provides a description of these different stakeholder groups.

*Figure 1 About Here*

As Jane, the Managing Director explains, networks and networking within and across these networks are essential to her firm, and, as discussed below, are sought after and proactively managed,

> *"I would describe it [our networks] as our members and stakeholders, that is probably simpler, because stakeholders are anybody from an elected member to MSP. It is anybody from a Local Authority Arts Officer to 'BC' who is the Director of Culture and Sport in Glasgow, to people who are on her Board, to an Arts Council Officer like 'FS' who is the Audience Development Manager who I essentially report to, although it is not a formal reporting thing, to the Heads of Service within the Arts Council that we need to influence .... because audience development is not really .. we are not the Samaritans, they don't come banging at our door, so you are having to influence with stakeholders at all levels ... our relationships are all over the organisation because if you are going to influence audience support you have got to influence everyone"*

This highlights the diverse networks which Jane believes CCR must actively engage with. Interestingly, as Figure 1 demonstrates, these networks span beyond the strict confines of the arts allowing, CCR to extend its reach into overlapping professional networks, increasing both its reach and influence.

It emerged that the boundaries between professional and personal, sector-specific and cross-sector were 'fuzzy', suggesting that CCR is very much an open system (Aldrich, 1979) embedded within a complex network of relationships. Social networking across inter-related contexts is an organizational raison d'être, for each and every member of the staff and board. As Davina, the Audience Development Manager explains,

> *"… you need to know everyone's name, you need to know what they are doing, you need to know about their organization, you need to know what they did on their night out at the weekend"*

Described like this, the blurring of professional and personal networks which was found to, on occasion, be enhanced and extended by social networking technology, dictated that the boundaries between company and private activities were very unclear and at times confusing. As Davina explains, individuals within the network sometimes find it difficult to know where to draw "the line":

> *"There are some people in the network that we work with, like someone from [organisation X] will be on the Facebook of someone from [organisation Y] and I just think that is a bit weird … just too close… it's a bit too incestuous for me"*

In this example, Davina talks about 'the network' in terms similar to a formal organization; with a mutually understood structure, code of rules, set of social and cultural norms. In this sense, it was apparent that although networks can be overlapping and extensive, there remain boundaries around networks where self-defining social rules did exist, limiting the membership and acting as barriers to entry and movement, so adding to the inherent complexity in which CCR operates. Drawing from network theory, this suggests that the networks within which CCR is embedded contained areas of density comprised of strong relationships which determined the 'norms' for communicating and interacting across the network (Granovetter, 1985).

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Findings relating to this first core theme demonstrate the complex social context in which CCR is embedded. This complexity defines and permeates through the organisation, influencing interactions, relationships and networks which seem to be essential to the very essence of CCR.

***Strategic Intent***

A second significant theme related to this complex social context is the strategic approach used by CCR to manage its interactions within others in their network. As stated in their annual report, their "challenge remains to harness a combined approach, shared knowledge, leaning from one another, promoting collective impact and change"; networks and networking are clearly central to their business philosophy and way of doing business.

Networking was found to be a central strategic activity for all members of CCR. Jane, the MD explained *"networking is in our DNA, so if you cannot network we cannot get the intelligence that gives us our USP"*. Under the direction of the Jane, all CCR staff are aware of the importance of the relationships in which CCR is embedded and of their contribution to the development and strategic management of these. For example, all employees are expected to actively network across events, conferences, and training courses. Although there is a perceived hierarchy defined by role and job title (see later), every employee and board member is encouraged to act as an ambassador for the firm, aware of the possibilities for building important relationships and conscious of the potential for both generating new business leads and strengthening existing ties. This quote from Nadia, the junior marketing executive illustrates this and also explains the strategic purpose of networking for CCR

> *"Well, we do it quite a lot informally. Chances are most weeks, Jane is out there lobbying, attending meetings all the time, between us we are always attending training courses, events, even social events, just to raise our profile because we are quite a young company, so it is kind of on our agenda to make sure we are communicating as much as possible… I went on a week long course organized by the Theatrical Management Association (TMA) … there were quite a*

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*lot of Scottish people there but also Welsh, English and so on, that helped to establish really good relationships that were there from the National Theatre of Scotland, CCA, other member associations and so on"*

This illustrates that, for CCR, an important strategic purpose of networking is to market the firm and communicate their core positioning to key stakeholders. In this way, networking is perceived to be a more credible and cost efficient form of marketing. This finding concurs with extant research which has found that, for small firms, networking, contacts and word of mouth are essential for their sustainability as these provide access to resources contained within small firm networks (Dodd, Jack and Anderson, 2002; Shaw, 2006.)

Finally, interviews also revealed several internal motivations for pursuing networking practices. These included the improvement of recruitment policies on behalf of CCR and their members, the raising of staff motivation, interest and moral by actively involving all staff in all aspects of the arts industry and finally, the ability to generate a socially cohesive internal culture which bound together employees, board members, external clients and members. This is an interesting finding as it illustrates that internal networking practices, even in a very small firm, are instrumental to its behaviour; something which has as yet not been uncovered by entrepreneurship research.

**Hierarchy and Interactions**

The third and fourth key themes to emerge, Hierarchy and Interaction, were so closely linked that that they are considered together. Hierarchy, as indicated by job title, functional responsibility and position within the case firm emerged as a significant influence on networking interactions, the fourth key finding. Three dimensions of hierarchy and interaction emerged: *who* people interacted with; *what* or the nature of this interaction and, *how* they interacted. It emerged that network relationships were, for the most part hierarchically-bound, that is, members of CCR interacted

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externally with others on the approximately same professional level in other organisations. This is illustrated by Nadia:

> *"Jane does a lot of the communicating with a certain level of people, so she is always with the Chief Execs, Directors like Caitlin and Davina are more the managerial and I am on the sort of officer/assistant level, it might not seem obvious to everyone but that is definitely the way it works in terms of our relations with certain people. Like I know a lot more people on my level, Caitlin and Davina, their level, and so on."*

Job title and position emerged as critical and this is captured in the following excerpt from an interview with Caitlin:

> *"Anyone lower than Chief Exec level, they just go whatever! Jane (MD) has to do some communications quite often to Chief Execs because you have got to be really specifically targeted at what are hitting their buttons at that time...Jane will do the communications...she is top of the tree in here*"

A hierarchical differential in the nature of networking activities was also found. All staff are involved in networking events, but there was a clear delineation of the type of networking activities in which each member of the organization is involved. For example, Jane's networking is heavily "outward-facing", allied to lobbying for funding, publically demonstrating CCR'S support of its clients and members and also trying to influence key stakeholders within the wider Art's Community. As Davina explains,

> *"The organization is going more in sort of lobbying for the arts, that is where Jane is taking us as well, taking the insight and impact for lobbying, supporting organizations, though organizational development more to enhance their infrastructure for audience development"*

To achieve this, it is important for Jane, in her position as MD, to build relationships and interact with others in CCR's social context by, engaging in high profile public-interface networking activities such as attending first nights, attending government consultation meetings and sitting on

the boards of associated arts and funding organisations. For Caitlin and Davina who sit, organisationally at Director level, networking centred more on interacting directly with members and clients. As explained by Davina,

> *"We don't have time for schmoosing, that is what her (Jane's) job is. We are out and about, we go to events, but we are more kind of personal with the members and clients as opposed to Jane doing the lobbying, Arts Council, funders and what have you."*

The final dimension, related to the types of interaction in which CCR staff engaged and can be discussed as internal and external interactions. As a consequence of the open plan layout of CCR, much internal communication was highly informal. However, given the busy nature of CCR, even within such a small team, email was sometimes used. As Nadia explains,

> *"we do send emails to each other but predominantly it is across the desk, kind of chatting….we know how to speak to each other, how everyone deals with stuff, like I know that Davina prefers to read stuff on a screen, so I will email her work, whereas Caitlin prefers to read stuff on paper, so I will print it out…"*

These informal interactions were found to be complemented by highly formal, very structured project planning and strategy meeting which were held on a regular basis. As Jane explains,

> *"It sounds like a lot of meetings but…if you have certain points in the week or the month with agenda, minutes, then things get done and you don't have to keep checking back on folk. In fact it falls over when we don't have the meetings."*

For CCR then, staff interact internally using a variety of formal and informal mechanisms. This portfolio of interactions is reflected in the approach CCR adopts to managing its external relationships, as explained by Caitlin:

> *"The networking from a very informal perspective is I suppose sending the emails and having a quick chat with for example, [Fred] to support him in his data problems and a shoulder to*

*cry on if you like. Or there is the more formalized research meetings and everything else because since attending them I suppose I am slightly better known in the circles if you like, circles of influence, or circles of power whatever you want to call them."*

Like internal interactions, CCR is highly involved with its external relationships and frequently interacts with key stakeholders both formally and informally. One additional type of external interaction was the use of social networking sites such as Facebook. Nadia explained that her use of this site had helped her to maintain and foster relationships with peers working at a similar positions within other arts organisations whom she had met during training courses. The benefit of this was, she explained,

*"The more you establish the personal relationships with certain people, people who are in similar organisations, I feel that if I had a problem or an issue that I didn't want to speak with someone internally then I could speak to them because they know me quite well".*

Findings relating to hierarchy and interaction are of significance as they demonstrate the interplay between the structural position of members of CCR staff and the networking activities and interactions in which they engage. This interplay has been identified by network theory (Mitchell, 1969) as critical to understanding the impact of both network morphology and relational factors on social behavior.

**Conclusions**

This research was interested in the interplay between social context and entrepreneurship. The findings presented demonstrate that the social context in which the case firm, CCR is embedded is complex. Considered alongside previous research which has characterized creative industry firms as operating within complex networks of individuals, agencies and organisations (Amabile, 1983; Woodmen et al., 1993), these findings suggest that the complex social context within which the case firm is embedded may be typical of small firms operating within this sector. Significantly, the findings also reveal the case-firm to be aware of this complexity and, moreover, to adopt a strategic

intent with regards to managing relationships within its social context. Under the direction of their MD, the case-firm sought to strategically manage interactions with others in its social context. Also important is the impact which such a complex social context was found to have on the particular networking activities of CCR. Hierarchy was found to impact of the types and forms of networking activities in which staff engage; at all times staff were aware of the appropriateness of building relationships and interacting with others holding similar positions within the wider network of organisations in which CCR is embedded.

The discussion presented has shown that the core themes to emerge from this research were highly interconnected. Based upon this we propose the following conceptual framework (Figure 2) as a way of capturing these themes.

*Figure 2 About Here*

The findings presented demonstrate the value of borrowing theory and concepts from outside of the field of entrepreneurship to acquire robust insights into the networking practices of a small firm and the ways in which these are employed to interact with others in the firm's social context. The findings also reveal the benefit of positioning the study within an Interpretivist paradigm and using case study methods. Each of these has contributed to a rich and detailed account of the complex social context of the case firm and the ways in which the firm has responded to and interacted with this complexity. That said, as with all case study research, the findings presented are limited to the particular context from which they emerged. Specifically, the use of a single case study restricts the generalisability of these findings. Going forward, the researchers intend to address some of these limitations by engaging in comparative case study research in other industry sectors.

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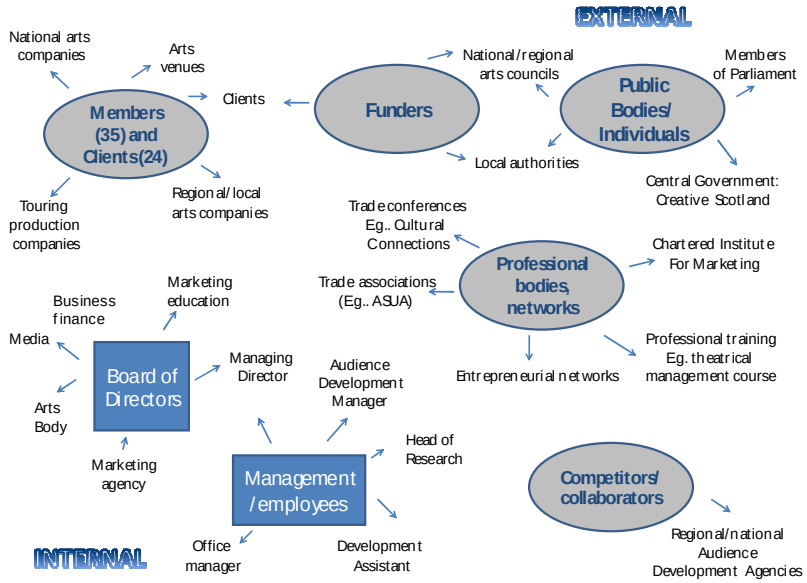
**Figure 1 Social Context of CCR**




**Appendix 1: Description of CCR Stakeholders**

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Stakeholders essential to the existence and continued success of CCR include the following:

- *Clients and members*: approximately thirty members and a further twenty-five clients, who contribute approximately one third of CCR's income through fees or subscriptions; ranging from arts venues, regular arts programme and festival organizers, to touring companies and local/regional production companies.
- *Funders:* beyond their clients and members, the remaining sources of income are evenly spread between public funders, split between local authorities and regional/national arts councils.
- *Central Government*: an important source of influencers encompassing key decision makers including MSP's and cross industry quango bodies such as Creative Scotland which has responsibility for art and screen activities within Scotland.
- *Professional bodies*: a raft of disparate bodies including professional marketing bodies such as the Chartered Institute of Marketing, entrepreneurial networking groups, specific cultural networking conferences, for example, Cultural Connections, trade associations and a multitude of conferences and training courses through which CCR either operate or attend to network.
- *Board of Directors*: encompassing and enabling networks through the national media, marketing education, various arts and cultural bodies and local marketing agencies.

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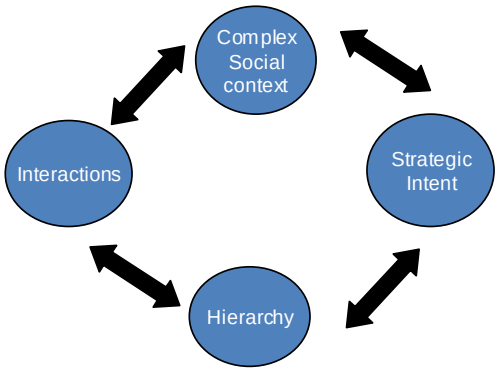
**Figure 2: Interconnections Between Key Research Themes**



Abstract preview

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