



The stairway to Heaven? The effective use of social capital in new venture creation for a rural business



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ABSTRACT

Small business researchers have explored how entrepreneurs benefit from their existing networks and social capital in venture creation, observing that better connections enhance the likelihood of the success of new businesses. However, we know very little about how new-venture entrepreneurs overcome gaps in their social capital and lack of access to networks. This research provides a case-study illustrating how a rural funeral business developed a sustainable, profitable and scalable crematorium venture through its owner's instrumental use of his existing social capital and the purposeful recruitment of new members to fill gaps in expertise and resources. Combining these relationships, he created and managed a network which added significant value to the process of enterprise creation. We explore how the business-owner used this network and his own market knowledge to profitably exploit a perceived gap in the market through the provision of a facility which a local authority had previously considered, and rejected, as unsustainable because of insufficient population density in the region.

This case study of a funeral and crematorium business in a rural location builds on Bosworth's (2012) model and argues that an additional category (Type E) is required to incorporate rural service industries.

An alternative semantic construct of social capital is presented, outlining the concept as a fluid and dynamic, time-influenced phenomenon rather than a discrete, fixed network that occasionally creates new links. The concepts of core and augmented social capital are presented. Core social capital describes existing bonds between actors within a group, while the augmented social capital of inter-group bridging creates a more expansive network.

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1. Introduction

Whilst the study of rural entrepreneurship is nothing new, the key parameters of this subject still lack a conceptual framework for analysis. However, Bosworth (2012) provides an insightful approach in reducing this particular deficit with his significant paper in determining a key agent in the rural economy, namely 'a rural business'. This paper seeks to build on Bosworth's model using a case-study analysing the decade-long process of building a privately-owned and managed rural business; a rural crematorium. The case is of particular interest because it offers an insight into an 'untypical' rural business. Furthermore, it is in a location where it is

apparently not feasible for such a business to survive, let alone grow.

Social capital is inherent in the indigenous development of a rural business and business community. This paper will argue that social capital is a fluid process and will highlight how the changing nature of the social capital employed by the rural business enables growth and development to take place. The data have been collected through observing the process and through semi-structured interviews with key stakeholders.

The paper begins with a review of the established literature in which the gaps in our understanding are identified. This is followed by an outline of the case study context, methodology, results, discussion and implications, and our conclusions. The findings enable us to contribute to the understanding of rural business types and to the growing literature on social capital research.

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2. Literature review

Bosworth (2012) identified three potential parameters, namely: serve a rural population; sell a ‘rural’ product; located in a rural area. These are not mutually exclusive (see Fig. 1), and indeed it is within the overlaps that Bosworth develops his Categories of Rural Business framework (see Table 1).

From: Bosworth G., Characterising rural businesses: tales from the paperman, J. Rural Stud. 28 (4), 2012, 499–506. Bosworth invites us ‘... to challenge some of these categorisations or add some of your own examples’ (2012, p503). In this paper we rise to Bosworth’s challenge by analysing a case study which does not sit easily within the above categories.

2.1. Rural enterprise

Rural regions such as Dumfries and Galloway rely on SMEs to create new employment (Butcher and Bursnall, 2013). Firms are likely to be small because they are rural (Smallbone et al., 2002) and because they are often service firms (Cosh and Hughes, 1996). They are also more likely to fail than larger firms, and this vulnerability has increased since the financial crisis and subsequent recession in 2008–09 which affected small businesses disproportionately (Chow and Dunkelberg, 2011). There has been a long history of policy intervention by the state to compensate for ‘market failure’ within SMEs generally, but rural SMEs in particular. However, it is argued that rural SMEs are still underserved in this respect through what Smallbone et al. (2002) describe as a ‘rural premium’; i.e. it costs more to provide services for SMEs in rural locations than it does for their counterparts in urban settings. If SMEs maximise their own networks and local resources available to them this cost will be reduced. Social and human capital can, therefore, be hypothesised to be more significant to an enterprise in a rural rather than an urban area.

2.2. Social capital and networks

There is broad agreement that social networks lie at the heart of entrepreneurial ventures:

‘Networking extends the reach and the abilities of the individual to capture resources that are held by others and so improve entrepreneurial effectiveness’

(Anderson et al., 2010, p121).

Social Capital has been defined as the good-will created through social relations that can be mobilised to facilitate the attainment of resources, influence and defined goals (Woolcock, 1998; Portes,

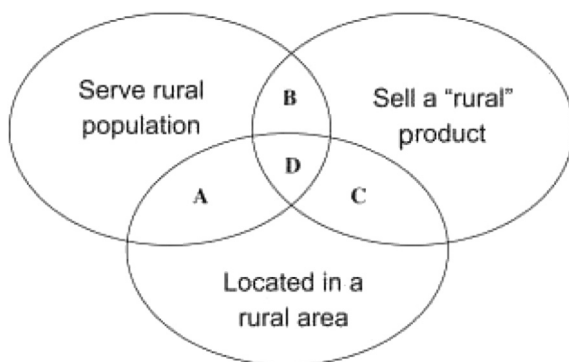


Fig. 1. Categorising rural business. From: Bosworth G., Characterising rural businesses: tales from the paperman, J. Rural Stud. 28 (4), 2012, 499–506.

Table 1
Bosworth’s categories of rural business.

Type A	Type B	Type C	Type D
Rural market, rural location	Rural market, rural product	Rural product, rural location	Rural product, rural location, rural market
Post office	Farm suppliers	Farms	Farm shop
Village shops	Farm consultants	Food processing	Thatcher
Village pub	Vet	B&B/hotels	Fence-making
Newspaper delivery	Milkman	Nature reserves visitor centres	Gamekeeper
Village garage	Land agents	Hiking supplies	Shearers
Village school		Livery stables	Dry-stone waller
Foresters			

2000; Adler and Kwon, 2002; Stam et al., 2014). It has been noted that entrepreneurs with extensive social networks are better able to respond to environmental opportunities to acquire the resources they need (Dubini and Aldrich, 1991). In the words of Kristiansen (2004):

‘Through high-quality social networks, characterised by a high number and variety of relations, certain (individuals) seem to be in a better position to enact their business environment and raise entrepreneurial resources such as motivation and ideas, information, capital and trust.’

(Kristiansen, 2004, p. 1149)

Elaborating on the concept of social capital it can be argued that there have been three influential commentators in the development of social capital theory to date. Bourdieu’s (1986) original conception of social capital as one asset amongst four capital forms (the others being cultural, symbolic and economic) is particularly useful, as his detailed conceptualisation presents a holistic approach to both the idea of social capital and to networks. He considers the internal experience and skills of the entrepreneur (their habitus) and locates those within the external network. Coleman’s emphasis on the individual (1989, 1990) and their actions (i.e. rational choice theory) is more individual-centred without the insight of habitus, whilst Putnam’s (1995) cumulative approach, suggesting that social capital generates more social capital, is less useful when trying to examine the process of accumulation. Authors often associate their work with one particular commentator (e.g. Sutherland and Burton, 2011; Besser and Miller, 2013), while others look to aspects from all approaches to explain their results (e.g. Compton and Beeton, 2012; Fisher, 2013). Adler and Kwon (2002) advocate a dialogue on social capital perspectives to enhance our understanding rather than a singular approach, and that is the stance adopted by this paper.

Woolcock and Narayan (2000) note that social capital is, in essence, a concept of our social networks, and they observe the usefulness of such connections in every facet of our lives. They note it can be both a ‘blessing and a blight’ (2000, p226). Besser and Miller (2013) suggest that social capital is not necessarily always used positively. Fisher (2013) noted that Putnam (1995) and Coleman (1989, 1990) tend to ignore the more negative impacts of social capital which can lead to exclusive networks, for example criminal groups, cults, and even the transmission of bad business advice between network members.

Houghton et al. (2009) found that for a firm involved in many external networks, the consequential increase in social capital increases possibilities for strategic development. The work of Granovetter (1973, 1983) suggests that temporary external connections create weak ties that provide a bridge between one actor and another from an otherwise unlinked group. This can aid

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