Abstract

Early research on small businesses focused on the performance of individual enterprises and factors that distinguished high-performing firms. Related to this were policy initiatives that focused on 'picking winners'. Recent years, however, have witnessed a shift in the discourse towards the cooperating capabilities of businesses within specific local contexts and the embedded nature of entrepreneurship. Attempts have been made to strengthen formal business networks so that they act as intermediaries to public sector support and agents for local economic development. Case study research of microbusiness relationships and local network participation highlights that collective action is most likely to occur where common property issues are at stake but wider local economic development initiatives suffer from high participation barriers. The findings highlight that previous conceptualisations of embeddedness rely too heavily on 'ideal types' or traditional economic linkage studies, which are inappropriate for understanding the connectivities of the bulk of microbusinesses.

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INTRODUCTION

Much early research on small businesses focused on the performance of individual enterprises and factors that distinguished high-performing or high-growth firms (Westhead and Birley 1993). Related to this were policy initiatives which focused on ‘picking winners’ (Storey 1994). Recent years, however, have witnessed a shift in the discourse towards the co-operating capabilities of businesses within specific local contexts (Curran et al. 2000) and attempts to conceptualise embeddedness (Granovetter 1985). It is argued that an adequate understanding of small business dynamics in the local milieu is essential for grounding appropriate policy responses. However previous conceptualisations have mainly considered ideal types and are inappropriate for understanding the bulk of microbusinesses and the majority of local service centres. In this paper, this is illustrated by empirical research that considers the relationships between microbusinesses in two case study locations.

The embeddedness literature considers a set of relationships (social, family, geographical) or what can be termed connectivities. The aim of this paper is to consider how small business owners themselves perceive local business relations with a view to further understanding the connectivities between microbusinesses within particular localities and in relation to specific policy attempts to strengthen or utilise local linkages. The paper does not attempt to review all forms of social relationships which influence small firm behaviour, rather it focuses primarily on non-familial and formal connectivities within the local business community and on the issues surrounding efforts to strengthen formal business networks.
A case study approach was utilised with a view to further understanding business processes and associations within specific localities (Yin 1994). Two towns (Northmoor and Southmoor) were selected, to replicate the research process in two locations with broadly similar structural characteristics. Northmoor and Southmoor are both rural service centres in the North of England. In 1991 the market town of Northmoor had a population of just over 2,400. The town’s economy is service industry based and the business profile is dominated by microbusinesses and many of these rely on a tourism trade. Southmoor is slightly smaller with a population of around 1,600 people; again dominated by micro-business service firms. In both towns attempts have been made to strengthen linkages and relationships among local firms.

The next section reviews the development of individual and embedded conceptualisations of enterprises in the small business literature. This is followed by a grounded review of business linkages in the case study locations, including an analysis of both formal and informal connectivities. The paper concludes by evaluating the linkages between firms and considering the potential for, and limitations on, collective action between local microbusinesses.

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2 The fictitious names of Northmoor and Southmoor are adopted to preserve the anonymity of respondents. The names of individuals mentioned in quotations have also been altered.

3 In all, 27 semi-structured interviews were conducted with business owners in Northmoor using a sample of firms stratified by sector. 15 interviews were undertaken in Southmoor on a similar basis. In both instances, the initial set of businesses were chosen from a list of firms compiled from various sources including business support agencies, local directories, internet pages and ‘business-spotting’ within the towns. Other businesses were approached using a snowball approach, which involved following up leads and recommended contacts. The semi-structured interviews concerned the business and its development, relationships with customers, suppliers and competitors, engagement in and impressions of business networks and views on the business community and its propensity to cooperate.
INDIVIDUAL AND EMBEDDED CONCEPTUALISATIONS OF SMALL BUSINESSES IN THEIR LOCAL CONTEXT

The upsurge of interest in small businesses in the late 1970s and 1980s was primarily based on an individualistic conceptualisation of the firm. The most prevalent theoretical framework was the small business growth model (Churchill and Lewis 1983, Scott and Bruce 1987). In this model a business lifecycle was conceived, comprising five stages: start up, survival, growth, take-off and maturity. Emphasis was placed on the owner as the most important element of the business, providing its direction and capital. This approach has strong Schumpeterian overtones and in this framework the linkages between local small businesses are of secondary importance: entrepreneurs in fact are assumed to be predominantly outsiders, striving for social mobility (Schumpeter 1934).

Related to the model, empirical research endeavoured to identify factors associated with variations in performance between small businesses. This literature broadly focused on four sets of factors: issues concerning business strategy and structure, economic factors, the roles of education and training, and finally, cultural and psychological factors (Reynolds 1993, Westhead and Birley 1993, Wynarczyk et al. 1993). These studies typically took individual business growth (either change in turnover, profitability or employment generation) as the dependent variable to be explained. Reviewing this literature, it is clear that there is no single factor that separates high-growth enterprises from other firms. This is, of course, not surprising, yet many commentators have attempted to distinguish between high- and low-growth enterprises on the basis of a
few binary classifications and produced policy recommendations and criteria for selective support dependent on them.

The individualistic conception has been criticised on several grounds and these arguments can be termed the *embedded* thesis (Granovetter 1985). Granovetter argues that the individual model presupposes a ‘defective conception of the self’, not recognising that the business and its owner(s) are 'embedded' in and partly constituted by social relations. On this basis, small business behaviour can only be grasped by acknowledging community, social and familial roles. It is also argued that individualistic conceptualisations are both ontologically and motivationally false through asserting that all putative properties of groups can be reduced to properties of individual firms and through characterising small business owners and managers as being motivated solely by preferences for private goods. Finally, the individualistic conceptualisation is considered to undervalue the role of business organisations and communities, viewing participation in the business community as a mere instrumental good, valuable only as a means toward the attainment of the various private ends, rather than as something of value in itself.

It should be noted that the atomistic and embedded conceptualisations of the small firm encompass two key controversies - a methodological and a normative discussion. The methodological debate centres on what is the most appropriate unit of analysis for small business research. The answer to this question is contingent on whether decision making can be understood with recourse solely to individual actions or through

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4 The embeddedness perspective does not solely critique the individualistic or atomistic perspective of entrepreneurship. It also challenges structuralist perspectives, which it is argued pay insufficient attention to actors and institutions.
considering the environment which moulds and constructs it (Brown 1994). This argument is related to normative concerns in devising appropriate public policy. Atomistic conceptualisations, by employing methodologies which consider small business problems through a lens focusing on individual entrepreneurs, will tend to prescriptions with a similar slant (picking winners, one to one counselling etc.). Embedded perspectives view business communities, in whatever manner they may be constituted, as being more than an aggregate of individuals and with their own intrinsic value. Likewise, the decisions made by small business managers will in part derive from the communities to which they belong. Attempts to change practices must therefore recognise their embedded nature and that absolute rules for decision making, divorced from the environment of which they are part, are impossible.

The role played by family is central to the embeddedness literature. The obvious importance of family histories, but also the fact that most small businesses are characterised by a high degree of family involvement, places a primary focus on family relations. In the context of entrepreneurship and small business formation, strong social ties and family support are seen as crucial resources. Brüderl and Preisendörfer (1998), for instance, have observed the strong levels of support offered by the spouse or life-partner to the business owner and concluded that support from the family network increases success.

Another core component of the embeddedness literature has considered the role of relationships between small businesses in a spatial context. The empirical literature on regional business embeddedness encompasses a wide range of terms and definitions, but largely concentrates on networking (Herrigel 1996). In many cases, the perspective of 'networks'
is hardly anything more than traditional linkage studies focusing on supplier-customer relations. If, however, cooperation is measured solely in this way the danger is to miss out central aspects such as whether partners have cooperated before or the role of institutions, information flows and power relations. Relegating the importance of personal relationships may also lead to definitions that understand almost every form of business relationship as cooperation. However, whatever approach is taken, research into business cooperation in general seems to suggest that small businesses are less likely to cooperate formally than larger businesses. It has been argued that owner-managers of small businesses seem neither to be involved in extended networks or actively to use networks for business purposes (Curran et al. 1993).

Similar findings have been found by studies focusing on the participation of businesses in business associations (Huggins 2000). There is some evidence that small businesses are less likely to join business associations and it has been argued that this is particularly so for microbusinesses (Blackburn and Curran 1993). However, it is important to avoid too hasty conclusions and to consider the role played by institutional frameworks and traditions in influencing the level of participation. For example, in contrast to Britain, whose institutional tradition is characterised by arms’ length relations between state and industry (Lane and Bachmann 1997), German trade associations are quasi-political organs of self-administration within an industry. They play an important role in setting and monitoring standards of inter-firm relations, as well as providing many selective and collective goods. It is obvious that such different

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5 Lowey (1997) for example defines cooperation as a long-term relationship, in which price was not the decisive criterion for placing an order and found that 98% of businesses cooperate.
institutional contexts shape formal networking activities differently (Deakins and Philpott 1995). The combined effect of German associational life on inter-firm relations is that firms are much more likely to organise collectively and to moderate competition with cooperation. Being part of this associational network encourages ‘conformity to common norms and standards and thus reduces the risk of individual failure’ (Lane and Bachmann 1996: 373). In contrast, the attempt to promote local network activities in the UK through the establishment of Training and Enterprise Councils (TEC) is generally perceived as being a failure. In part this was seen as due to the fact that they were established alongside the local Chambers of Commerce and thus in competition with each other (Bennett et al. 1994). However, what seems to be more important in this context is a less well developed cooperation tradition among UK small firms and a fear by firms of compromising their competitive position (Huggins 1998).

Much of the theorising concerning small firm embeddedness in the local economy has been in pursuit of the 'ideal' type. For example the 'Third Italy' and industrial districts literature sees the specific advantage of a business network economy - characterised by small, highly specialised firms in a value-added chain - as its ability to adapt to a quickly changing and highly segmented demand. In this model, individual firms develop highly specialised competencies. This increases their flexibility, but also makes cooperation within a value-added chain a necessary precondition. Due to the continuous need for coordination within the production process, proximity is seen as an important precondition. Proximity is also related to lower transaction costs and a reduction of the division of labour between firms (Piore and Sabel 1984). Continuous interaction and positive experiences promote the generation of trust between firms in an
industrial district and this is further reinforced by proximity and the overlap of private and business activities. Finally in this model, industrial districts display an elaborate network of institutions (Chambers of Commerce, innovation centres, financial institutions, trade associations, local authorities etc.), which are highly proactive, mediate conflicts and cooperate with each other (Amin 1994).

While agreeing with the critique of atomistic conceptualisations of small businesses and the need to refer to the social structures and the relational networks within which small firms interact (Granovetter 1985), this paper argues that the embeddedness literature is unsatisfactory in two regards. First, theoretical conceptualisations of local networks have tended toward ideal types, of which ‘Third Italy’ models of specialised high value chains of production are one example. This is inappropriate for dealing with the vast bulk of small businesses, which are microbusinesses (less than ten full-time equivalent employees) and service enterprises, not engaged in such chains of production. However, while they do not fit the theoretical ideal type, the social relations between small firms in the local context are still important and should be given further attention. Second, where attempts have been made to measure levels of geographical embeddedness they have usually taken the form of economic linkage studies which are, on their own, unsatisfactory for adequately capturing social relationships. The paper now turns to addressing these issues through an exploration of business relations in Northmoor and Southmoor. As such it attempts to ground the embedded conceptualisation of the small firm in the reality of the local business community.
FORMAL CONNECTIVITY

In both Northmoor and Southmoor small groups of businesses have attempted to develop formal forms of local connectivity or networks. The networks vary in their scope, structure and activities, but both situations serve to highlight the issues and challenges associated in developing and encouraging business cooperation within rural business communities. In Northmoor, the research considers the experience of a local business club, representing a cross-section of businesses, initiated locally but integrated within a wider regional networking initiative organised by the local TEC. In Southmoor the analysis embraces a long-established Chamber of Trade representing local retail interests within the town together with the more recent emergence of a Community Development Trust which has now arguably superseded the local Chamber.

Of the local networks in the case study, Northmoor business club is the most recently established (1999). It met more or less monthly until its ultimate abeyance early in 2001. Its activities focused mainly on marketing the town and lobbying local authorities for improvements in Northmoor’s amenities. The club was initiated informally by a newcomer to the community and a handful of other local business people who perceived a common need for greater interaction among local firms in order to address business issues in the town. They also saw the club as providing a means of social support in recognition of the isolated existence of many small business owners.

The occasional meetings of the group became more formal, regular and public following contact with a local business support agency and, in turn, their affiliation to the regional network services of the TEC. The last
key stage in Northmoor business club’s development came with a decision taken late in 2000 to sharpen its and internal procedures, which led to the appointment of a chairperson, treasurer and executive committee. At this point the club publicity boasted a membership number of around 60 individuals. In practice attendance at club meetings had fluctuated somewhat and there had been a steady decline in active membership, from an average of around 20-25 people to below ten.

Southmoor Chamber of Trade, in contrast, was set up during the 1960s based on a pressing issue affecting the business community (opposition to local authority attempts to grass over the town's car park). Subsequently the Chamber of Trade has tended to act as a philanthropic organisation, involved in a range of community activities including support for the local football team, providing funds for the Christmas tree lights, offering donations to raffles, helping with the flower displays in the village and supporting local charities. In the past it has also organised social events such as trade dinners, barbecues and quizzes. In the late 1990s the group was also responsible for setting up a basic web page and was engaged in local advertising of the town. There are 22 business subscribers to the Chamber, each paying an annual subscription of £20. A small core of business owners and a chairperson, responsible for calling meetings, identifying an agenda and discussing finances, directs the Chamber. The group originally met on a monthly basis, though its existence is now perceived to be in doubt. Several business owners describe themselves as lapsed members and meetings are now infrequent with attendance varying between six and ten individuals.

As interest in the local Chamber of Trade has tailed off, a new initiative has gained momentum, culminating in the establishment of Southmoor
Development Trust. Development Trusts represent an increasingly popular instrument for local development. They aim to bring together governmental, quasi- and non-governmental institutions and interests at the local level with a view to securing funds from various sources for broad-based community-led development purposes. They are independent, not-for-profit organisations constituted as limited companies with charitable status, guided by a Board of Directors. Southmoor Development Trust aims to “facilitate social, environmental and economic regeneration within the area whilst preserving and enhancing access to the natural and built heritage in order to create a sustainable community”. Its management committee meets monthly and embraces up to 20 individuals, including six elected by the 55 subscribing general members, six co-opted by the management committee and the remainder nominated by a specific list of nominating bodies. All the members of the management committee either live or work in the area or represent organisations active in the area. There is not a Chamber of Trade representative as such on the committee; however four or five directors do own key retail businesses within the town. The Trust has been very active in bringing funding to the area for its activities and its part-time co-ordinator. One the key actions to date has been the development of a Tourist Information Centre (TIC) for the town and there are plans for a new heritage centre.

The following section explores a number of key issues in local (formal) network development within the case study locations. The key issues are discussed under six themes: motivations for network participation; sector differentiation; social differentiation; personalities, local politics and mediation; critical mass; and the nature and implications of external intervention.
Motivations for network participation

It is widely accepted that the motivations for business owners to partake in local business networks are diverse and vary significantly from business to business (Curran et al. 2000). Networks, for example, can provide a mechanism for socialising or social support among often isolated business owners. They can be a forum through which business owners can learn from and discuss the day to day experience of peers or seek information in relation to business issues. This may be particularly true for incomers to the community without established local networks or access to close family support. There may also be personal commercial motives to participate, such as the opportunity to gain additional business from other network participants or to collaborate on joint marketing initiatives. Or there may be a desire to mobilise the voice of the business community over particular issues. Indeed, the motivation to establish and maintain interest in a local business network is often issue based, where a group might form to get something done in response to a particular problem:

What happens with any organisation in any small place, is that very often they become active about a particular thing or issue. People work like mad to make that issue happen. When that issue is resolved or dies or the like, there is a vacuum that nothing moves into. Once that inertia establishes it requires outside influence to bring in a new issue that everybody gets worked up about.

(Retail business owner, male, Southmoor)

Similarly a business owner in Northmoor recalls how the business club originally began as a response to the state of local facilities:
That was me and the newsagent and the lass who was running the café. I was getting a coffee and she said ‘you know we need to get together over something’. I think it was the parking in the village. She said ‘you know if we were all one voice and we rang up and said listen this is no bloody good. But if I just ring up … they will not take a lot of notice’. Actually getting that one voice is a different matter but it is worth giving it a shot. So I had a word with the newsagent, then I had a word with the butcher and I had a word with the man who has the fish shop. And it snowballed from there. Then we got the TEC involved and things happened very, very quickly after that.

(Local service firm owner, male, Northmoor)

A whole spectrum of expectations relating to the role and purpose of a local business network is seen in both Northmoor and Southmoor. One member of the Northmoor club, for example, stressed the importance of the club’s social function and ‘felt they would never see people otherwise’ if it were not for the club’s meetings. Similarly, another business owner argued that the club would provide ‘someone to bounce her groans off’. Several members of the local networks highlighted their importance in providing a collective voice for the business community:

I think it is a way of businesses getting together and having a collective voice, if they will get up and join together and do it and try and get something done. I think people might take more notice if you collectively have a number of people singing the same song than one person doing it. And it just adds a bit more force to the argument.

(Retail business owner, male, Northmoor)

I saw the Chamber of Trade as a way of bringing the businesses together in order to promote this village as a place to shop. Not for any individual businesses to be top of the ladder or whatever. To me it should be a group thing, so we did some group advertising about three years ago in the newspaper, … saying it was free to park and stuff like that.
If you want shoes, screws, bread, it wasn’t a case of picking out any particular business. … That just seemed to fall by the way side.

(Retail business owner, female, Southmoor)

Within local business networks an important issue relates to the extent to which the network is providing specific, individual business benefits, as opposed to a collective function for the business community as a whole. This balance of benefits is considered essential in determining the durability of local business networks. Some have argued, for example, that businesses primarily make their decision on whether to participate on a basis of the availability and utility of specific benefits (Bennett 1996). A business owner in Southmoor explained how she had got involved in the Chamber of Trade to develop her own business. Here, however, her expectations were not met: she found the group more oriented to providing a beneficial role for the community as a whole through fund raising activities and was critical of it for lacking clear purpose and objectives. Similarly, among some of the non-Chamber members within Southmoor there was a sense that the Chamber would not provide sufficient individual benefits to warrant active participation:

We don’t have anything to sell locally. We are not going to get customers wander up here calling to buy something. That’s not to say that I wouldn’t be more interested in the Chamber of Trade if I thought there was something that was worthwhile in it. … Time is valuable to us unfortunately at the end of the day to be involved in it. … I’m not saying that I would only do it if there was something in it for us worthwhile … But I think that if it was going to provide an incentive to us, it would be more up my street lets say.

(Business owner, male, Southmoor)

Non-participating firms in Northmoor made similar comments.
Participants frequently identified interwoven individual and collective incentives for participation. Thus some businesses in Northmoor business club were interested in supporting the club in its role of representation and in improving the economy of the area with a view to improving the economic environment within which their own businesses operated. One business owner noted, for example, “I belong to the business club to make money for myself. But, if we all get together to make money for ourselves we can benefit the community as a whole”. In other comments from participants there is also some suggestion of divergence between the personal pecuniary and collective functions of business networks, which is leading to a level of dissatisfaction among members. The Chairperson of the Southmoor Chamber of Trade noted that although the main purpose of the Chamber was to improve the business situation of the town:

> With such a diverse group – some businesses are doing very nicely and don’t want to bother about the Chamber of Trade. They don’t see the Chamber of Trade able to do anything for them. ‘What can it do to help me and my business?’ … I think the main lesson is cooperation up to a certain level and then you start having difficulties. Partly a problem of conflict of interests and partly a problem of why are we doing something for somebody else and its not going to benefit us.

This quotation also suggests a free-rider problem within the experience of the Chamber of Trade. The Southmoor Development Trust has faced similar issues surrounding the collective and individual incentives of members. Thus the co-ordinator of the initiative felt that despite significant public consultation the main critics were tending to miss the broader picture, focusing instead only on their own businesses.
Sector differentiation

The choice to participate within a local business network is determined by a range of motivations and the ability of the network to meet varying expectations is crucial. There is also a significant challenge facing formal network development in relation to the network’s ability to represent and accommodate the different sectors that exist within a local business community. Not only do the local networks in the study embrace only a small proportion of the total business population within their respective areas, but their existing membership bases are skewed, and are perceived to represent only a certain group of business sectors.

Within the membership of the Southmoor Chamber of Trade there is a strong emphasis on local retail businesses and shopkeepers. Thus members have included, for example, the local garage, shoe shop, bakery, hardware shop, greengrocers and pharmacy. Bed and breakfast and accommodation providers are also members but are less well represented within meetings and decision-making. However, even within this relatively narrow range of business sectors there can be difficulties in meeting divergent priorities and demands:

I would say we were a fairly cooperative, friendly lot to a degree. Then you get to the level that you find that if you want to try and do something, if it doesn’t suit all aspects of businesses in the area, you get objections. … You must do different things for different areas of business and you can’t do everything for everybody.

(Chamber Chairperson, male, Southmoor)

‘You get in something like the Chamber of Trade a very wide mix of businesses, the bed and breakfast people, the trades people and the retailers and they all have different
requirements. We would often say ‘what about putting this cooperative retail advert in’, and the bed and breakfasts would say ‘what is in it for us’.

(Retail business owner, male, Southmoor)

In both Northmoor and Southmoor, non-members often perceived a narrow membership base to the networks. For Southmoor Chamber of Trade this relates to the emphasis upon retail businesses and in Northmoor it appears that the emphasis within the business club’s activity on tourism related promotion has marginalised some segments of the business community. Some businesses therefore see few benefits in membership:

I went along to one of these business club meetings, it was the first one, went along to the second one. Most of the people who were in that room were people with B&B establishments. After that meeting and after realising that this was just a B&B enterprise, I just didn’t bother and went away from it.

(Financial business owner, male, Northmoor)

Despite the criticism that Northmoor business club places too much emphasis on tourism-related activity, a parallel network has recently been established in the town specifically for accommodation businesses. Some tourism business owners felt that their interests were being lost within the general discussions of the business club. They also wanted a different style of networking favouring more ad hoc meetings, informality and focused decision-making.
Social differentiation

The challenges facing the formation of local business networks do not simply relate to sectoral diversity. The social differentiation of micro-business owners also appears to be significant. This appears to be particularly true in Northmoor where membership of the business club is for some associated with incomers to the community rather than indigenous business owners.

I have done it before. I did it years ago ... You ended up with people who are coming in new to the area ... trying to get grants for this and grants for that. And when you have been here for so long and done it for so long, I don’t know whether you would call it complacency, but you could see it just wasn’t going to work. ... They think they will do this and that, borrow a great deal of money and find things aren’t working. So they think they will go to the business club ... I think what I’m trying to say is there is no substitute for experience [and] hard work.

(Retail business owner, male, Northmoor)

The problem with the business club is, there used to be one here a lot of years ago run by indigenous businesses if you like and this one unfortunately is being run by incomers and I’m afraid [the indigenous businesses] have been ostracised a little bit and the way it is running is more towards tourism. ... There was quite a few there to start with and then the direction started going off that way and the high street business just lost interest.

(Business owner, male, Northmoor)

The Northmoor business club does appear to incorporate a significant number of incomers to the town. There may be greater value for such business owners to join a network of this kind in order to establish contacts and support within a new locality:
If you are born and bred in a village, you have got your friends that you went to school with and you’ve done everything….People who have been born, bred and raised in the community and then worked within the community, they’re almost like battery hens. You come in as an outsider and you know nobody and you know nothing of the area, apart from where you’ve probably researched before you came in. ... So you’ve got to go out and make contact, if you don’t then suddenly the walls are closing in around you and everything finishes.

(Business owner, male, Northmoor)

**Personalities, local politics and mediation**

A significant challenge in developing local business networks can also arise from the dynamics of personal relationships within the local community. For some there is a sense that the business community voice has been dissipated due to fragmentation of group interests. Another business owner felt that there was evidence of cliques within the community:

The old boy network that exists in a long established community has broken down. That can easily end up with things developing into cliques. It is lurking a little bit in Southmoor at the moment. You are not getting major power blocks forming. I think it is families, long standing connections as much as anything.

(Retail business owner, male, Southmoor)

At the level of individual business owners, tensions and frictions between different personalities and network participants can also influence the extent and strength of local connectivity. As one person put it: ‘not everybody gets on with everybody despite being a community’.
Personality differences appear to be important as the following extracts highlight:

There are people who are natural leaders and those people that aren’t. And there are too many people trying to be natural leaders and it was like all Chiefs and no Indians. There are some people trying to be awkward with other people and I was not really involved with that because I can’t stand it. .... Like I say, I did not stop going because of that. It did put me off a little bit, but I stopped going because it interfered with my work.

(Local services firm owner, male, Northmoor)

Local group politics and personalities can therefore challenge the internal cohesion of local business networks and this in itself demands sensitive handling by network facilitators and decision-makers. In Northmoor business club this was a role performed seemingly quite successfully by the TEC-CLUB co-ordinator who argued:

There’s a lot of politics goes on and I think they have to be careful that they don’t end up arguing about stupid things. … Its trying to get the balance between all of that and keeping everybody happy. You need a central person who’s going to have to … make sure that everybody is communicated with, everybody knows what’s going on and that everybody goes to meetings. … Because with the best will in the world the strongest characters will always have their say and the weaker ones will say I’m not going to bother coming. You’ve got to try and keep everybody involved with what’s going on.

It follows that where key individuals are absent, local networks may also suffer from inertia or a lack of motivation as well as internal friction. This appears to be the case for the Southmoor Chamber of Trade where several
of the motivated participants have left to become more involved in Development Trust.

**Critical mass**

A lack of critical mass of businesses appears to be another pivotal issue in the strength of local business networks. This is linked closely to a perceived lack of sufficient motivated or key individuals to drive networks forward. Many small business owners felt they have too little time to engage fully in formal networks given the heavy demands of running their businesses. As one business owner noted in relation to the Southmoor Chamber of Trade:

> We were too small to have any real muscle in anything. We certainly did a lot of talking about all these various things we thought Southmoor should have ... But at the end of it all it all came down to finances. We didn’t do an awful lot. … nothing of any momentous occasion. It was to some extent a pleasant informal meeting. People just got disinterested after a while. … There wasn’t any bitterness, there just a natural progression really.

   (Chairperson, male, Southmoor Chamber of Trade)

Critical mass is also an important factor where there may be several networks or groups within a local community, each potentially competing for the involvement of those individuals with motivation and drive. This appears to be true in Southmoor with the emergence of the Development Trust. Several respondents, for example, referred to the Trust in considering whether the Chamber of Trade could be revived. Some business owners even associated the emergence of the Development Trust with the demise of the Chamber of Trade itself.
While conceding that the Trust provided an opportunity for a fresh start given inertia within the Chamber of Trade, the co-ordinator of the Southmoor Trust argued that there was still a role for a strong Chamber within the town. Indeed, an active Chamber of Trade could help to resolve some of the concerns within the business community in relation to the Trust itself and help it to communicate its message. It would also help the Trust in its dealings with external organisations and funding sources if it was able to draw upon the support and voice of the business community. Finally, there may also be occasions where business and wider community objectives are in conflict and this was another reason to have a healthy Chamber that could present a collective view of businesses. The co-ordinator acknowledged, however, that business owners could only spread their time and commitment so far between different local organisations.

**The nature and implications of external intervention**

The case studies also raised the issue of the appropriate role of external agencies and their intervention in the facilitation or support of business development and local business networks. This appears to be a pivotal issue in the Northmoor case study where the business club has been assimilated within the regional TEC-CLUB framework. Involvement of the TEC has offered certain benefits to the local club including administrative support, guidance, information, mentoring and mediation among different business interests. An annual membership fee of £25 per business was therefore introduced for Northmoor Business Club members in order to pay for the services provided by the TEC-CLUB.
Exposure to the TEC had two main implications for the structure and terms of reference of the local network.\footnote{The implications of external agency involvement in local business networks are discussed in greater detail in Laschewski et al. (2002).} Firstly, the TEC introduced new objectives and incentives within the business club relating to business development and business support services. This challenged the traditional focus of the group on civic issues and there appeared to be a divergence in the expectations of network members and the TEC. The TEC intervention appears to have introduced a service mentality into the incentives of members who, given their financial contribution, were increasingly sensitive as to whether they were getting value for money, and whether they maintained autonomy over their own destiny. Second, the trend following TEC participation was for greater formalisation of procedures within the business club. This presents a significant dilemma in network building given that the strength of networks is often based upon their informal relationships.

The Southmoor Development Trust, in contrast to the situation with Northmoor business club and the TEC, represents an alternative model of local intervention and business development. On the one hand it involves a broader approach to local development whereby business is only one of several development concerns and where membership involves individuals from numerous non-business related groups. The aim of the Trust is to be 'community led'. Nevertheless, like Northmoor business club and its relationship to the TEC, the Trust is also causing local turbulence within the business community. The Development Trust's own business activities (there are plans for the new TIC to introduce some
minor retail activity) have proved to be particularly sensitive. A number of businesses appear concerned:

[The Development Trust] has done really very well but I would go so far to say that the business community in Southmoor are disenfranchised from it. Generally the business community do not feel that it can achieve anything for them. We are actually in conflict with them at the moment because they started retailing goods which other shops sell. Their need for funds puts them into the retail area which puts them in conflict with the other traders. We are very sensitive about this…. I fundamentally object to what they are doing.

(Retail business owner, male, Southmoor)

The two case study communities also begin to highlight very different realisations of, or policy approaches to, the notion of the embedded firm and the concept of embeddedness. The TEC CLUB’s efforts to stimulate local business activity appears to be driven by an effort to encourage networking and to service business needs, a partial perspective of embeddedness that is built on the notion that inter-firm linkages are a good thing for individual business prosperity. The Development Trust represents a fuller perspective of embeddedness in engaging and recognising a key role for local business people within wider community development. In this respect the case study locations begin to highlight different policy approaches to enhancing, utilising and structuring the embedded situation of the small firm.

COMMUNITY CONNECTIVITY

The majority of interviewees had a strong sense of being located or embedded within a small local community where ‘everybody knows
everybody else’ and where ‘everyone knows everyone else’s business’. This influenced their perceptions of business behaviour in a number of ways. In such a context, for example, it often seen to be particularly important to protect the business’s reputation and to maintain a good personal relationships with customers. This is often closely associated with a sense of being located within a rural area:

Well you’ve got to run yourself and your business properly. You cannot be seen to not run it properly.... I mean it pays dividends in the long run. … In a small community word soon gets around if you produce anything that is substandard or you’re not doing the job.

(Retail business owner, male, Northmoor)

Running a business in a small rural community can also mean operating under the close scrutiny of peers and family. The following business owner, for example, describes a sense of jealousy within the local community:

You can’t hide behind anything in a community like this because everybody in the community knows who your parents were, who your grandparents were and sometimes you don’t even know yourself. ... A lot of my peers who are still working and some of them aren’t working thought he is doing canny for himself but in actual fact I was really, really struggling. But they thought that because I had my own house and business I was loaded – it was an automatic statement. Which came as a bit of a shock. … They automatically think because you are in business you are making money.

(Local services firm, male, Northmoor)

The community ‘grapevine’ features prominently in the attitudes and perspectives of business owners. This fulfils an economic function in determining how businesses see their customer base and market profile
and, in more concrete terms, in the mechanism for recruiting new members of staff. Thus, in addition to a marked tendency to engage family members within the business, the majority of non-family employees are employed from the immediate local labour market and the predominant form of recruitment is through word of mouth and simply knowing who is available:

What I wouldn't do, I wouldn't stick an advert in the newspaper or go to a job agency. I am a small employer... When you are in an environment like this you have to like the people you work with. You are that close. I have to be very careful because if I advertise and someone comes along, very well qualified, and I have a dislike for them, general personality, you’re then sued, taken to court….I just keep my eyes and ears open for anyone looking for work or if someone is to knock at my door, I will have a word with them and suss them out. I will not advertise.

(Business owner, male, Northmoor)

The sense of being local or an incomer to the community also underpins the perceptions of several of the business owners regarding their level of social integration. A garage owner in Northmoor, for example, considered it would be difficult for anybody to come into the community to set up a business because it’s so close-knit. One retail business owner in Southmoor had sensed an element of resentment or suspicion when he moved into the town based on a feeling that other business owners weren’t coming into the shop or speaking to them. Another business owner also explained:

‘We are outsiders. You’ll never be part of Northmoor. Most of the people I deal with no problem. They are as good as gold but its still there. But there is a certain amount of resentment there and they don't like people coming in and
changing things. I know I’ll never be accepted if I stay here’.

(Local services firm owner, male, Northmoor)

Unwritten rules for competition and gentlemen’s agreements represent a recurrent issue for several businesses in both Northmoor and Southmoor and signify an important level of informal connectivity. Many businesses describe acceptable forms of competitive or market behaviour towards other firms within the community. Several, for example, profess to avoiding stepping on each others’ toes or to challenging existing market segmentation. Indeed, where businesses do cross the mark and challenge the status quo this is commonly a basis for tension, as explained by the following Southmoor business owner:

You can’t turn round and say you can’t sell it. Its up to them. But I think throughout the village there has been a general feeling over the years, you sell yours, we sell ours. We’ll try not to overlap. More or less an informal agreement. But since then, of course, one business has started, seemed to increase their stock of different things. It was a pizza shop. It is now a pizza shop with cafe … I think there is a little bit of agro with one of the other outlets.

(Retail business owner, male, Southmoor)

Friction within the Southmoor business community in relation to the retail activities of the Development Trust are also clearly linked to what is seen to be a transgression of ‘appropriate’ forms of business to business behaviour within the town. Indeed, the question of the retail area has stimulated and revealed a significant amount of connectivity among the businesses, albeit from a reactionary perspective and one of tension. Furthermore it has encouraged mobilisation within the businesses of Southmoor through preparation of a petition.
Business owners often find the idea of cooperation hard to identify or define precisely. Many owners, for example, felt that the business community did cooperate but were less clear about what this actually entailed. Business cooperation often appears to be associated with a sense of being part of a local or business community and of knowing one another through long established friendships or contact, as opposed to more concrete forms of collaboration or support. One manufacturer, for example, asked whether businesses cooperate, explained “Ah, I think so. Because, most people you know very well with living here for such a long time. Oh definitely yes”. Another manufacturing business highlighted that businesses knew one another because they went into each other’s shops, “that’s where most contact is made when you pass somebody in the street or you visit their shop for something”.

CONCLUSIONS

The aim of this paper has been to explore the nature of local business relations and connectivities between microbusinesses within rural service centres in the context of attempts to strengthen local networks. Micro-business owners are embedded within sets of formal and informal relationships with other firms in the locale. Informal relationships range from social support 'after a long day' to more formal collaboration between local firms, including cooperation among local competitors. For many firms, however, the issue of cooperation is a difficult concept to identify. Instead, it is often associated with more indirect forms of collaboration, such as supporting one another’s business through shopping locally or simply knowing one another. Indeed several businesses, and particularly those with businesses serving non-local markets, identify few linkages with other local firms. Other forms of local
connectivity relate to observance of social norms and recognition of appropriate forms of business behaviour in relation to local competition.

Some businesses have attempted to develop formal business associations to co-ordinate collective actions. Their incentives for participation can be both personal gain and collective in character. The case studies highlight that the process of network development can be a fraught one. The establishment of formal networks has faced problems surrounding patterns of sector and social differentiation within business communities, individual personality clashes and difficulties in establishing a critical mass. As a result, the local business community in both case studies has only sporadically functioned as a platform for collective action and this has typically been where common property issues have been at stake (such as parking and creating a pleasant shopping environment). In moving beyond temporary networks on single common property issues, initiatives have faced significant participation barriers - individual time constraints, the perception of few personal benefits, conflicting preferences and the need for leadership. These barriers mean that it is important to understand whether different network structures are more or less likely to overcome such problems.

Previous research has paid relatively little attention to comparative analysis of different intervention mechanisms for stimulating local network development. The Northmoor and Southmoor case studies highlight different approaches. In Northmoor, the business club was designed to act as a facilitator in linking autonomous local businesses, helping individual members to generate additional business and in improving their business management (the latter through the TEC service connection). The club did not engage in any trading activities of its own.
By basing its appeal as a facilitator, the club suffered from differences in what services individual businesses wanted, how this should be financed and how the relationship with external agencies should be managed. In contrast, the Southmoor Development Trust has attempted to be more encompassing, involving all sections of the community and directly stimulating new business ventures. This more direct approach, albeit avoiding some co-ordination problems given the Trust’s established decision making structure, has greater potential to disturb existing relationships and accepted forms of business to business behaviour within the community. It would appear inevitable that direct business stimulation will lead to resentment by some existing businesses faced with new competition. This can lead to the development of ‘reactionary alliances’ amongst existing businesses.

Previous work on embeddedness has tended to stress almost exclusively the positive benefits of ‘institutional thickness’ (Amin 1994). It has also been suggested that a local business community or locality can function as a common good, capable of being exploited for economic gain, rather than being merely an environment for individual interaction or economic exchange. This research has highlighted, however, that local business alliances can also serve to hinder other forms of business cooperation and local development initiatives. While the business community in both localities has been mobilised when common property issues have emerged they have found it difficult to sustain active formal networks, hindering attempts to use such networks as a framework for the delivery of public sector business support or local economic development initiatives. The local business relationships revealed by the case studies of Northmoor and Southmoor, though important to the communities
involved, also seem very distant from the ideal conceptualisations of local networks involving high value chains of production.
References


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