The ‘strength of weak ties’: social networking by business owners in the Highlands and Islands of Scotland

Abstract

Drawing on recent studies of the importance of social networks and embeddedness in affecting the operation of businesses, this paper reports the results of an empirical study of the social networks maintained by business owners located in three small towns in the highly peripheral Highlands and Islands of Scotland. Through a combination of a large scale postal questionnaire and qualitative semi-structured interviews, the study found that, although business owners in all three towns place importance on maintaining embedded ties, there are differences between the towns in terms of the characteristics of the social networks maintained by owners. Respondents suggest several explanations for these differing patterns, including the number of in-migrants in the local area and the cultural characteristics of local people. The paper discusses the implications of these patterns for the future development of the businesses and the towns in which they are located. In particular, it is argued that the strength of local social networks maintained by owners in very remote Wick may serve to hamper both their future business development and that of the wider local economy.

Introduction

Networking between businesses has become a prominent focus of interest in recent years (Monsted 1995; Chell and Baines 2000) as conceptualisations of entrepreneurship
have evolved from an emphasis on the characteristics and attitudes of an individual in explaining entrepreneurial behaviour, towards emphasising the socially embedded nature of the entrepreneur and the firm (Oughton et al. 2003; McQuaid 1996).

Several authors have highlighted the particular contribution of social (or personal) networks to business ventures (Birley 1985; Aldrich and Zimmer 1986; Aldrich et al. 1987; Birley et al. 1991). A key role for the business owner is the creation and management of a set of ties with the environment in which decisions are embedded (Greve and Salaff 2003). Thus:

…entrepreneurship is embedded in a social context, channelled and facilitated or constrained and inhibited by people’s positions in social networks (Aldrich and Zimmer 1986, p. 3).

These ties have varying characteristics. For example, Granovetter (1973) distinguishes between strong ties characterised by high levels of trust, and weak ties which provide more valuable, non-redundant information.

Rosenfeld (1996; 2002; see also Reimer 1997) notes that the agrarian traditions of rural areas make networks an acceptable and familiar way of doing business. In the ‘Third Italy’, these informal kin and friendship networks provided a sound base on which to build policy-induced business networks (Rosenfeld 1996, p. 248). More broadly, informal networks have traditionally been stronger and more important in rural than urban areas and, as Halfacree (1994) argues, social relations within rural communities have retained a distinctive culture and dynamic. In broad terms, social networks in rural areas tend to be small, dense, homogenous (and thus potentially exclusionary), and are
more likely to be based on kinship and neighbourhood than loose friendships. They also tend to be characterised by multiplexity, in terms of the multiple roles played by participants (Beggs et al. 1996, p. 321-322). As Monsted (1995, p. 204-5) argues, the strength of informal or social networks in rural areas makes the overlap or embeddedness of professional and personal or social ties highly complex.

This paper reports the results of an empirical study of the characteristics of social networks of business owners in three small towns in the Scottish Highlands and Islands. It has two aims: firstly, to explore the characteristics of social network contacts maintained by business owners; and secondly, to explore the extent to which the networks of owners can be said to be embedded and the factors encouraging this embeddedness. The paper begins with a review of the literature on social networks and embeddedness. The results of the empirical analysis of owners’ social networking behaviour are then discussed, and the final section of the paper draws conclusions regarding the implications of the patterns observed for the future development of the businesses studied and the towns in which they are located, and for policy-makers encouraging business networking as a means of promoting broader rural development.

**Conceptualising social networks**

Being an abstract concept, networks are difficult to analyse (Birley et al. 1989, p. 5) and are constantly evolving in response to internal and external changes (Goudis and Skuras 2001, p. 211). Nevertheless, there are “numerous taxonomies and typologies” of networks in the literature (Huggins 2000, p. 112).
One of the most useful network typologies is that suggested by Mitchell (1973) who defined three network types: exchange, communication and social networks. Exchange networks are the essential commercial transactions and trading relations of a firm. The communication network is the collection of firms and individuals (such as consultants and advisors) with which the firm has non-trading links that inform its business activities. For exchange and communication networks the unit of analysis is the firm, but for the third network type - the social network made up of family, friends and acquaintances - the unit of analysis is the individual. The social network has two components. Firstly, the personal network, made up of concrete contacts with specific individuals, and secondly, the wider dimension in which the actors are immersed, including a range of cultural values and references that are crucial in underpinning and explaining the relationships formed in the exchange, communication and personal networks (Szarka 1990, p. 11-12).

Since Mitchell’s work in the 1970s, others have also recognised the importance of the wider personal networks of individuals in contributing to various aspects of the business (Birley 1985; Aldrich et al. 1987; Johannisson 1995; Perry and Goldfinch 1996). Thus, there are “twin dimensions” of network analysis - social relationships amongst individuals and interactions amongst organisations (Scott 1985; McQuaid 1996).

Stressing the inter-relationship between these two dimensions, Chell and Baines (2000) refer to the social processes over and above normal economic trading relationships. Whilst social networks may be important in their own right as sources of information and support for business owners, the social exchange process is also a critical element in the formation of a supportive environment in which personalised, high trust, reciprocal
business relationships are formed, with lowered transactions costs. Several authors have found that most firms have few informal links that are not based on formal transactions (Copus et al. 2000; Feser and Bergman 2000; Kaufmann and Tödtling 2000). Networks may be particularly important to owners of small businesses, as a means of offsetting some of the fragility of small size (Szarka 1990, p. 10), or to new businesses as a means of gathering support and credibility before the venture develops a track record and before the owner develops strong, professional ties (Birley 1985; Aldrich et al. 1987; Szarka 1990; Malecki and Tootle 1996; Greve and Salaff 2003).

Previous research has found evidence of strong networking by firms in rural locations (Jack and Bower 1996; Perry and Goldfinch 1996; Jack and Anderson 1999; Rosenfeld 2002) leading many rural development agencies to channel their attention towards promoting networking amongst indigenous businesses (Rosenfeld 2002). In fact, an apparent paradox exists. Whilst rural areas lack the density of firms found in many urban business clusters where networking is the norm, they tend to exhibit stronger social or informal networks than urban areas. Networks help to overcome some of the disadvantages of a peripheral location by serving as a means of achieving economies of scale (for example, in accessing distant markets) or as a source of support, information and knowledge (especially given the absence of more formal information sources in many sparsely populated areas). Jack and Bower (1996) also found that rural firms valued local networks as a means of being seen to be active in, and gaining the trust and support of, the local community. As Monsted (1995) argues, the importance placed on face-to-face contact when doing business in rural areas leads to a complex overlap between economic and social networks (Monsted 1995).
However, some studies have questioned the extent to which networks are beneficial to businesses. For example, Littunen (2000) argues that networks should not be seen as a means of compensating for inadequate entrepreneurial skills, experience and competence (see also, Bruderl and Preisendorfer 1998). Chell and Baines (2000, p. 211) argue that networks can be used to exclude as well as include and to build and reinforce barriers as well as overcome them. Over time, networks can also become restricting, conservative and stifling if they involve no new players or information, and thus can result in negative impacts.

Describing the characteristics of social networks, Granovetter (1973) argues that ties may be either strong or weak. Strong ties are high-trust relations with family, kin and close friends. The stronger the tie connecting two individuals, the more often they are in contact and the more similar they are, thus they are more likely to exchange similar information (Granovetter 1973, p. 1362; see also Burt 1992; Greve 1995; Jenssen and Koenig 2002). In strong networks, common knowledge and understanding will exist between the parties about each other and the ways that they can and should act and interact. This may be both a strength and an impediment to change.

Weak ties may be with a range of dispersed, less well known individuals, and tend to be of short duration and low frequency, have lower levels of trust and are more easily broken. Those to whom an individual is weakly tied will move in different circles and will have access to different information (Granovetter 1973, p. 1371; see also Birley et al. 1989, p. 58; Ostgaard and Birley 1996; Chell and Baines 2000):
…individuals with few weak ties will be deprived of information from distant parts of the social system and will be confined to the provincial news and views of their close friends (Granovetter 1982, p.106).

Weak ties can act as bridges between existing network groups and Granovetter (1973, p. 1378) concludes that weak ties are indispensable to individuals’ opportunities (the ‘strength of weak ties’ argument). In their study of firms operating in the Aberdeen oil complex, MacKinnon et al. (2004) argued that weak ties can play a crucial role in offsetting tendencies towards local closure and introversion by providing access to wider sources of information and expertise. They can also provide access to range of new customers and suppliers.

Whilst not necessarily disputing the importance of weak ties for providing different information, some authors have qualified Granovetter’s (1973) ‘strength of weak ties’ hypothesis. Jenssen and Koenig (2002, p. 1045), for example, argue that some information is so valuable that it is only given to close friends in strong relationships that have been nurtured over a long period of time. Monsted (1993) argues that strong ties may be more important in sorting, structuring and evaluating the information gained through weak ties.

**Conceptualising embeddedness**

Mitchell’s (1973) second element of the social network illustrates the embeddedness of actors involved in economic exchange (Granovetter 1985; Johannisson 1987) and provides a means of exploring how actors interact with the environment in which they operate (Johannisson 1988). Increasing attention has been paid recently to the
importance of such non-economic relations in influencing the pattern of economic networks that firms maintain and in explaining the success or otherwise of firms. Building on the work of Granovetter (1985), Curran and Blackburn (1994) argue that economic connections are seen as embedded in social, political and cultural relations and structures. This is reflected in Yeung’s (1994) definition of business relationships:

… an integrated and co-ordinated set of ongoing economic and non-economic relations embedded within, among and outside business firms (Goudis and Skuras 2001, p. 15).

Refining Polanyi’s concept into a ‘network’ concept, Granovetter attempts to understand economic action as integrated with or embedded in social or personal relations and institutions (Oinas 1997, p. 24):

Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations (Granovetter 1985, p. 487).

Thus, social relations, institutions, routines and practices provide a social context for an individual’s economic actions. Concrete personal relations and networks are vital in generating the trust that shapes actors’ expectations and opportunities in ways that differ from the economic logic of market behaviour (Granovetter 1985, p. 490):

… the key implication is that the level of embeddedness in an exchange system produces opportunities and constraints that are particular to network forms of
organisations and that result in outcomes not predicted by standard explanations (Uzzi 1996, p. 676).

The embeddedness concept has been widely used recently in social science research, yet Granovetter was vague about its precise meaning (Oinas 1997, p. 25). A key ambiguity is its spatiality. Granovetter does not explicitly state that embeddedness refers to involvement in local social relations yet this is often assumed to be the case. Oinas (1997, p. 29) argues that it is difficult to see why embeddedness should be thought of only as a local phenomenon as she recognises that social relations and embeddedness may extend over longer distances.

In the process of embedding, firms acquire characteristics that make them ‘fit’ the environment in which they operate, enabling them to operate smoothly with other actors (see also Jack and Anderson 1999), but embeddedness may also equip firms with incapacities: ‘lock-in’ in established ways of doing things, which inhibit learning and the (re)creation of capabilities in new competitive situations (Oinas 1997, p. 30). A set of social relations can become rigid due to the deep embeddedness of actors within it. Adding a geographic dimension, maintaining a predominance of strong, embedded relations within a local area can prevent firms from capturing global opportunities (Oinas 1997, p. 26, 30). Uzzi (1996) discusses the processes by which the performance of firms in a network can suffer as they become sealed off from new information or opportunities in existence outside the network. Thus, once embeddedness increases above a certain threshold, positive returns are reversed – the problem of over-embeddedness. Uzzi distinguishes arms length and embedded ties, of which firms should maintain a balance (see also, Greve 1995). Arms length ties provide firms with wide access to information circulating in the market and an enlarged ability to test new
trading partners, whilst embedded ties provide opportunities for joint problem solving and thick information exchange (reflecting Granovetter’s weak and strong ties respectively).

It might be expected that as a result of distance from markets, peripherality, a relatively low number of actors and the strength and closeness of social ties, over-embeddedness may be a real risk for rural businesses. Over-embeddedness may lead to social and moral obligations (such as pressure to buy from a local supplier) overriding economic rationale, or should a business owner fail to conform to expected local norms, relationships may become sour and hinder operations (Jack and Anderson 1999, p. 8). Thus local embedding in the rural milieu may prove disadvantageous for firms. As such, the local and extra-local context in which firms operate is crucial in providing access to resources and in shaping their perceptions and recognition of opportunities.

Methodology

A study of the social networking and embeddedness of businesses was conducted in three case study towns in the Highlands and Islands of Scotland, one of the most peripheral, sparsely populated regions in the EU (Figure 1). Although covering half the Scottish land mass, the Highlands and Islands has only 8% of Scotland’s population (approximately 430,000) and a population density of nine persons per km$^2$. The regional capital is Inverness, a city with a population of approximately 41,000.

The first case study town is Dingwall (population 5,026), located just under 24km from Inverness and defined as accessible$^1$ (Figure 1). The second town is Tain (population
3,511), a remote small town, 55km from Inverness. Wick is a very remote small town (population 7,333), 168km from Inverness, a journey taking more than two hours as a result of poor road transport infrastructure. Choosing three towns situated different distances from the region’s main market centre was a means of exploring the impact of remoteness on a firm’s social networking behaviour. The towns have also displayed differing levels of economic growth in recent decades. Whilst Dingwall and Tain have both attracted new economic activity (in part due to the expansion of Inverness), the local Wick economy has suffered long-term decline since over-fishing resulted in the collapse of the herring industry in the early 20th century, in which the town was an important centre.

Figure 1: The Highlands and Islands

A self-completion questionnaire was posted to over 1,000 firms located within 10 miles of each of the three towns. Amongst other issues, the questionnaire explored the characteristics of respondents’ social networks, defined as “the social relations that you may maintain with family, friends, members of the local community or other business owners, in which you discuss aspects of the business. These people may live close to you or a long distance away, even abroad” (Curran and Blackburn 1994). These networks are initiated in a ‘social context’, and though they are not directly connected to the business in the sense that they are not vital to its success, aspects of the business may be discussed within them.

Respondents were asked to provide information about up to five people (hereafter referred to as social network contacts, SNCs) with whom they most like to talk about
aspects of the business, including their relationship to the respondent, place of residence (locally, regionally or extra-regionally), how often they are in contact and how long they have been known.

Following analysis of the questionnaire results, 20 semi-structured interviews were conducted with a sample of business owners in each town and representatives of relevant local and regional organisations. These interviews were designed to explore some of the reasons and processes behind the patterns of networking uncovered in the questionnaire rather than to draw clear-cut conclusions. The interviews, which usually lasted between one and two hours, were recorded and fully transcribed.

The networking and embeddedness of business owners in the Highlands and Islands

The characteristics of respondents’ social networks

Drawing on the strong and weak tie hypothesis, bivariate analysis of the questionnaire responses explored the key characteristics of respondents’ social networks. Firstly, in terms of the frequency of contact between respondents and their SNCs, across all three towns, the SNC listed first by respondents was the person contacted most frequently (although respondents were not asked to list the SNCs in order of importance, however defined). For Granovetter (1973), this represents the strongest contact. In Wick, 90% of respondents contacted their first mentioned SNC more than once a week. In terms of the other SNCs, the pattern is more complex, although overall, Tain respondents maintained more frequent contact with a four to five SNCs than Dingwall and Wick respondents, who rely more frequently on just two or three SNCs.
Secondly, in terms of the relationship between a respondent and his/her SNCs, family members (representing Granovetter’s [1973] strong ties) were particularly important amongst the first SNCs listed by respondents, particularly amongst Wick respondents. Goudis and Skuras (2001) also found that the family network was particularly important for business owners in the periphery as a source of family labour, emotional support, advice and a ‘listening ear’. The importance of friends and other business people increases amongst the SNCs mentioned later by respondents across all three towns, although the latter contacts are particularly important for Tain respondents.

The third characteristic explored was the length of time Dingwall, Tain and Wick respondents had known their SNCs. Across the three towns, the first three SNCs listed had been known to respondents for the longest time, suggesting again that these are particularly strong contacts with high levels of trust and understanding, but that they also might be contacts in which similar information is exchanged (Granovetter 1973; Dubini and Aldrich 1991). Comparing the results for the three towns reveals that Tain respondents were the least likely to have known four of the five SNCs for 21 years or longer, and more likely than respondents in the other two towns to have known their SNCs for a shorter time period. In the case of three of the five SNCs Wick respondents were the most likely to have known the individual for 21 years or longer.

Table 1: The place of residence of the SNCs of Dingwall, Tain and Wick respondents

Table 1 compares the place of residence of respondents’ SNCs. For the first three SNCs listed, Wick had the highest proportion of respondents reporting that their SNCs lived locally. Dingwall had the highest proportion of respondents reporting that their SNCs
lived regionally and Tain had the highest proportion of respondents reporting that their SNC lived extra-regionally. Interestingly, this larger geography does not appear to affect the frequency with which these individuals are contacted by Tain respondents. In terms of the fourth and fifth SNCs listed, the pattern was somewhat different, with Tain respondents reporting that the highest proportion of these contacts lived locally. Wick respondents were still the least likely to report that their SNCs lived outside the Highlands and Islands.

*The ‘embedded’ nature of networking in the Highlands and Islands*

The analysis of the characteristics of SNCs maintained by business owners revealed that Wick respondents were the most likely to report that their SNCs lived locally and were most frequently contacted (at least for the first three SNCs mentioned), and overall they appeared to have the strongest SNCs in terms of the proportion of family members and the length of time they have known their SNCs. Respondents in all three towns mentioned other business owners amongst their social networks suggesting a degree of overlap between ‘business’ and ‘social’ contacts. Following the questionnaire analysis, the in-depth interviews explored the reasons behind these patterns and the potential implications for the future development of the town and its businesses.

When describing ‘networks’, representatives of local and regional institutions talked more about the formal relationships between businesses (for example, collaborating to target a market, source a piece of equipment or tackle a specific practical problem). Many of these respondents explained that they felt that informal networking was not important (and in some cases detrimental) to the performance of businesses. In marked contrast, business owners placed much more emphasis on the informal nature of networking, to the extent that many found it hard to think about or define their networks
in concrete terms (see also, Phillipson *et al.* 2006). Most business owners felt that informality was a feature of doing business in any rural location, although the peripherality and strong identity and culture of the Highlands and Islands made this all the more important. One owner commented:

> Networking is something that you are doing all the time automatically. What springs to mind is a whole heap of faces from all over the region… with whom I keep in touch, not necessarily consciously, but it just seems to keep happening. (business owner, Dingwall).

This particular respondent felt that many of his business contacts had originated in the social relationships he made whilst pursuing his interests in Gaelic language and music:

> Saying network… also brings to mind the Gaelic culture and the way in which people in the Highlands think when they have a Gaelic background… there is a kind of Gaelic network, a patchwork quilt, a framework if you like. Its such a small area but there is a small number of people in it… there is this remarkable overlap between the social and the business, as well as the cultural… almost certainly if you know somebody in one capacity in the Highlands you will know them in another, whether its music or cultural or whatever (business owner, Dingwall).

This quote also highlights the potential of networks to exclude, in this case those without a Gaelic background in the Highlands and Islands, including in-migrants, but also those living in parts of the region without a Gaelic heritage. Caithness, the district in which Wick is located and which has a strong Norse heritage, is one such part. Respondents often cited this as a reason for the localised networking of Wick firms in comparison to Tain and particularly Dingwall where the identification with Gaelic is especially strong.
A clear message from respondents across all three towns was the importance of individuals and personalities in networking relationships rather than institutions. For one Dingwall respondent this represented a contrast to his previous business experience in an urban centre and represented a “genuine interest in that person”. However, this respondent also recognised the potential dangers of this situation suggesting that firms might not do business with one another if “they don’t get on with” an individual in that business. Networks were often formed (or not) on the basis of personalities and the quality of social relationships rather than good business sense.

Interviewees recognised that networks bring a range of benefits, including a means of gathering information and of marketing a firm’s products and building its reputation. One respondent commented that informal networks often represented easier and better ways of learning from others with similar experiences than talking to officials who are “more concerned with form filling”. Other benefits of maintaining embedded networks are harder to quantify:

…networks are about re-affirming all of the standards and values that you associate with a relationship (business owner, Dingwall).

Across the three towns, respondents talked about the embedded nature of their business networks, with networks with customers and suppliers being “more than business connections”. However, there was a feeling amongst Dingwall and Tain respondents that the influx of in-migrants into the towns had resulted in a weakening of these embedded networks:

Formal networking I think has got stronger in this area in the past ten years. Before that, it was pretty much a case of if you knew one or two people then
they knew everyone else anyway… and I think that’s got weaker and formal networking has got stronger as more and more people and businesses have come into the area that haven’t been there for a particularly lengthy period (business owner, Dingwall).

In contrast, the connections between local people in Wick were felt to be much stronger and more embedded, probably because “most of them went to school together and grew up together and there are lots of interconnections between people” (representative of a regional organisation, Inverness).

In line with Mitchell (1973), many respondents both inside and outside Wick, recognised the importance of “cultural values and references” in shaping networking behaviour:

In Wick, its the culture, its the way its done here, its the mindset. And I have a feeling that when you delve deeply you could find that that influences very significantly the pattern of networking (representative of a regional organisation, Inverness).

[Wick] is remote, isolated and out-of-sight, out-of-mind… there’s a feeling that nobody is going to do it for us so we have to do it ourselves. The degree of independence is quite dramatic (business owner, Wick).

Wick people are too willing to stand back and wait for things to happen to them… they are often unwilling to adapt to a new situation (representative of a regional organisation, Inverness).

I am speaking about just the way their culture if you like has affected them over the years… Its not just going to happen in Wick, you’ve got to make it happen. And people here… their make-up, background and history is not such that they are dynamic to the point that they need to be to get things to happen up here (business owner, Wick).
Further reflection by interviewees on the strength of local embedded ties maintained by Wick firms revealed other explanatory factors, both internal and external to the town. One factor was the pull of Inverness on the networks maintained by business owners in relatively proximate Dingwall and Tain (Mason and Harrison 1993). There was a strong sense amongst interviewees that many firms in Dingwall and Tain had re-oriented their network relationships towards Inverness to take advantage of its recent growth. However, for Wick, the growth of, and centralisation of institutions in, Inverness has created quite the opposite effect. Rather than seeking to network with other businesses in Inverness (arguably the best growth strategy), many of Wick’s business owners have “turned inwards and now network more consciously within the local area” as a means of showing local loyalty and objecting to the perceived injustice of Inverness’ growing power but potentially limiting firm growth (business owner, Wick). One business owner in Dingwall (who had previously worked in Wick but since moving south had sought to expand his contacts in Inverness) commented that doing business in the regional capital was now more akin to other large cities in the sense that personalised (embedded) relationships had been replaced by formalised, contract-based relationships. In contrast, doing business in Wick is “old style, trustworthy and relaxed”.

Another factor which respondents felt had helped to boost the importance of local networking in Wick was the rivalry with Thurso, its twin town in Caithness, which has experienced relatively good economic performance recently in contrast to Wick’s economic decline. There is a perception amongst some ‘Wicker’s’ that investment has been focused in Thurso at Wick’s expense. In response, one respondent commented:

It’s almost as if the community in Wick gets fed up with what’s going on out there. They just want to huddle round and be secure from it for a while (business owner, Wick).
This situation resonates with Rosenfeld’s (2002) comment that networks formed by rural communities were frequently responses to real and perceived threats or crises or to the distinctive needs and limitations of rural communities. Whilst Rosenfeld discovered that such networks were often formed as a means of planning and preparing for change, this does not appear to be the case in Wick where local embedded networks displayed a good deal of inflexibility and embeddedness seemed to somewhat stifle change.

In-migration was perhaps the most important factor influencing both the extent and geography of embeddedness of business owners in the three towns. Previous research has found that newcomers to an area are likely to have much more diverse and geographically extensive networks and they are less likely to be restricted by local social norms (Monsted 1993, p. 218; Anderson and McAuley 1999; Malecki and Poehling 1999; Monsted 1993; Chell and Baines 2000). They bring new enthusiasm, energy, skills and a willingness to change. Respondents felt that the dominance of locals in the Wick population has had a huge influence on networking behaviour:

[Dingwall] is likely to have less strong social networking as people are not as well known to each other. Wick has had fewer people moving into it so it is less open to networks extending beyond the local area (representative of a regional organisation, Inverness).

[In-migrants] come with a frame of mind which is… there’s a bigger geography isn’t there? They are not so circumscribed in terms of what is actually possible (representative of a regional organisation, Inverness).

Several interviewees talked of the positive impacts of maintaining strong embedded networks in raising trust levels and “making doing business easier” (business owner, Dingwall), but others also discussed the potential negative implications. Capturing
exactly some of the potential dangers of lock-in or over-embeddedness, one Wick respondent talked favourably about the role of the town’s Business Club:

The business community in Wick to an extent is quite behind in terms of general legislation and what not, because of the localised networking you have talked about. And this is what the Business Club is really good at. Bringing people up to speed on these things with external speakers and things… like the Working Time Directive… But unfortunately by the time they get round to doing that, because we are a multinational company, we’re already quite up to speed (business manager, Wick).

Another respondent commented that “if you are going to move on and keep up with the times you have got to broaden your horizons” (business owner, Tain). Another remarked that too many strong, local embedded networks may lead to “inefficiencies and a reinforced vulnerability” and that they simply created “jobs for the boys” and “back-slapping” (business owner, Wick).

Conclusions

The analysis of the questionnaire results revealed that business owners in Wick apparently maintained the most localised, and arguably also the strongest, social networks, particularly in terms of the predominance of family members amongst SNCs and the length of time they had known their SNCs. Semi-structured interviews uncovered some regional and local contextual features contributing to the shaping of these patterns. These include the growth of a nearby ‘rival’ town or of a large urban centre, the presence or absence of in-migrants, and the predominant cultural characteristics of the local population. In combination, these factors have helped to
create a situation where the networks maintained by many Wick business owners are highly localised and strongly locally embedded.

Whilst more research is required into the meanings and realities of embeddedness for firms, the findings suggest that Wick business owners may be susceptible to some of the dangers of lock-in or over-embeddedness (Uzzi 1996), including a lack of openness to different information through extra-local weak ties, a high degree of inflexibility and a lack of adaptability, and a situation where social norms and obligations may override economic arguments. Firms may continue to operate with highly personalised and socialised business relationships as a result of the trust invested in them and the high opportunity cost of replacing them, even though these relationships may be hindering the potential for growth. It would be interesting to further explore the durability or fragility of embedded relations in more detail, for example, assessing the threshold at which firms may decide to break close social relations and the trust, norms and expectations of reciprocity associated with them, and seek out new markets and new network contacts to benefit the business. The threshold or breaking point of a network is likely to be affected by the content of that network and the value (however measured) placed on that content.

In contrast, firms in Dingwall and Tain have less strong and less localised social networks, although many of their relationships can still be described as embedded (as a result of Gaelic ties across the Highlands and Islands, for example) and therefore are still at risk of over-embeddedness. However, they are clearly more open to different, extra-local information and have adapted more positively to changes such as the growth of Inverness and the influx of in-migrants. Whilst these changes have also brought
challenges (including the formalisation of network relationships) they have also brought opportunities, not least the potential to develop new weak ties.

Left to its own devices, it is hard to see how the Wick economy can escape its current downward trajectory without policy assistance. However, there is a fundamental issue that must be addressed before any policy interventions can be successful. The importance placed by representatives of local and regional organisations on formal networking contrasted strongly with the importance placed on the informal nature of networking by business owners, leading some businesses to question how far organisations can play a role in initiating meaningful business networks. Research done elsewhere has highlighted some of the dilemmas associated with the development of formal networks on the basis of pre-existing informal networks amongst business owners (Phillipson et al. 2006), and one interviewee in this study highlighted the difficulties for policy makers in finding the right initiatives to encourage business networking. One business owner commented:

I don’t think the kind of networking that the Local Enterprise Company would promote would be the kind of networking we are involved with here because it is personality or individual based. They would be more interested in organisations (business owner, Dingwall).

Business owners themselves must be closely involved in the design and delivery of networking initiatives to ensure that their requirements are met. Several interviewees in this study commented that even the ‘informal’ events organised by the Local Enterprise Company, were “too over-the-top” with “too much money hurled at them”. All interviewees wanted was an informal venue in which to meet and chat, not an expensive dinner in a top of the range venue. Policy-makers need to recognise the importance of
business-led (but informal) institutions such as Business Clubs, although their role may be in promoting stronger links between local Clubs across the Highlands and Islands, for example.

There is a role for policy-makers to play (in Wick particularly) as brokers to encourage the formation of extra-local and weak ties. These are likely to be the hardest for business owners to form themselves as they are not grounded in personal or social relations or existing norms and reciprocal understandings. A number of interviewees in this study commented on the usefulness of cross-sector network groups which provide an ideal environment for the formation of formal weak ties (which may over time become personalised and embedded) between firms operating in different sectors. This may require organisations representing different sectors, such as Tourist Boards or the Forestry Commission, to work in partnership as network brokers.

Reflecting the findings of earlier studies, in-migrants were found to be more tied into extra-local networks than locals. This raises an interesting issue for policy-makers. In the Highlands and Islands, whilst in-migrants are valued for the additional resources and skills that they bring, development efforts are still very much framed as ‘local’, effectively excluding non-locals (Burnett 1998). This study revealed some negative attitudes towards in-migrants with some respondents commenting that in-migrants are “disruptive forces” and that they are more likely to receive funding for projects than locals. These negative attitudes need to be overcome, and more inclusive approaches to development are required. Policy-makers also have a role to play in ensuring that the resources gathered by in-migrant owners in extra-local ties are shared amongst the wider local population. Key to that is ensuring that networks amongst local businesses
are inclusive and open to all owners, locals and in-migrants. The degree of inclusivity and overlap of indigenous and in-migrant networks in a local rural area would be an interesting issue to explore in further research. As the resources brought in through extra-local networks start to bring benefits, the process becomes self-reinforcing - greater economic success will attract in-migrants, with their dynamism, broad networks and experience. As networks grow to cover wider geographical scales, they are likely to broaden access to further new and diverse economic opportunities.

The importance of incomers also raises interesting questions for further research. It seems that in Wick, any new information that is brought in from outside is not able to penetrate the traditional, stable institutions and attitudes in the town. Further research could explore the reasons why this is the case – it is perhaps due to a strong negative attitude to incomers and thus their exclusion from local networks. Research could focus on tracing the mechanisms through which new information and knowledge accessed by incomers (and by other firms engaged in extra-local networking) is transferred to the wider local population, and the barriers that may exist to such knowledge transfer. It could be, for example, that organisations such as Rotary Clubs or Round Tables, which have been found to be active in many rural locations, have an important role to play here.

This study has shown the importance of studying the context in which networking takes place in order to fully understand the behaviour and motivations of actors, and thus highlights the need for more studies of this kind in other locations as the territorial rural policy agenda (tentatively at least) becomes more widely acknowledged in rural policy-making. Whilst the questionnaire data revealed the different characteristics of social
network contacts amongst respondents, only through in-depth interviews can the complexity of these patterns and the reasons for them be uncovered. As suggested by Granovetter (1985) and others since, the social infrastructure in which individuals and businesses operate is closely related to furthering economic expectations and sustaining collective action. This is clear from these findings, where factors such as cultural characteristics and inter-town and inter-individual rivalries may be crucial in explaining the degree to which businesses are engaged in local and extra-local networking. While these factors may currently be hindering economic growth in Wick, the positive features of strong localised, embedded networks (not least the high levels of trust and loyalty and reduced uncertainty) can be viewed as resources to be drawn on to encourage actors to change their networking behaviour to the benefit of the town in future (see Woolcock 2001). As Rosenfeld (2002) argues, networks formed in relation to an external threat can be valuable as a means of planning and preparing for change. Repeating the study in the three towns in five or ten years time would allow an empirical, on-the-ground assessment of these development trajectories, particularly against a background of continuing expansion in Inverness and of fundamental economic and social change in rural areas and small towns.
Notes

1. According to the Scottish Executive 8-fold rural-urban classification.

2. Following the approach of Greve and Salaff (2003), the question therefore only asked respondents about those people with whom they discussed aspects of the business and not wider social contacts with whom business is not discussed. The latter may act as a pre-cursor to, or context for, the formation of economic ties (Uzzi, 1996).

References


Figure 1: The Highlands and Islands
Table 1: The place of residence of the SNCs of Dingwall, Tain and Wick respondents

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<th>Place of residence of respondent</th>
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<th>Wick (%)</th>
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