

*Introduction: Networking private
entrepreneurs in rural areas – social
capital or waste of time?*



Chris Kjeldsen
and Gunnar Lind Haase Svensen
University of Aarhus, Denmark
and University of Southern Denmark

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Networking private entrepreneurs in rural areas – social capital or waste of time?

Abstract: In debates on rural development, attention has often been directed toward the role of the agricultural sector and its relations to the state, subsidy programs and voluntary associations. However, we should not forget the importance of innovative private entrepreneurs outside agriculture. These people tend to invest a lot of time and energy in building local and supra-local social capital. Using case studies from rural Denmark, this paper critically explores under which circumstances private entrepreneurs' social networks can be transformed into veritable social *capital*.

Keywords: Private entrepreneurs, social capital, embeddedness, rural innovation, rural Denmark

Creación de redes de empresarios privados en áreas rurales: ¿capital social o pérdida de tiempo?

Resumen: En los debates sobre desarrollo rural, la atención se ha dirigido generalmente hacia el papel desempeñado por el sector agrario y sus relaciones con el estado, las subvenciones y las organizaciones sin ánimo de lucro. No obstante, no deberíamos olvidar la importancia de los empresarios e innovadores privados al margen de la agricultura. Estas personas tienden a invertir mucho tiempo y energías generando capital social local y supralocal. A partir de estudios de caso de la Dinamarca rural, este artículo examina críticamente bajo que circunstancias bajo las redes sociales de los emprendedores privados pueden ser transformadas en auténtico capital social.

Palabras clave: Emprendedores privados, capital social, *embeddedness*, innovación rural, Dinamarca rural

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Chris Kjeldsen. Department of Agroecology, University of Aarhus (Denmark).
Chris.Kjeldsen@djf.au.dk

Gunnar Lind Haase Svendsen. Danish Center for Rural Research, University of Southern Denmark, Esbjerg (Denmark). glhs@sam.sdu.dk

Including the downside of social capital

In the debates on rural development and rural innovation, a lot of attention has been paid to the role of agriculture, the state, supra-state initiatives as LEADER, as well as to civil society, here not least voluntary associations.¹ However, we should not forget the important role of the many individual, non-agricultural as well as agricultural, enterprises located 'out there'. These are often characterized by energetic and innovative entrepreneurs who excel at networking, and who are rich on local as well as supra-local social capital (e.g. Young 2010; Svendsen et al. 2010).

Apart from the private goods obtained (the entrepreneurs earning money), this also entails provision of collective goods in the form of local and regional networks that can be used for various forms of collective action, job creation, and the fostering

1• The issue contains a selection of peer-reviewed papers, which were originally presented at a workshop on "Embeddedness of Rural Enterprises - Developing Integrative Conceptual Frameworks for Understanding Rural Innovation and Development" at the European Society of Rural Sociology congress in Vaasa, Finland, August 2009. We thank the participants for their active participation and for paper contributions. This article is based on research from the research project Innovative Enterprises in Rural Areas, financed by the Danish Ministry of Food, Agriculture and Fisheries.

of trust and cooperative norms. Such goods are beneficial for the *whole* local community, something that can be seen as an unintended side-effect of entrepreneurial private good provision (Coleman 1990). Hence, both the intended and unintended effects of private entrepreneurship have important impacts on rural development and life conditions. Therefore, this special issue seeks to answer the overall question: How do private entrepreneurs contribute to rural development? The scope is, of course, narrowed in the papers that follow, which address the overall question through case studies from many parts of the world.

As is the case in many other fields in which the concept of social capital has been applied, the 'celebratory' view has been dominating within rural studies and rural policies during the last two decades. The firm belief that rural networking *per se* is always good and should be seen as a comparative advantage of rural areas pops up in many scientific, grass root and policy documents. For example, in the influential OECD publication *The New Rural Paradigm* one reads in the foreword: "*Rural policy is beginning to take into account the diversity of rural region types. On the aggregate, rural regions face problems of decline with out-migration, ageing, a lower skill base and lower average labour productivity that then reduce the critical mass needed for effective public services, infrastructure and business development, thereby creating a vicious circle. However, there are many rural regions that have seized opportunities and built on their existing assets, such as location, natural and cultural amenities, and social capital*" (OECD 2006: 3).

Unfortunately, the blessings of social capital are often overestimated. This may pave the way for political *laissez-faire*, including withdrawal of public investments in local communities (Somers 2005: 13). At the micro level, entrepreneurs may just as well waste their time and money on networking rather than prosper, all depending on their strategies and specific local contexts. Furthermore, important issues regarding power and politics might be overlooked. Critical social capital commentators have warned that "*What others have called the 'dark side of social capital' ...makes it clear that excluding the issues of power and politics from the concept of social capital is tantamount to eliminating one half of the human record of history and society. Before any sanguine theories of social capital continue on their present tack, empirical work is urgently necessary to determine the conditions lending themselves to this 'dark' side of social capital* (Somers 2005: 13)."

Structure

Hence, our discussion on profitable and less profitable (or even counter-productive) networking among rural entrepreneurs includes some initial reflections on the impact of specific contexts and configurations of networking. We will thus try to balance the 'sunny' and 'dark' side of social capital. Overall, we will question the one-sided "celebratory view of social capital" (Portes and Landolt 1996: 21). This we will do within the framework of embeddedness (Section 2). Then we use two cases from rural Denmark, which may serve as illustrative examples of productive networking (veritable social *capital*) and non-productive networking (waste of time), related to degrees of local and supra-local embeddedness (Section 3). Finally, we shortly introduce the articles in this issue (Section 4).

Embeddedness

Our starting point is that networking can be conceived as particular configurations of social relations contingent on localized contexts. In other words, networking can be conceived as an embedded form of social interaction. Thus, the *forms of embeddedness* have an influence on the effects and outcomes of rural entrepreneurship.

Polanyi's three forms of integration

The notion of embeddedness (literally, to be integrated within something else) seeks to analyse economic action as being embedded within a complex network of social relations. The concept was originally coined by Polanyi (Swedberg 2003: 28) but much further developed by economic sociologist Marc Granovetter (Granovetter 1985). Polanyi actually abandoned the concept and instead talked about "forms of integration" (Polanyi 1977). By this, Polanyi meant "the patterns made by the movements of goods and persons in the economy, whether these movements consist of changes in their location, in the appropriation, or in both" (Polanyi 1977: 36). He then listed three forms of embeddedness present in every historical period in various mix

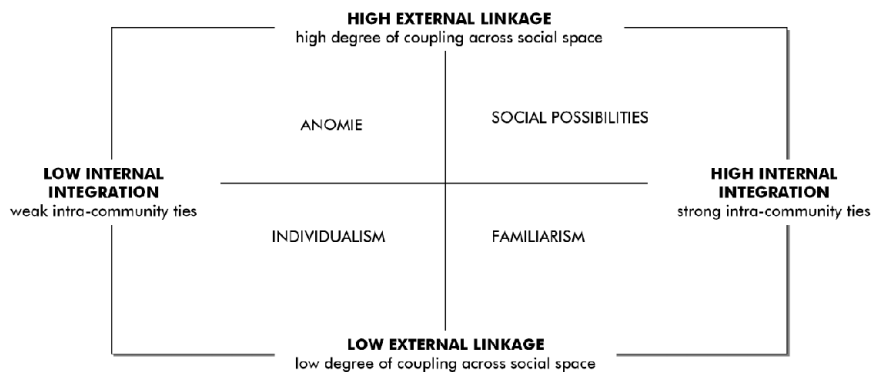
proportions. These are *reciprocity*, i.e. "movement of goods and services (or the disposal over them) between corresponding points of a symmetrical arrangement"; *redistribution*, i.e. "movement towards a center and out of it again, whether the objects are physically moved or only the disposition over them is shifted"; and *market exchange*, i.e. "movement in a similar sense, but this time between any two dispersed or random points in the system" (ibid.). Polanyi thus emphasizes that economic action is influenced by different forms of social relations, which can be identified in different proportions during economic history. In the following, we will focus on the dimension of *reciprocity*, which is the one that corresponds the most to our use of the notion of networking.

The problem of over- or underembeddedness

Building up networks – whether integrated reciprocally in the local community, through vertical value chains ranging outside the local area, or in local, regional or global markets – should be a balanced process. Network building is not *necessarily* a viable strategy for the single entrepreneur. This might sound strange, but the point is that rural entrepreneurship, as other forms of entrepreneurship, can be both *over- and underembedded* (Granovetter 1990: 96). Many cases of over- and underembeddedness has been identified within economic sociology (Woolcock 1998). In these cases, economic action has been conceptualized as the continuous forging of relations within firms or communities, based on "bonding" types of social capital, as well as forging of relations external to firms or communities and based on "bridging" types of social capital. One practical example is that many firms seek to build up relations of trust within the firm, thus ensuring that a flexible coordination of innovation processes can occur within the firm. These processes might be hampered if different parts of the firm were unwilling to exchange ideas across the firm.

Figure 1

Forms of social capital on microlevel (Woolcock 1998: 172)



At the same time, building up beneficial relations with a wide range of external partners is also important, in order to reach a suitable level of flexibility to changing market conditions. Accordingly, a distinction can be made between processes of internal integration and external linkage. Cases of under- and overembeddedness occur when *one of the two processes comes to dominate and even suppress the other*. Strong intra-community ties coupled with the absence of external links may hamper an enterprise's ability to exploit new emerging market possibilities. When strong intra-community ties are combined with high external linkage, the social mobility of an economic enterprise can be facilitated.

This mechanism can be seen in many immigrant economies in the Western world. In Denmark, for example, many immigrants from South-East Asia established grillrooms during the 1970s, supported by low-interest loans from community banks within the local immigrant community. The high level of intra-community integration was thus a positive factor to the establishment of new businesses. Problems did arise when, during the 1980s, new waves of immigration from the Middle East increased competition on the market for grilled food. Most of the community banks had no knowledge of other sectors and were not able to support transition into other sectors where competition was not that fierce. As a consequence, many Asian grillroom owners went bankrupt. In that regard, there was a limited social mobility of economic enterprise.

Other sources have emphasized that overembeddedness can reduce the flow of innovations throughout a given network by closure, meaning that networks charac-

terized by high social integration might not be able to provide the type of resources which is needed the most (Uzzi 1997: 58). Likewise, overembeddedness can stifle economic action if the social aspects of exchange supersede the economic imperatives (Uzzi 1997: 59). Another example is that overembeddedness can result in self-defeating cycles of behaviour. The case is that if strong assumptions of trust and cooperation are exploited in embedded ties, vendettas and endless feuds can arise (Uzzi 1997; Axelrod 1984).

How, then, should a rural entrepreneur invest his time and energy? In local or extra-local networks? Arguably, balancing between the over- and underembeddedness of economic action is a key issue in rural entrepreneurship. On the one hand, rural entrepreneurs should be aware to build strong intra-community ties, as the forging of strong intra-community ties is an important prerequisite for cultivating a diverse development repertoire within rural areas (Ray 1999). The absence of strong intra-community ties might hinder utilisation of local resources such as traditional foods, regional languages, crafts, folklore, local visual arts and drama, literary references, historical and prehistoric sites, landscape systems and their associated flora and fauna (Ray 1998). On the other hand, it is important to keep in mind that successful utilization of financial institutions, technology and other assets is contingent on a high degree of extra-community linkage. In that regard, networking in itself might not constitute a viable strategy. The craft of *balancing* the use of resources between different forms of networking is every bit as important.

Productive and non-productive networking

As mentioned in Section 1, networking has clearly become a plus word. And social capital is detected everywhere, not least in rural communities. However, social *capital* is built – just like all other forms of capital, as a fabric, a motorway, an expert knowledge. Our key message is that rural entrepreneurs, and rural researchers, should have a more critical view on investments of labour-time in networking. In the contemporary project- and network-society, a considerable amount of time is spent on building and cultivating networks, reinforced by the possibilities of the internet. However, do these investments *always* have a pay-off? Or can investments in networks simply turn out to be counterproductive? To analyze the relationship between

two different configurations of networking, we have selected two cases – the first one representing productive and the second one non-productive networking.

Productive networking: PileByg Ltd.

Introduction

PileByg Ltd. was founded in 1997. The company produces willow hedges, as well as wind and noise fences consisting of dead as well as living willows (to motorways, for example). PileByg is an innovative enterprise that has been rather visible in the Danish media.² It is located in a renovated farm house and manor in a sparsely populated area in the Northeastern part of peninsular Jutland. 110 hectares of land planted with 80 different varieties of willows surround the farm. In 2008, PileByg has about 15 full time employees and an annual turnover of about 2,7 million euro.

PileByg is jointly owned by the couple Johannes Falk and Vibe Gro. John works as the Chief Executive, while Vibe takes care of staff, marketing and R & D projects. Besides, the office team consists of secretary, designer and developer Birgit Østergaard-Jensen. The remaining staff consists of a production team and a traveling team that erects willow noise fences and hedges all over Europe. Since its establishment, PileByg has gone through a constant product development and diversification. The main customers are public companies (e.g. the Danish Road Directorate, Danish municipalities) and private enterprises, including the retail market. There is also a significant sale to private and public enterprises abroad, primarily England, Scotland, Sweden and Norway.

The case was studied by using long, semi-structured interviews. Three interviews of approximately 1 hour's duration were undertaken, transcribed and analyzed, including the two owners Vibe Gro and Johannes Falk, and secretary and developer Birgit Østergaard-Jensen.

We find that PileByg is an illustrative example of productive networking in the sense that it successfully capitalizes upon a mix of local and supra-local networks – hence PileByg is neither over- or underembedded. This is due to a persistent focus on network cooperation that *pays* for all partners, i.e. win-win games. Hence PileByg

2• Not least, the award of two prizes – the Danish Design Prize 2000 and an award at the Danish Garden and Landscape Exhibition in 2003 – has attracted the attention of the press.

succeeds to turn both carefully selected local and supra-local networks into social capital.

PileByg relies heavily on both informal and formal network cooperation. These networks include foreign customers, vendors, subcontractors and Danish customers. In addition, there has been a close cooperation with the Danish world-wide producer of isolation, Rockwool, which has been of vital importance for PileByg, not least in the initial phase. Besides, local networks have been important, both in respect to recruitment of skillful, local employees and using local partners, who manufacture or further develop some of the most complicated machines. In the following, we will first look at efficient *supra-local* network cooperation, exemplified in the cooperation with the Danish fire-safe isolation producing enterprise RockDelta (Rockwool). Then we look at successful *local* cooperation exemplified in cooperation with the local smith on developing machines for processing the willow. Finally, we briefly note the importance of trust for all forms of low-cost network cooperation.

Supra-local cooperation: RockDelta Ltd.

According to co-owner Vibe Gro, the most crucial event in the history of the company is the close collaboration with the Danish head quarter of a subsidiary firm within Rockwool, RockDelta Lmt., in the up-start period 1998-2000. RockDelta has specialized in vibration isolation/noise control and ballast protection and has departments over most of the world, but its head quarter is (still) situated in a town near the Danish capital Copenhagen. This made possible the testing, patenting and capitalization of a good idea: The willow noise fence. Vibe Gro tells: *"When you're a little enterprise and have a really good product (..) there's a lot of formalization and testing before you have a strong product. And it takes.. enormous resources. And at that time, it was actually the subsidiary firm of the Rockwool Group [RockDelta], which made a patent on the product and helped to make some of the formalization of all the technical aspects of the product (..) They took us by the hand. And that was extremely decisive"*.

Vibe Gro also stresses the "business acumen" in such a collaborative relationship. Cooperation, she claims, is market driven and both parties have clear economic interests to safeguard. In relation to RockDelta, the win-win situation consisted in PileByg's access to expertise on the one hand, and Rock-delta's interest in selling more rock wool isolation (as a part of the willow noise and wind fences) and, besides, gaining a share in the patent and thus long-term profits. At this early stage, cooperation with a giant within the Danish industrial sector, Rockwool, was perfect for the

"Lilliput" PileByg. Such a small, fledgling company did not have enough resources to undertake investments of this scale (developing, testing, and achieving a patent), neither did they have sufficient technical insight in how the final product should be designed. Therefore, Vibe Gro tells, a voluntary mentoring scheme was a perfect solution for both parties. Hence, networking was easily converted into economic capital without any waste of labor-time whatsoever, that is, increased incomes for both the little and the big enterprise. In addition to this, a major and not intended benefit was an enormous knowledge transfer from RockDelta to PileByg, e.g. in connection with marketing. The marketer, Vibe Gro, simply had free and fully informal access to all the information and advice she could dream of.³

Local cooperation: Developing machines together with the local smith

Building a unique production apparatus that can produce custom-designed products of high quality has only been possible due to close cooperation with local businesses, here in particular the local smith in the village.

The interviews reveal that cooperation did not happen due to local patriotism but simply because it pays off: The smith is skillful, always accessible, and they know him. Moreover, when constructing, or further developing, complicated machines, geographical proximity becomes extremely important, allowing the smith to – in a very informal way – come to PileByg and correct errors, have informal talks with Johannes Falk and his employees, and in this way develop ideas for improvements simply by standing next to the machine discussing possible solutions.

Overall, this saves a lot of distance costs and, besides, belonging to the same regional culture and using the same dialect allows for immediate understanding. For example, this was how a complicated bark remover machine, originally produced in Poland, was further improved in line with the specific needs of PileByg. Moreover, local partners as the local smith have gradually accumulated valuable knowledge about processing willow, which also increases PileByg's profits from using local services as well as contributes to general innovation and economic growth in the area.

3• "[At] that time it was the perfect company for us to work with. Today we are completely independent of them. We never use them. But then, when they were thus quite necessary for us to no technical knowledge of something... patent and in any market knowledge, that is... Much of the marketing I know, I've learned from the marketing manager [in RockDelta]. And that was because all I had to do was to lift the phone and call him".

It all started with a small machine made for the production of the so-called Harlekin fence (fence to primarily private gardens made of living willow trees). Birgit Østergaard remembers: *"I think it sounded too crazy. However, he [Johannes Falk] got it started and (...) a small machine was developed by a local smith. And eh.. it was adapted and.. has run ever since. And it is about 7 years ago we started that project. And we have sold a lot of kilometers of these fences. It's been a great success. And it leads to innovation among other small enterprises in the area. Because.. those machines that are standing outside in the production hall, they are all invented by local firms in this area."*

Such low-cost cooperation is, however, not only dependent on timing, expertise, win-win cooperation (RockDelta) or geographical proximity (the smith). Also the presence of *trust* presupposes smooth and, often, informal cooperation.

Trust as a lubricator for win-win cooperation

In our interviews with business people in rural areas, trust appears to be an extremely important factor for smooth cooperation and low transaction costs. In the interviewees' perspective, this has to do with a small and manageable size of employees, where people work together and not against each other, reinforced by local, regional and national trust cultures. For example, in an interview with an owner of a small tourist enterprise in Southern Jutland (April 25, 2008), network cooperation was described as: *"The network must be stretched out to personal relations, personal appointments, because that's what carries out here"*⁴ In another interview (Dec. 1, 2010) with an owner of a small machine factory in a remote area in Western Jutland, the connection between cooperative efficiency and trust is formulated in more detail: *"We do not use contracts when dealing with our customers. Sometimes we burn your fingers. Someone is suddenly gone. (...) But again, then sometimes we win a little (...) We were once in negotiation with a [Danish] wind turbine manufacturer, where we should sign and all that, and have a lawyer. We simply don't want to, and don't have time to go into such a cooperation [because] if you cannot talk together and keep your word (...) then it only raises costs and complicates everything, and we have to have lawyers every time we produce something. Well, we're not a paper factory, we're a machine factory. So we don't use any energy on that"*.

4• See also Svendsen et al. 2009 for more details on this case study.

PileByg is a typical example of a small enterprise in rural Denmark where cooperation is 'lubricated' by trust and formal contracts are almost non-existing. This taken-for-given trust may indeed be the comparative advantage of such an enterprise. Directly confronted with the question about which she had circled for long – What does trust mean to you? – Vibe Gro answered after a long silence of reflection:

*"I should say: That's not an issue. Because trust, I think, it's just there.
Interviewer: "It's just there?"*

"It's like a natural condition for the tiny world here, for being so small.. that you have that. Funny you should mention that!"⁵

Similarly, Birgitte Østergaard-Jensen states that *"generally when dealing with people and making deals with people, we always turn back to those we feel we can trust"*.

In this way trust between employees internally and between PileByg and external partners seems to create an ideal environment for effective innovation and cooperation and high economic performance in a very informal atmosphere. We now turn to an example of networking that doesn't pay off just as well.

Nonproductive networking: The organic freshwater terminal in Tinglev

Introduction

The Organic Freshware Terminal in Tinglev was a cooperatively organized distribution enterprise, initiated by an organic investment foundation in the region of Southern Denmark. The overall aim for the freshware terminal was to establish and develop a regionally embedded distribution network for regional organic and biodynamical products. The enterprise had a relatively short lifespan, as it was started in 1999 and shut down only two years later, in 2001 when the terminal went bankrupt.

5• Later on in the interview, she more than once returned to this theme. For example, the English and Scandinavian partners are the ones PileByg understands the best and trust the most, so that they attempt to expand on these markets. This in contrast to, for example, a large German market with promising potentials – however, here cooperation has failed due to poor understanding and low trust. In Vibe Gro's expression, *"[trust] is like the oil that lubricates the whole unit", i.e. reduces transaction costs.*

The freshware terminal was from an early point on driven by regional producers of organic and biodynamical products.

The case was studied using in-depth, qualitative interviews as the main tool of inquiry. A series of qualitative interviews were conducted, based on a semi-structured interview guide. The interviews followed a snowball sampling approach, by which each respondent pointed towards other respondents to be included in the interviews. The duration of each interview ranged between 1.5 to 2.5 hours. The produced interview data was transcribed and analyzed using the software package Transana.⁶ In addition to interview data, financial reports of the case were available from a public database for companies paying VAT.⁷ We were also given permission to access a private archive with the development plans of The Organic Freshware Terminal (Lorenzen 2003). Apart from that, content analysis was applied to the analysis of websites and various documents from the archives.

Development of The Organic Freshware Terminal

The Organic Freshware Terminal was initiated in the town of Tinglev near the Danish-German border in 1999. The terminal was built on a vision of 'the round table' around which concerned actors along the food chain could meet and in a collaborative manner develop the regional food system in a more sustainable direction. The founders were a group of organic and biodynamical farmers who had been actively involved in several organic development projects in the region of Southern Denmark. One of the projects which they had been involved in was to establish a co-operative organic dairy in the early 1990's.

The basic idea of The Organic Freshware Terminal was to gather the regional organic and biodynamical producers and try to connect those with the regional consumers as a part of an overall regional producer-consumer network. The Organic Freshware Terminal was organized as a foundation and not as a stock-based private enterprise, as the founders were concerned that 'external', commercial actors might be able to take control of the terminal. During 1999, a managing director was employed as well as a few other employees, and the physical infrastructure of The Organic Freshware Terminal was built in a building in the town of Tinglev.

6• See info on the Transana project at www.transana.org

7• The database is available at www.publi-com.dk

Supra-local networking

After only a few months of operation, it was clear to the director that the number of interested regional customers was relatively modest, and he perceived the need for enrolling customers outside the region of Southern Denmark. One of the reasons for this was the ambitious objective by the board of The Organic Freshware Terminal to reach an annual turnover of approximately 7 million Euro (ØT02 2003; ØT01 2003). The terminal did succeed to make contracts with different public institutions outside the region, which then was supplied with organic products. They also started an innovative cooperation with a chain of gas stations (Q8 Oil), where selected gas stations within the region served as distribution centers for vegetable boxes

In spite of these successful projects, the economic scale of the region in terms of turnover was still inadequate. The terminal could during the year 2000 still benefit from contracts with public institutions. However, a process of cutting back on public expenditure during that year posed a serious challenge to the terminal. In 2001, the terminal had several contracts with public institutions cancelled due to budget cuts. The same summer, other new projects failed including a major contract, which was supposed to be signed with several major institutions in the area of Copenhagen. The result was a severe decrease in turnover for the terminal. These developments led the terminal to run out of money and by the end of the year the terminal had to be terminated. At the peak of the activities of The Organic Freshware Terminal, the enterprise employed 5-6 people, including the managing director. The bankruptcy of the terminal left one of the local banks with a loss of near 750.000 Euro.

Local networking

The Organic Freshware Terminal was not only concerned with establishing beneficial networks with supra-local partners. Early on, the board of the terminal expected that local or regional customers would be interested in what they had to offer, hence their vision of 'the round table'. Unfortunately, these hopes were disappointed. The chairman of the board experienced this as a paradox. His interpretation was that the region of Southern Denmark had the highest density of organic producers in Denmark but could very well have the lowest number of organic *consumers* (ØT01 2003). The managing director of the terminal expressed his discontent with the level of professionalism among some of the producers, who supplied the terminal with fresh organic produce (ØT02 2003). One of his experiences was the following: *"At one point we had an important delivery for a municipality in the region. Parts of the*

goods to be delivered were leeks, which were sourced from one of our local producers. We were supposed to pick them up on a Sunday. We later found out that the producer had left for a weekend holiday Friday night. When we got to the pick-up point at the farm, we found that the producer had left the leeks in plastic boxes, covered by a tarpaulin. Unfortunately, the producer had not left anyone in charge of looking after the leeks. As there had been stormy weather the night before, the tarpaulin had trashed many of the leeks, and we could not use a significant part of the shipment. But we still had to pay for it.." (ØT02 2003)

He described some of the locally produced vegetables as being of inferior quality compared to what could be sourced from organic producers in Northern Germany, and he experienced some problems of being dependent on local sourcing and agreements, which were not kept by the same local producers. Instead, the director tried to pursue a strategy which reduces local dependency, both in terms of customer base as well as in terms of sourcing. This was countered by the efforts by the board, which aimed at recruiting local customers. The former CEO describes his experience: *"..I started approaching suppliers in Northern Germany, since my experience at the market in Hamburg was that their produce was of superior quality, compared to the Danish suppliers. When I approached the board for their approval of pursuing this track further, I was told not to go further into the matter, as the board wished to support the local producers" (ØT02 2003).*

There were two 'consumer' members of the board which were meant to represent regional consumers and their interests. It was still questionable to which degree the inclusion of 'consumer' board members reflected an actual local consumer base. In relation to this, the former director of the terminal observed that many of the board members originated in the German speaking minority of Southern Denmark (ØT02 2003), which might explain why interest was so scarce among other subcultures in Southern Denmark. In terms of numbers, local consumers only constituted a minor part of the terminal's market.

Problems of over- and underembeddedness

During its two years in operation, the organic freshware terminal was not able to break into the regional food market of Southern Denmark, which was the single most important objective of the terminal. The Organic Freshware Terminal was in many ways competent in terms of coupling to resources outside its initial habitat. Still, one of the important factors behind their economic problems stemmed from a

problematic dichotomization of the terminal in relation to the surrounding regional food economy.

The founders – and the first board of the terminal – did put a lot of effort into avoiding that external actors should “buy their way” into influencing the development of the terminal (ØT01 2003). The chairman of the board explains: “*It was very important for us to make sure that it was the proper values, which should support the development of the terminal. We did not want to be hijacked by external investors or others who did not share our vision for a sustainable regional food system*” (ØT01 2003).

The legal construction behind the terminal was a foundation. The foundation was an approach to secure that ‘proper’ and ‘right’ organic values were behind the terminal. One of the ways to diminish external influence was to limit the access to representation in the board of the foundation. The board members were hand-picked and thus not eligible for democratic election. As an example of a regional ‘round table’, this particular platform can only be described as relatively exclusive, instead of being as inclusive as the principle of the ‘round table’ would suggest. A related problem was that this particular legal form left the terminal very poor possibilities of increasing its capital base. The reason is that in Denmark, a foundation cannot increase its capital base except via gifts or donations. At the same time, it was hard meeting the expectations for turnover, which was formulated by the same board that advocated the above mentioned legal form. Means thus became an impediment to reaching ends. In that regard, the terminal exhibited patterns of overembeddedness. Processes of overembeddedness can be identified in different ways throughout the development trajectory of the freshware terminal.

As observed in other studies, overembeddedness can reduce the flow of innovations throughout a given network by closure (Uzzi 1997: 58). Likewise, overembeddedness can stifle economic action if the social aspects of exchange supersede the economic imperatives (Uzzi 1997: 59). Apart from these two examples, overembeddedness can result in self-defeating cycles of behaviour. All of these three aspects can be found in the development trajectory of the freshware terminal.

Regarding the *organisational closure*, the director of the terminal was highly critical of the quality of the local produce. However, he still had to source from the same local producers, as several of these had seats in the board. The director expressed his urge to increase levels of professionalization within the terminal, but the board did not incorporate these concerns into their strategy for developing the terminal. Instead the board insisted on pursuing the initial strategy of regional embeddedness, even

though they had not experienced any major market breakthrough. In that regard, social aspects superseded economic imperatives. The cancellation of contracts with public institutions, which happened during 2001, exhibited that the terminal suffered from a severe lack of supra-local embeddedness. There were no new network alliances to replace the cancelled business partnerships. In addition, the organizing principle of the terminal (a foundation) did not offer much help in keeping the terminal afloat financially. This combination of local overembeddedness and supra-local underembeddedness proved fatal for the terminal.

Summing up: Productive and non-productive networking

To sum up, our intention was to suggest that the many blessings of social capital building among private entrepreneurs in rural areas may be overestimated. Entrepreneurs may just as well waste their time and money – as in the case of the organic Freshware terminal – rather than converting network cooperation into increased incomes. The case of PileByg Ltd. indicates that factors like timing, win-win situations, proximity, informal communication, careful selection of both relevant local and supra-local partners, as well as trust are important factors for productive networking. In contrast, under- and overembeddedness might lead to economic disaster, as in the case of The Organic Freshware Terminal, where social networks within a local area turned out to be definitely *not* social capital but, rather, a waste of time and money.

Presentation of the articles

Forging networks is a complex and demanding enterprise, and even more so in the context of rural entrepreneurship. The two Danish cases mentioned above in this special issue illustrate some of the complexities involved in forging viable networks and, not least, converting them into monetary capital. Some of the challenges dealt

with in the two cases included 'cashing in your check', meaning that rural entrepreneurs should be mindful that investing time and money into network building should pay off. There is also a challenge in terms of balancing between being over- and underembedded. Each of the following papers explores the range of aspects which should be considered in relation to establishing networks in the context of rural entrepreneurship. The papers provide detailed studies of rural entrepreneurship, embeddedness and networking across a wide range of different contexts.

The first paper by *Hilde Bjørkhaug* and *Gunn Turid Kvam* is a study from Norway on small-scale food entrepreneurs. Part of the funding from the Norwegian government targeting rural entrepreneurs has been dedicated to women and young people in order to ensure gender equality and recruitment. The background for the study is the perception on behalf of the Norwegian government that there is a need for small enterprises to grow in size and increase their market impact, as goals of increasing profit, settlement and employment in rural areas have not been met. The paper analyses ambitions and initiatives for achieving business growth among male and female managers of small-scale food enterprises. The results show that most entrepreneurs are mostly concerned with enhancing their embeddedness within local or regional markets and, overall, securing one's own enterprise rather than creating new workplaces. This does not correspond with the agenda on behalf of the government. One of the important factors that explain this discrepancy is the embeddedness of rural entrepreneurs in traditional structures and cultures of local communities. Some of the existing support systems focus on network building, but this has so far not been successful. The discussion of how networking might be enhanced is discussed in the paper.

The second paper by *Tove Brink* is a study of three Danish food networks, which are composed by 93 small- or medium sized enterprises. The study employs statistics and causal path modelling on the impact of connections between the rural entrepreneurs within the networks across social, physical and economical space. The aim is to explore which impact different configurations of network relations have on growth. The study shows that impact of growth does not come from the number of connections itself, but rather from the heterogeneity in the value chain. Her results emphasize the importance of physical connections, meaning physical proximity, in relation to securing the heterogeneity of activities of entrepreneurs. Social connections, which extend beyond the local setting of the networks, do not lead to enhancements of heterogeneity to the same degree. In that regard, building supra-local networks does not necessarily lead to monetary gain.

The third paper written by *Mette Weinreich Hansen* aims to analyze different relations to, and interpretations of, the rural in three organic processing companies in rural Denmark. The study, which is based on interviews and uses a sensemaking approach, presents three cases: a dairy, a butchery, and a mill for processing organic grain. The cases show different ways of making sense of organic production and rural identity. The dairy and the mill use rural location and dependence on local natural resources as crucial elements in making sense of its products, whereas the butchery seeks to give its products an exclusive and international brand, which is not bound to local resources. On the background of these three "identity stories", the author argues for a public and open debate about how to maintain a trustworthy image, which is not only a good story but actually links to reality, including reflections on what organic processed food should be in the future, and a (re-)consideration of the rural local as an important part of constituting the identity of organic products.

The fourth paper by *Suvi Huttunen* is a study on local bioenergy production from yet another Scandinavian country, Finland. The study is based on a series of qualitative interviews with 31 energy producing farmers. Local bioenergy production is a new branch of farming-related entrepreneurship in Finland. The paper distinguishes between two types, the first being heat production using wood based fuels, which in the Finnish public has been termed 'heat entrepreneurship'. The other type is production of liquid biofuels or heat and electricity from biogas. For both kinds of local energy systems, the paper is concerned with what kind of embeddedness can be observed and how it is acknowledged and used among energy producers. In the context of the paper, embeddedness is conceived as two separate analytical dimensions. The first is termed vertical embeddedness and concerns institutional, political and regulatory context. The second is termed horizontal embeddedness and concerns local context – meaning local actors, consumers, producers, their association and communication. The study reveals quite different forms of embeddedness for the two different systems. 'Heat entrepreneurs' have a high degree of both horizontal and vertical embeddedness. It has been an important factor that 'heat entrepreneurs' have been very proficient in embedding themselves in local contexts, resulting in high levels of trust. Apart from that, existing regulatory schemes have provided active support for this distinct type of rural entrepreneurship. Biogas and biodiesel producers exhibit a quite different pattern, as they have a low degree of horizontal and vertical embeddedness. The main reason for these differences is that the latter group of entrepreneurs has been less successful in terms of establishing beneficial network relations at local levels. The absence of active regulatory support is also an important factor.

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