Social Capital or Waste of Time ? Social Networks, Social Capital and 'Unconventional Alliances' among Danish Rural Entrepreneurs

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Received: December 12, 2012 Accepted: January 8, 2013 Online Published: January 10, 2013

doi:10.5430/bmr.v2n1p55 URL: http://dx.doi.org/10.5430/bmr.v2n1p55

Abstract

Social networks are often expected to easily transform into social capital in the form of network resources that can be converted into monetary income. Also many private entrepreneurs participate in a multitude of network activities in the hope of increasing their incomes. They should however be aware of the opportunity costs of these activities, which in the long run may turn out to be sheer waste of time. Drawing on interviews with the owners of three small enterprises in rural Denmark 2008-2012 and within the theoretical framework of a Bourdieu's theory of the convertibility of tangible and intangible forms of capital, we want to question the widespread belief that networking *per se* leads to economic gains. Our inductive findings suggest that successful entrepreneurs with what Bourdieu has termed a 'feel for the game' – including the ability to 'effectuate' their networks – draw on a pool of bonding and bridging social capital. From this reservoir, they select and capitalize their networks at the right time and place. Our data shows that one particular variant of bridging social capital – innovative cooperation between entrepreneurs and partners unlike each other and with complementary skills and roles, termed 'unconventional alliances' – can be successfully capitalized, not least in rural areas where SME clusters are scarce. Hence, private entrepreneurs, business development planners and politicians should have in mind that 'networking' may involve exceedingly high opportunity costs. Only when networking is needs driven and carefully conceived and orchestrated, it may lead to positive economic outcomes.

Keywords: Network, Alliances, Social capital, Effectuation, Entrepreneurs

1. Introduction: social capital or waste of time?

"The habit and the necessity of taking account, under one name or another, of the various immaterial items of wealth classed as intangible assets counts for more and more in the conduct of affairs" (Thorstein Veblen: "Fisher's capital and income". *Political Science Quarterly* 23, March 1908).

1.1 The exaggerated blessings of 'networking'

Social networks are often expected to render entirely positive, economic returns. In other words, they are expected to easily transform into social *capital* in the form of network resources that can be cultivated and converted into economic capital by individuals (Bourdieu, 1986), organizations (Coleman, 1990), or even entire nations (Putnam, 2000). This belief also prevails within business life. However, in spite of modern forms of electronic communication that significantly lower the transaction costs of cooperation, such as email, mobile phones, Skype, internet meetings, chat rooms, blogs and social media, uncritical and exaggerated use of such tools might have high opportunity costs. In economic terms, much (labor) time is wasted in electronic communication all over the world, something that is often exacerbated by slow computers and internet connections. In fact, recent surveys suggest that increased communication may simply be counterproductive (Note 1). With the addition of other forms of networking activities as telephone conversations, physical meetings, seminars, courses, and workshops, time quickly becomes a scarce resource.

In both public and scientific discourse the technological innovations within communication are reflected in buzzwords like cooperation, networking, partnership, teamwork, and synergy effects leading to what might be seen as a contemporary network and project society 'ideology'. However, many owners and directors of small firms might find it difficult to convert social networks into social capital and monetary income, for example in connection with fundraising activities. However, in their time management private entrepreneurs in particular need to be aware of the opportunity costs of 'loose' networking activities with a multitude of partners, as they typically have scarce resources (Kjeldsen & Svendsen, 2011). That is to say that the choice of an entrepreneur to spend time on e.g. meetings in a project group or email communication with a potential partner might not be the most economically efficient one (if the purpose is not the basic need of simply creating initial awareness of the enterprise). The alternative choice of using time on e.g. marketing a product or developing and improving products together with employees might turn out to be a much more efficient use of labor time.

In academic literature, the alleged 'blessings' of networks has found some support within new economic sociology, triggered by Granovetter's (1973) seminal paper on the strength of inter-group weak bridging ties as a concrete resource for individuals (e.g., job seekers). Granovetter also discussed social cohesion at the macro level, where weak bridging ties were found to be much more valuable than strong ties (e.g., family, close friends). Granovetter refers to these strong ties as cliques that may fragment a community and act as a barrier to collective action. This belief has won further ground in the popular social capital literature, particularly in what has been labeled 'the celebratory view of social capital' (Portes and Landolt, 1996). This phrase refers to the widespread, one-dimensional picture of social capital as an unproblematic and (always) beneficial resource. Not least, the notion of *bridging* social capital, i.e. open networks that are "outward looking and encompass people across diverse social cleavages" (Putnam 2000: 22), has been proposed as a near-universal solution to collective action problems.

Social capital can however just as well be negative (Portes, 1998; Granovetter 1973: 1378). Negative social capital is evident in 'bonded' groups based on homophily, or what Putnam (2000: 22) describes as "inward looking [networks that] tend to reinforce exclusive identities and homogeneous groups". Although this does not apply to bonding social capital consisting of e.g. family and friendship networks, which are highly beneficial to both members and the surrounding society, it *does* apply to 'superglued' networks based on aggressive exclusion and harmful to society, such as terror or racist organizations (cf. Putnam, 2000: 21ff.).

1.2 The risk of wasting time

Not least, many entrepreneurship and SME studies have identified and, often also, praised social capital as an important factor for economic outcomes (e.g. Maskell 2000; Johannisson & Ramirez-Pasillas 2001; Anderson et al. 2007), among them rural studies (e.g. Bryden & Munroe, 2000; Westlund & Forsberg, 2003; Ceccato & Persson, 2003; Fløysand & Sjøholt, 2007; Young, 2010). A frequently overlooked fact, however, is that *bridging* social capital can also be economically harmful for single entrepreneurs, firms and even entire nations. Hence, not only does bonding social capital have a dark side, so does bridging social capital, namely risk of wasting your time in the 'project and network society', in which networks are seldom formed 'bottom-up' (needs driven) but are more or less contingent and driven by e.g. funds available.

In the case of owners of small firms, futile networking may have particularly devastating economic consequences because, as already mentioned, earnings in small and medium sized enterprises are often too small to cover the time lost, even when the entrepreneur tries to compensate by increasing his or her working hours. Therefore, in this article, we want to question the widespread belief that networking *per se* produces economic gains by using three case studies from rural Denmark. We pinpoint that only needs driven networks composed by the private entrepreneur will increase incomes. As we have learned from our in-depth interviews with the owners of three small enterprises in rural Denmark, entrepreneurs' successful management of networking activities is not based on pure calculation but rather on a 'feel for the game' (Bourdieu, 1991: 8) – that is, intuition combined with a more or less conscious endeavor to utilize existing resources, which has been summarized as *effectuation* by Sarasvathy (2008).

1.3 Research question

Hence, in the following we want to explore and theorize how the single, rural entrepreneur can avoid wasting time and, instead, establish economically productive networks. We use a rural context to shed light on the following question: *How can private rural entrepreneurs build and utilize social capital to increase their incomes?*

We define "entrepreneur" according to the original Schumpeterian meaning, namely as an economic actor who uses existing resources – in our context, network resources – in an innovative way using new combinations of new products, new processes, new markets, new resources and new organisation (Schumpeter, 1934: 66). Schumpeter noted: "The carrying out of new combinations means, therefore, simply the different employment of the economic system's existing supplies of productive means" (Schumpeter, 1934: 68). In our understanding of 'unconventional' we mean new combinations, which will not emerge through a normal approach typically revealing new combinations close to the existing. We look for combinations not normally seen and thereby focus, as we term it in our paper, on innovation in an unconventional way. Hereby we enhance Schumpeter's term on new combinations with the term 'unconventional alliances', which means 'unusual new combinations'.

1.4 'Unconventional alliances'

Our inductively found results indicate that a particular productive kind of bridging social capital in this Danish rural setting consists of innovative networks that are profitable to all participants – by us termed 'unconventional alliances'. These alliances are similar to what Tracy and Clark (2003: 3-4) define as alliances between firms as a flexible and mostly informal way to interact with a variety of different partners, relying on trust and horizontal relations instead of contracts and hierarchical relations. Furthermore, in contrast to more arbitrary networks in the 'networking society' these networks are needs driven, designed for specific purposes and, as often, not supported by public funding. The added value consists of unique combinations of highly diverse networks in sparsely populated rural areas where resources are scarce and clusters of homogeneous firms are near absent. With all costs deducted, cooperative partners with complementary skills and roles may significantly enrich each other despite (or, rather, because of) their significant heterogeneity.

Drawing on longitudinal data from interviews from three Danish small, private enterprises we build a tentative model, which of course needs to be much more empirically tested. In our analysis of the cases, we use a social capital framework that stresses the importance of three social capital dimensions: bridging/bonding, potential/actual, and the degree of effectuation. As mentioned, effectuation refers to entrepreneurs' skill in capitalizing upon their networks by using their intuition and 'feel for the game'. Our empirical findings indicate that effectuation most effectively take place in networks consisting of cooperative partners, who do not resemble each other, and who cooperate in entirely new ways – by us termed unconventional alliances. Unconventional alliances appear to be an interesting type of bridging social capital that appear highly productive and definitely not waste of time.

1.5 Outline

The article is structured as follows. Section 2 addresses social capital and network theory. First, we present the Bourdieu inspired neo-capital framework (Svendsen & Svendsen, 2003; Swedberg, 2011), which directs focus on how various tangible and intangible forms of capital are mutually 'converted' (from Latin *convertere*, turn around) from one form to another. Next, we discuss the importance of *bridging* and *bonding* types of social capital, and the 'effectuation' that transforms social networks to (capitalizable) social capital. Section 3 presents our three cases: Danish Nature Safari, The Waddensea Bakery and Mr. Wood. Then we discuss our results in Section 4 and summarize them in a model, which includes four social capital dimensions. Finally, Section 5 concludes.

2. Theory

2.1 Human exchange studied as conversions of forms of capital

A couple of decades ago, Amitai Etzioni outlined a new interdisciplinary research discipline called *socio-economics* (Etzioni, 1986, 1988, 2003). His aim was to expand the scope of economics by incorporating "societal, cultural and historical factors" (Etzioni, 2003:108), thereby avoiding the limitations of one-sided formalism and methodological individualism of the "old paradigm", i.e. neo-classical economics (Etzioni, 2003: 109). At the core was Etzioni's thesis of the 'socio-economic mind', that is, the assumption that economic and social purposes are inextricably interwoven.

Since then, Etzioni's terminology has become widely known. What is perhaps less known is that around 1980, another economic sociologist, Pierre Bourdieu (1979a, 1979b, 1980, 1986), outlined a similar social economic discipline, which he titled A General Science of the Economy of Practices. The purpose of this ambitious project was to reintroduce capital in *all* of its forms within various societal spheres or fields, not only in the areas of money and markets (Swedberg, 2011). Hence, Bourdieu's neo-capital theory was designed to relativize, challenge and expand the (legitimate) vision and division of what is economic and what is not. He did so by asserting the following points:

> (1) In real-world human practice, one never finds a clear division between economic and non-economic interests and purposes.
>
> (2) Tangible and intangible forms of capital – also termed *social energy* in the form of "reified or living labor" (Bourdieu, 1986: 241) – are accumulated at the cost of invested labor-time
>
> (3) Tangible and intangible forms of capital are exchanged or, in a more dynamic sense, 'converted' from one form into another. Market exchange in the form of visible, tangible goods is only *one* form of exchange in an endless stream of exchanges of material and non-material (symbolic) goods in daily life economy – or

'livelihood of man' in Polanyi's (1977) formulation.

(3) Conversion of capital involves *conversion costs*. These costs may consist in 'dissimulation work' (including euphemization) in order to avoid social sanctions (as for example in the world of art, where profit in the form of economic capital is often taboo).

4) The ability to convert forms of capital depends on a person's 'practical sense' (*sens practique*) and, more specifically, 'feel for the game'. By this, Bourdieu understands "a sense of the game mastered in the practical form of an embodied principle of relevance that guides investments (in time, labor, and also in affects) by allowing one to differentiate between interesting, important things [..] and insignificant things, devoid of interest". A 'feel for the game' is based on previous life experiences. It does not guide social action in any strict rational way but rather by (learned) intuition incorporated in body and emotions, that is, as "the practical feel of habitus" (Bourdieu, 1988: 783). In this paper, we link 'feel for the game' to the abovementioned 'effectuation' of networks as it is applied within entrepreneurship studies.

Against this backdrop, it becomes relevant to further develop a Bourdieusian branch (or, rather, a sub-branch) of Etzioni's socio-economics, dedicated to the study of the 'laws of conversion' as they can be observed in human exchanges *in situ*. In an exploratory way, we will use such a Bourdieusian framework to obtain a deeper understanding of how rural entrepreneurs utilize and capitalize forms of capital, with a particular focus on the workings of bridging and bonding types of social capital.

2.2 The nature and quality of social capital

We will further narrow our scope by solely observing how social capital is built and converted into *economic capital* at an organizational *meso* level (Kjeldsen & Svendsen, 2011; Svendsen et al., 2010).

Due to our focus on individual private entrepreneurs in organizational settings we will use Bourdieu's (1986: 248-49) micro actor-oriented definition of social capital as "the aggregate of the actual or potential resources which are linked to [...] membership in a group – which provides each of its members with the backing of the collectively-owned capital, a 'credential' which entitles them to credit, in the various senses of the word [...] The network of relationships is the product of investment strategies [...] aimed at establishing or reproducing social relationships that are directly usable in the short or long term".

Apart from being a potential and actual 'collectively-owned' capital that can be used by the members as a 'credit' and at the costs of 'investment strategies', social capital can be divided into bridging and bonding types as well as economically beneficial and harmful types.

Regarding the nature of social capital, we define *bridging* social capital in line with Putnam's seminal definition (2000: 22), namely as open, 'outward looking' and 'encompassing' networks, in contrast to *bonding* social capital that consists of 'inward looking' networks based on 'exclusive' identities. This distinction is further specified in Szreter & Woolcock (2004), who define the bridging type as "relations of respect and mutuality between people who know that they are not alike in some socio-demographic (or social identity) sense (differing by age, ethnic group, class, etc"; whereas bonding social capital is "trusting and co-operative relations between members of a network who see themselves as being similar, in terms of their shared social identity" (Szreter & Woolcock, 2004: 654-55).

Typical examples of bridging social capital are people unlike yourself, as e.g. colleagues or people you meet in the sports club, while examples of bonding might be people similar to yourself (same knowledge, same moral values, same dialect, same social group, same preferences etc.) as e.g. family members or close friends.

Similar to investments in more traditional forms of capital (for example, a factory or a formal education), investment in social capital involves *risk*. Labor-time and/or money must be invested to become a member of a group, to cultivate that group and to establish a 'credit/credibility account' among group members in order to reap the profits immediately or later on (apart, of course, from enjoying social interaction *per se* – as social beings).

Having invested in social capital, the entrepreneur can begin transforming or 'converting' his or her social network (potential capital) into *actual* (capitalizable) social capital, maybe even smooth and long-term network cooperation in the form of what we will term *'super social capital'*. In the case of private entrepreneurs, this raises two questions. Firstly, which *type* of social capital should she or he choose to invest time and money in: bridging or bonding? Secondly, how does the entrepreneur actually succeed in transforming his or her social capital or, even better, 'super' social capital and thus increase incomes? Here, investment strategies become important.

As previously mentioned, four types of social capital can be the objects of investments. The four types are, of course, ideal forms that cannot be observed in any 'pure' form in reality. They always appear in mixtures at a continuum from introvert types of positive bonding social capital (BO+) to negative bonding, social capital (BO–), both based on exclusive identities and homophily; and from extrovert positive, bridging social capital (BR+) to the darker side, connected with wasting time (BR–), both consisting of networks of an inclusive nature comprising people unlike yourself (see Figure 1). We may also find types of networks changing over time, for example from BO+ to BO–. A network may even contain both dimensions at the same time (Portes, 1998).

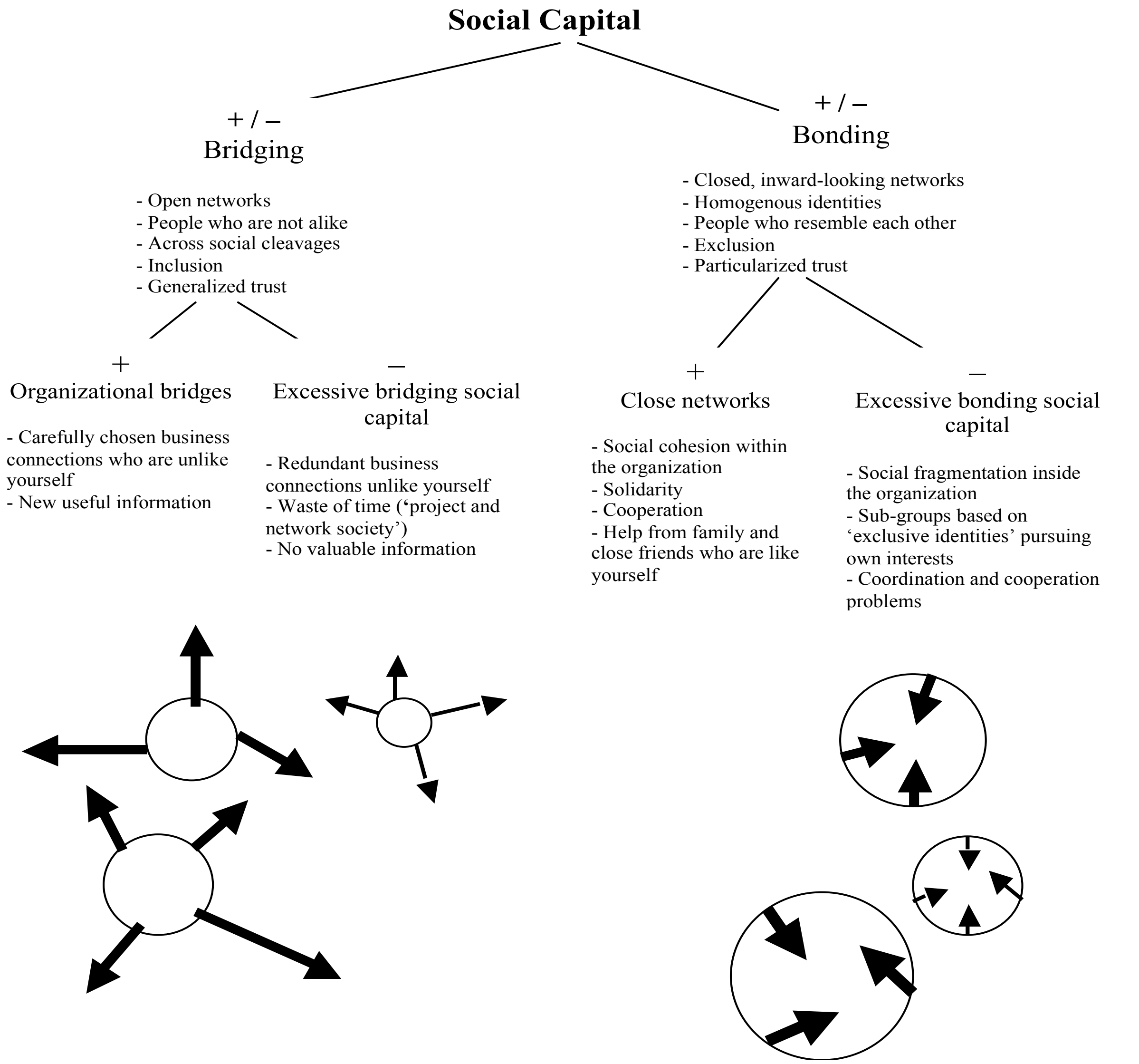

Figure 1. Four types of social capital of a business organization – from the perspective of the private entrepreneur (partly reproduced from Waldstrøm & Svendsen 2013: 321)

The two positive types of capital are valued by the owner, who may be an entrepreneur who owns a small business. *Bridging* social capital (BR+) consists of partners unlike this entrepreneur, and cooperation with them is economically beneficial for him. The entrepreneur has carefully cultivated highly useful networks that provide access to important human resources, to the benefit of the entrepreneur and his enterprise. For example, the entrepreneur may have an acquaintance, say, someone he knows from the tennis club and who is an engineer and inventor. This allows him to contact this person occasionally for advice on how to construct a new machine. He reciprocates such favors by, say, allowing this person to have a caravan parked in one of his buildings during winter without paying rent. In other words, BR+ guarantees important inputs from the outside world. Payback is most often informal and characterized by flexibility and no deadlines. Typically, bridging networks include people *outside* the enterprise in question (often also outside the local community of the entrepreneur) and often in a strategic utilization of structural holes. Another valuable type of capital is beneficial bonding social capital (BO+), which includes people similar yourself as, for example, close friends with the same social background, family and good colleagues. These are typically people you meet with on a daily basis and with whom you form primary groups that care for, trust and help each other.

In an *excessive* form, however, these two types may become 'dark' and counter-productive social capital, or negative social capital (Portes and Landolt, 1996; Portes, 1998). Thus, BR– is harmful to the entire enterprise and may even threaten its existence due to heavy opportunity costs. As mentioned previously, the added value of each new contact may simply decrease due to superficiality and redundancy as is the case, to a great extent, in for example blogging, net dating, emailing and SMS communication with people, who are essentially strangers to us (and remain to be so). This can also be viewed in the more 'old-fashioned' formal personal meetings with almost no outcomes and, perhaps more alarmingly, no concerns whatsoever about the time loss. Finally, excessive bonding social capital (BO–) exists. Like BO+, it is based on strong in-group trust, shared identity and regular face-to-face contact. However, unlike groups of moderate bonders, 'super-glued' groups in an enterprise have a tendency to look after their own interests, often at the expense of other colleagues, potentially leading to serious coordination and cooperation problems.

2.3 Effectuation and the impact of human activities

Finally, we reach the question of how to actually utilize social networks – to convert them into social *capital*. As mentioned, we here employ the term *effectuation* (Sarasvathy, 2008). The key assumption is that entrepreneurs are motivated to establish, nurture, mediate, and capitalize upon social relations in their professional lives. As such, effectuation can be seen as the outcome of a process in which entrepreneurs reflect on "who they are, what they know and whom they know" (Sarasvathy, 2008: 101). Sarasvathy (2008: 27) defines effectuation as "a cognitive inverse of the term causation (...) indicating human agency or a causal intervention by human beings in the real world".

Much in line with Bourdieu's idea of 'feel for the game' in accordance with a 'practical sense', this definition is elaborated in opposition to the typical causal approach between known alternatives within rational choice literature and prevailing definitions of "effective networks" and "network efficiency" within various functionalist-inspired network theories (e.g. Dunning, 1999; Tracey & Clark, 2003). Sarasvathy (2008: 27) claimed that "effectuation is rooted in the realization that human beings cause the future [and], therefore, the future can be controlled and/or created through consensual human action". Therefore, effectuation implies that human beings are seen as the core energy in all kinds of innovation.

Sarasvathy suggests that entrepreneurs are experts in 'fabricating' innovation. This 'fabrication' is not seen as bounded in rationality but in concrete relationships and in the ability to act upon one's abilities and the abilities of own network resources (Barbaroux, 2012; Brink, 2011b). In our terminology, effectuation means the entrepreneurial excellency in transforming social networks into social capital.

3. Method

3.1 Methodological issues

Regarding selection of participants, we secured that the cases were comparable by choosing three SMEs that were similar according to four inclusion criteria: 1) located in a rural district in the Southern part of Denmark 2) 5-10 employees 3) participation in a number of networks related to the business and 4) having an explicit aim for growth from the start of the study. We ended up with the following three SMEs: Danish Nature Safari (tourism-experience economy), The Waddensee Bakery (gourmet bakery) and Mr. Wood (food gourmet shop).

We find that our selection process is compatible with a qualitative research design where data primarily has been collected via in-depth and fully taped and transcribed interviews with interview guide. What regards data analysis we wanted to, in an open, explorative approach, reach our empirical results fully inductive, inspired by Grounded Theory interview technique where "ideas" (hypotheses and theories) emerge during the data collection process, and "theory is developed in stages" (O'Reilly, 2009: 93). Hence, our key finding – the existence of what we term the 'unconventional alliance' as a kind of particularly productive bridging social capital for the single SMS – has been discovered 'bottom-up'. We have used the social capital theoretical framework with the added concept of 'effectuation', because we found it usable to explain the entrepreneurs' simultaneous 'networking-for-money' fabrication combined with a bodily-emotional 'feel for the game' (Bourdieu), in which value is perceived as more than money. In sum, we have tried to combine important "experience-near concepts" (Geertz, 1983: 57) emerging in our analyses – as the in-vivo concept of 'unconventional alliance' – and a middle range, social capital theory framework thoroughly *modified* to the empirical findings and, finally, unified and summarized in a tentative, generic social capital model for SME entrepreneurs (Figure 2).

We have followed the three SMEs in a longitudinal timespan from autumn 2009 to summer 2010 with a follow up interview in summer 2012 (Brink, 2011a). We started research with an open (nearly unstructured) interview of 2-3 hours duration with each owner and finalized the research with a 1-2 hours semi-structured interview on the joint patterns emerging from the first interview across all three SMEs (Yin, 2009; Eisenhardt, 1989). Our research is hereby framed in a 'longitudinal' context approaching the empirical field of private entrepreneurs in a heuristic way, in order to explore more thoroughly SME networking and, in the second interview round, with a specific focus on ‘unconventional alliances’. Thus we wanted to test the validity of our findings again, nearly 3 years later the first interviews, through interviews in the same SMEs.

With this theoretical and methodical background, we now turn to our Danish cases to highlight how private rural entrepreneurs may strategically build and utilize social capital and thus increase their incomes.

4. Cases

4.1 Building ‘unconventional alliances’: Danish Nature Safari

The first enterprise, the Danish Nature Safari (*Dansk Natursafari*), was established in 2004 by nature guide and former ministerial employee Iver Gram. Gram has a true gift for establishing ‘unconventional alliances’ that are economically profitable for all partners. Further, these alliances are characterized as being a blend of highly heterogeneous entrepreneurs and businesses. The ‘blend of businesses’ to undertake a specific task is however *not* arbitrary. It is carefully conceived by Gram so to secure complementary roles and skills and, hence, added value. His tourist business, which offers guided tours to the seaside and the adjoining marsh areas, is located in a small village in a peripheral rural area near the German border. Tours include the ‘black sun’ (huge flocks of starlings), ‘grey sun’ (geese), ‘white sun’ (swans), seal safari and cultural-historical tours to Northern Germany.

According to Gram, the key to his economic success is his ability to think out and effectively establish networks of regional partners who have not previously cooperated—according to our terminology, ‘unconventional alliances’. In fact, this term was invented by Gram himself, who refers to ”unconventional alliances” as the cooperation between highly heterogeneous partners across professional sectors – partners who have never cooperated before and were never *expected* to cooperate. Some of the most important partners have been the Danish State Railways (DSB), the regional newspaper Jydske Vestkysten, German and Danish ministries, a German ship owner, researchers, interest groups such as the Danish Society for Nature Conservation and the Danish Ornithological Association and, in particular, local and regional hotels and restaurants. In 2008, cooperation with the latter partners was institutionalized in a shared booking system, integrating the Danish Nature Safari with other important tourist enterprises in the region.

Gram himself tells that his enterprise has been an economic success story. In 2008, he hired his first permanent employee. Besides, over the year Gram hires on a contract basis 10-15 guides to run his tours. In 2008 the yearly turnover was about 750.000 €, which generating a net surplus of approximately 130.000 €.

Living in a peripheral area, Gram feels he was actually compelled to establish these unconventional alliances. In fact, he finds that they are an important part of the economic success of his enterprise. As he says, you “have to realize that, in an outskirt area like this, we need to work together across normal alliances”. He further explains that “a network has to be extended to personal relations and personal agreements, because that’s what *moves things* out here”. Indeed, after a long career as an employee within the Danish department of the environment, Gram has specialized in inventing and cultivating what he terms “win-win projects”. When he stopped working for the ministry and became a full-time private entrepreneur, he said the following to his former cooperative partners: “Now I’m no longer [part of] a ministry. Now I’m myself. You know my qualities as a communicator. You know my product and my ability to get new ideas (…) Will you cooperate? And all the major cooperative partners answered yes”.

Gram describes how cooperation with the railway company was initiated: “I just walked into DSB [Danish National Railways] and said: You can bring people to Pavarotti [concert] and you can bring people to football [matches], so why the *hell* can’t you bring people to black sun [*sort sol*]? And then DSB said: That’s okay (…) *Thirteen thousand* people were booked within a single week [DSB had to cancel most of the bookings]. It became an *enormous* success”.

Another example is the cooperation of a regional newspaper, Jydske Vestkysten, which began when Gram was working as a ministerial employee: “Then I contacted whom I absolutely should *not* contact [as a ministerial employee] – namely, the press. To me, the press was declared as someone you just didn’t work together with. The press were those nasty people – seen from the perspective of a central power (…) But I was sitting there thinking: Well, you *got* to find some cooperative partners (…) Then I went into the office of the [newspaper] editor and said: ‘You want to make regional development? So will I. Shouldn’t we *agree* on something?’” Gram and the editor then came to the following agreement: “The newspaper knows about marketing, the contact with citizens. I can tell a good story. And then, for the first time ever, we began to make shared arrangements [for guided tours to the Waddensea coast]. And it was really good for *both* parties”. In this way, Gram achieved free advertising. In return, Jydske Vestkysten could now give their subscribers an extra service, namely a price reduction to those who wished to go to a Danish Nature Safari tour. Also today (2012), Gram and the newspaper remain happy about the agreement.

For Gram, the social alchemy of turning networks into genuine social *capital* consists of different partners – all experts within their own fields – who join and develop a unique product. Due to this unique and carefully conceived ‘pooling’ of complementary skills – what may be termed a blend of business – this product is almost impossible for other companies to copy. For example, Gram remembers the following about the upstart of seal safaris in cooperation with the German shipping company, Adler Schiffe: “We started up in 1994. And it has been a regular success story.

This nature product has (..) become a little quality product. And for me, it has been crucial to initiate this because precisely in *that* field, I can't be copied".

Gram sees the crown of his networking achievements as the previously mentioned discount card system uniting the region's tourist enterprises into profitable networking. Gram talks about the 'big net' as a sort of ultimate win-win game within the region, solving collective action problems and securing economic gain for all: "The result [has become] that now we [local and regional tourist actors] suddenly pull together. And it has been an *enormously* positive experience to meet these people. Now we have tried (..) to cover the whole surface, so we have in fact been through all [types of] tourist products [and] now we are spreading it all out in order to achieve the *big* net. Then we get all the major tourist actors, right? But we have not met any opposition. On the contrary, we have met respect, right? That's because, for all parties, this is a win-win situation."

Gram is aware that his comparative advantage – and the secret behind his economic success – is that he is an expert in establishing cooperation, or 'alliances', between highly heterogeneous partners. He is fully aware that these partners must possess complementary skills, which – at unique occasions – can be brought together so to produce significant added value to the product in question. Such ingeniously crafted network innovation has in every respect turned out to be prosperous. Therefore, he wants to invest even more time in personal meetings with (carefully selected) partners with complementary skills. This will enable him to establish new 'unconventional alliances' that are impossible for competing enterprises to copy.

Gram says that he had long feared wasting time on face-to-face meetings with potential partners and has often left this job to his employees. However, he has realized that cultivating and capitalizing upon strategically planned networks is the bedrock under Danish Nature Safari. And Gram still struggles to further develop alliances by using his excellent ability to find the right people with the right skills in order to unite them in an unconventional alliance at the right time.

4.2 Reducing transportation costs and employing knowledge: The Waddensea Bakery

The second case, the Waddensea Bakery (*Vadehavsbageriet*), has been family owned for approximately 100 years. The current owners, Jytte and Leif Kruse, bought the bakery in 1990. Jytte is vocationally trained as a baker, and Leif is vocationally trained as a blacksmith. The enterprise is situated near the Waddensea in a small village called Vester Vedsted, in a peripheral rural area in the western part of peninsular Jutland (near the German border). In 1994, Jytte and Leif acquired another bakery situated in the market town of Ribe, approximately 10 kilometers away. However, they remained in Vester Vested and continued production there. In 1996, a landmark year for the bakery, Jytte and Leif began producing bake-off bread. Their vision was to refute the general perception of bake-off bread as dull. Jytte and Leif's bake-off bread was produced with a 'crispy crust and airy crumb', and they used natural raw materials cultivated and formed by the Waddensea. They now have approximately 10 employees and, despite the financial crisis, have had tremendous growth since 2009, e.g. matching their sales from 2009 by the middle of 2010. This growth continues into 2012, and they are now expanding their bakery facilities in Vester Vedsted considerably.

An example of cooperation in the form of an 'unconventional alliance' arose from a difficult delivery situation. Some of the customers of the Waddensea Bakery are small tourist shops on the nearby islands and along the west coast of Jutland. Not least, delivery to one of the islands, Fanø, often caused difficulties due to the high number of summer time tourists and a limited ferry capacity. Previously, Leif drove the route himself, which meant a 2½ hour drive and the cost of a ferry ticket. Furthermore, when spending time delivering bread, he could not be in the bakery undertaking ordinary bakery work. In case of emergency deliveries to the small tourist shops, a logistic company was sometimes employed for delivery to the Fanø ferry. Later on, bread was repacked by another logistic firm, Fanø Godstransport, which was located on the island. For obvious reasons, this was an expensive solution.

The many problems with these deliveries gave rise to continuous discussions between Jytte and Leif about how to deliver to the many small tourist shops, all of which were valuable customers. However, much of the profit was eaten up by high transportation costs. Then a solution suddenly emerged. On his delivery trips to Fanø, Leif often noticed the trucks from Fanø Godstransport. One day, he contacted Fanø Godstransport and asked whether they would be interested in permanent delivery of bake-off bread from a cold storehouse in the city of Esbjerg to the island of Fanø. Leif and Jytte could then deliver to the cold storehouse along with other deliveries to wholesalers. This solution made planning the bakery production much easier and the deliveries less costly and time consuming. The owner of the local logistic company consented, because he often had space for more goods on his daily trips to the island, so the price was low compared to Leif's previous time and money costs.

Cooperation was established and became so successful for both parties that it was soon extended to the local tourist shops along the nearby west coast. The owners of the tourist shops were happy, because efficient service was provided. Hence, a win-win situation emerged, and a strategic alliance was made through specialization and cooperation in the value chain from bakery to end-consumer.

It was not at all *obvious* that there might be a mutually profitable match between a local bakery on the mainland of Jutland and a local logistic firm on one of the islands. However, both companies significantly reduced their transaction costs through cooperation across structural holes and fabricated a better strategic market position for themselves through an 'unconventional alliance'.

Another 'unconventional alliance' was established in connection with marketing problems. Jytte explains the situation: "Our old logo was too old-fashioned, nostalgic and signaling grey hair. We wanted our logo to represent the (..) naturalness and pureness of our bread. The new logo depicts the Waddensea, the grain and the birds. According to a new marketing idea, the logo is also printed on a bread band (..) telling an interesting local business story. The rest of the story can be found at [our] homepage (…) The customers can now see that the bread is made by us. This is an extremely good idea, people in the food sector tell us".

This idea was realized in collaboration with a marketing agency working for a much larger supplier/competitor and a local historian, who has produced a CD with local stories and names. As Jytte tells it: "These were [local] names [collected by the historian] we wanted to use for our different bread types together with the related story. The marketing agency knows a lot about marketing and especially about veterinary requirements and food regulations, such as what paper and ink to use to get approval for using it on bread. The historian knows a lot about names and local stories, and we know a lot about baking quality bake-off bread".

Thus, an unconventional alliance was born, consisting of three partners: the Waddensea Bakery, the marketing agency and the local historian. All three of these partners had to adapt to the changes in their respective businesses. Initially, the change led to costs for the Waddensea Bakery and earnings for the marketing agency.

Unfortunately, the historian unexpectedly died before the concept was fully implemented. This left the Waddensea bakery with a problem of how to proceed with the local stories. Until now, this problem has not been solved. No-one has yet taken over the historians work. Jytte and Leif have however not given up the original ideas. They are busy in the moment with enhancing the building facilities in their bakery. They still have the opportunity in mind to continue the work done by the historian as soon as the right resources are found. The implemented bread bands allowed customers to see that the bread was actually coming from the Waddensea Bakery, and these bands provide an opportunity for exhibiting spatial identity in the form of interesting local histories. Thus, *in the long run* the arrangement, however only partly implemented (without the local stories), still became a major strategic advantage for the bakery. The bread bands have evidently reinforced the pull from the market on their products and, thus, contributed to create an increasing growth in turnover. Value was thus created through cooperation between heterogeneous partners across structural holes. The alliance turned out to be conducive to a strategic position for all partners. A closer collaboration still awaits the practical opportunities to get resources to implement the local historian's work.

A third unconventional alliance emerged, this time also due to accidental networking. The story is that Jytte talked with a trader, who wanted to launch chips made of bread to Danish consumers. A Polish producer should provide the products. Jytte was interested in the idea and tried to develop it into 5-6 prototypes. Then she started cooperation with the trader on developing the concept of producing chips out of bread. The trader chose to test the prototypes – not on the end consumers – but together with the purchasers from big retail chains. The feedback was that the prototypes were too expensive. This procedure made Jytte and Leif stop cooperation immediately because they, as a principle, always test their products on the end consumers. For Jytte and Leif the taste of their products is the most important issue. They do not want to produce something, which they do not know whether the end consumers will like or not. The approach to the market of the two cooperative partners were too different. The trader simply violated some of the core ideas of the Waddensea Bakery, and Jytte and Leif had to realize that they had wasted their time on this occasion.

Hence we see that the owners of the Waddensea Bakery perpetually invest labor-time in seeking and establishing unconventional alliances. This has led to a fabrication of network innovation allowing for future network capitalization – a result of a 'feel for the game' and effectuation of network resources rather than pure rational calculation. For long, Leif and Jytte struggled with two major obstacles for further developing their firm: how to deliver to their small customers on the islands and how to become known in the market by end-users. Both problems were solved by selecting partners in the local area, who were equipped with the specific complementary skills needed for the situation. Consequently, the situation ended in a win-win cooperation development and the creation of unconventional alliances. This kind of self-selection led to a better business solution for all partners involved in the alliance. However, as we saw, at an occasion networking activities also resulted in *negative* bridging of social capital, namely when core ideas of the private entrepreneurs were violated and cooperation was brought to an end.

4.3 Knowledge Exchange and Win-Win Relations: Mr. Wood

The third enterprise, Mr. Wood (Hr. Skov), was established in 2007 by Claus Skov and Henny Dahl as a gourmet shop with its own production of gourmet products, such as Schnapps, pesto, jam, salt, etc. Mr. Wood is situated in a small tourist village called Blåvand at the west coast of Jutland, near. Blåvand is located north of the city of Esbjerg, in a rural area that attracts many tourists in the summer. Before Skov and Dahl established Mr. Wood, they were the managers of the restaurant Blåvand Inn for years. However, they wanted to establish a combined shop and food production unit containing a "gourmet universe offering a heavenly experience for the visitor - a cornucopia of specialties and delicacies of the highest quality". And so they did. Mr. Wood uses many local herbs and berries in its gourmet products. By now it has approximately 5 employees. Skov and Dahl have experienced tremendous growth, both through sales in their shop and through sales of their special snaps. Dahl produces the snaps from heather, crowberry and sweet gale, among other ingredients. In 2010, their snaps was recommended by gourmet specialists in Denmark's leading business newspaper, *Børsen*. In 2011, Skov and Dahl acquired separate production facilities in the nearby village of Billum for their food production. In 2012 they acquired a nearby restaurant in Blåvand serving their own gourmet food in combination with food produced by local enterprises utilizing the nature and 'special flavor of the area'

An example of both cooperation and collaboration in unconventional alliances can be seen in Dahl's participation in an innovative course within the food sector. Originally, the course was developed for larger Danish industrial companies, such as Danfoss, Lego, Novo, and Grundfos, and aimed to turn the innovation in own company 'on its head' 180 degrees. The participants in the course worked with the customer profiles to understand their customers in a more specific context.

During and after Dahl's participation in the course, Skov and Dahl cooperated regularly with the other producers. As Dahl explains: "Steal with pride and get inspirational ideas to strengthen your own position". She elaborates further: "It is not at all bad that the others are good at their job. That way, spillover is created for us is to get more knowledge about interesting new issues, which again can fuel valuable ideas for us to employ in our own way".

Skov and Dahl gladly answer when people from other companies phone and ask for information, such as where to buy specific jars. Through this information exchange, they have access to other participants' information and knowledge. This information cannot be publicly accessed, but they gladly provide information to specific participants in exchange for further information on future occasions. Skov and Dahl value this information exchange because it saves time and provides interesting opportunities to develop gourmet food. Reciprocal relations have developed between these entrepreneurs based entirely on their common interest in innovation. Value is created through the self-selected and unconventional alliances of highly different partners in order to fabricate innovative strategic positions for all participants, by combining heterogeneous skills, knowledge and other production factors. Skov and Dahl believe that the new facilities in Billum could also create an interesting place for food producers in general and for the enhancement of gourmet food. This was an innovative concept that Dahl elaborated during the course. They have attempted to realize this concept by inviting highly different food producers to joint activities at their new facilities. The networking idea has been discussed and developed further afterwards with other SMEs. Some of these participants have not been able to keep their agreements on e.g. financing. For Skov and Dahl this is difficult to accept and they put these participants on hold in further activities until they can fulfill their agreements and or explain the incidence. It is a core issue for Skov and Dahl to deliver as promised. Partners who do not keep their promise on agreements are simply seen as unacceptable until they do keep their promise or explain themselves clearly.

Another example is the harvesting of heather, crowberries and other natural products for the production of snaps. For a number of days during the picking season, a group of people related to Mr. Wood and with a shared interest in the local area meet with Henny early in the morning. They go in groups, picking some of the local ingredients along the coast in Blåvand. After picking herbs and berries for 3-4 hours, they return to the site of Mr. Wood. Here they help each other sort out the quality ingredients at a long table. This is also a social event. After work, lunch is served with gourmet treats. All participants enjoy the activity and look forward to the event each year.

The participants include close friends as well as looser connections. The number of participants increases each year. For Mr. Wood costs are low, and both Skov and Dahl enjoy the event. The participants learn about local ingredients and enjoy a social event. This alliance is based on innovative activities combined with relaxed social interaction in a beautiful natural setting. The alliance creates socio-economic revenues and reduces cost. Overall, the alliance appears to be a win-win situation.

In both examples the owners of Mr. Wood invested in participation in unique alliances, drawing on an advanced 'feel of the game' and resolute effectuation of networks. One alliance involved participating in an innovative course where an important outcome was the idea of a 'place for knowledge exchange on food production'. Another alliance involved forming a group of interested people around quality ingredients from the local area. In both cases, Mr. Wood has succeeded in developing cooperation and collaboration for strategic revenue and cost advantages by reducing transaction and adaption costs. This is done by building up what we here have termed 'unconventional alliances', which include both beneficial bridging and bonding social capital that is durable and extremely useful, and which we may refer to as 'super' social capital. However also negative impacts have been revealed, as when the networking partners did not keep their word and thus violated a core norm within this SME. Hence time and labor investments were lost in this particular case.

5. Discussion: the road to 'super' social capital

Although we could include additional cases from our fieldwork, we think that the examples discussed above suffice as support – or clarification – for our argument: entrepreneurs who carefully build long-lasting alliances with partners with complementary skills may avoid wasting precious time in the network society. That networking at both local and supra-local levels pays for most SMEs in rural areas is also shown in a Canadian study by Young (2010), however without reflecting upon networking as a double-edged sword.

As we saw above, it is difficult, if not impossible, to avoid a certain time loss – even for entrepreneurs ‘mastering’ the network game within their field. Most entrepreneurs invest labor time in social capital when a perfect ‘match’ in an unconventional alliance would be profitable to all parties in the long run. We summarized this concept as *effectuation* (Sarasvathy 2008) and argued that this ‘tapping’ of network resources was made possible in the first place by the entrepreneurs’ ‘feel of the game’, that is, a feeling of what is important and unimportant in the situation, and which is embodied in a ‘practical sense’ – cf. Bourdieu. In our examples, skillful effectuation led to the building of durable and highly profitable social capital, or ‘super social capital’.

As it was explicitly stated by Gram, such network innovations in the form of ‘blends’ of heterogeneous entrepreneurs/businesses cannot easily be copied by competing firms. Hence, in contrast to more or less contingent networking in the ‘networking society’, such *needs driven* entities tend to become ‘pure’ gains. After some time, when the awkwardness of the innovation has disappeared, investments of labor time in maintaining cooperation will decrease rapidly. As we have seen, this was the case with Gram and the German ship owner, the Waddensea Bakery and the local logistic firm on the island of Fanø, and Mr. Wood, who created an informal ‘picking club’ for local herbs and berries. In Figure 2, we illustrate the transformation of potential social capital into actual and, finally, ‘super social capital’.

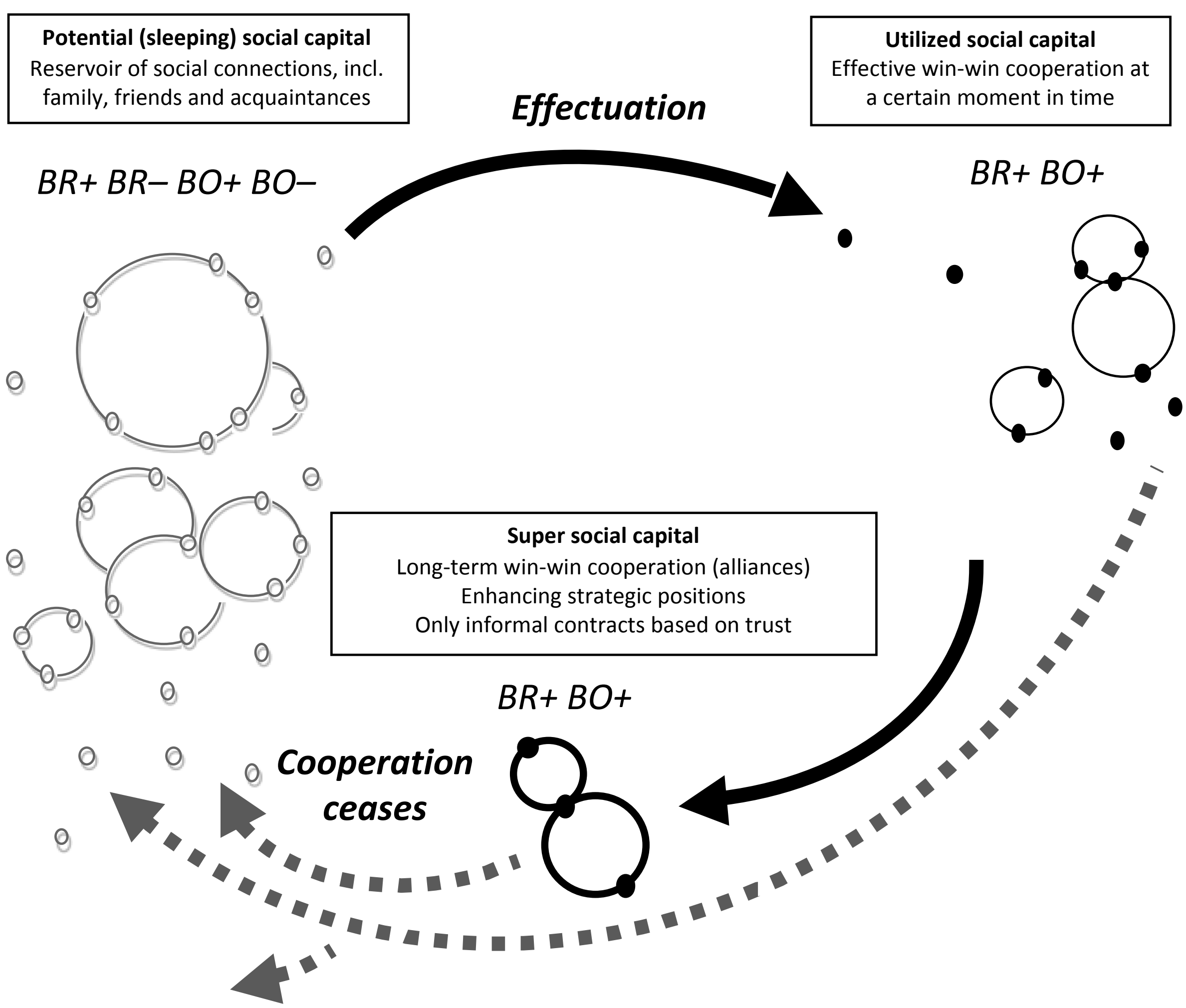

Figure 2. The road to effectuation and ‘super social capital’ – from the perspective of the single private entrepreneur

The model shows that networks assessed or, rather, sensed by the entrepreneur as less productive for the time being is placed in a 'reservoir' of social connections – as a form of 'sleeping' or potential social capital. These networks can then be drawn on when such and such a cooperation is needed, that is, a question of timing for a highly professional entrepreneur who knows how to economize his time.

Unproductive networking (wasting precious time) in the form of BR– is eliminated by the effectuation process, as people who resemble the entrepreneur 'too much', people you cannot trust, or people the entrepreneur knows too well, such as family members or close friends who may be (but of course not always are) BO– in relation to the entrepreneur's firm. Such people may enrich his social life but may *not* enrich his professional life. Instead, the professional entrepreneur has an eye for selecting capitalizable BR+ and BO+ from his reservoir of loose social connections (right side). What triggers self-selection seems to be action that creates high value for all participating entrepreneurs or, in other words, social relations that can be actually utilized and, hence, turned into genuine social *capital*. Finally, as in the case of unconventional alliances, such productive networking may be turned into 'super social capital', meaning long-term, win-win cooperation with clear strategic purposes for all parties. The dashed lines indicate that, after a certain period of time, social capital may become 'drained' of resources. Partners return to being acquaintances, family members, or close friends (in the potential social capital reservoir), or they may simply disappear from the entrepreneur's life – as we for example saw in the Waddensea Bakery case when a partner violated an important unwritten rule of this SME.

In sum, we claim that entrepreneurs who actively choose cooperative partners carefully, deliberately and intuitively – as in the examples of Iver Gram, the owners of the Waddensea Bakery and the owners of Mr. Wood – may reap the many socioeconomic benefits of social capital. However, as we also saw, investments will always be risky, and both an ever-calculating *homo economicus* and an intuitive, somewhat uncritical networker will have difficulties in succeeding. Instead, we emphasize the dynamic, informal and flexible ways of converting social connections into a pool of potential ('sleeping') social capital, and – at the right time and place – into actual (utilized) social capital. Hence, conversion techniques include much more than rational choice, such as emotions, timing, trust, following the same rules, mutual economic interests and purposeful collective action in long-term, cooperative partnerships.

5. Conclusion

We began this article by questioning the widespread myth of the many blessings of 'networking' within a SME setting. Networking, in electronic as well as non-electronic forms, may ultimately be a terrible waste of time for the single entrepreneur. Therefore, we argued that both bonding and bridging types of social capital have a sunny and shadow side. This is well known in the case of negative bonding social capital (BO–). However, negative *bridging* social capital (BR–) also exists, as often as waste of time in the so-called network society. This kind of networking is obviously counter-productive from the perspective of the owner of a small firm, who cannot afford to waste much time and thus suffers from high opportunity costs.

We suggested that entrepreneurs must economize on social capital, as is the case with all forms of tangible and intangible capital. However, as we saw in the empirical examples this does not seem to happen in any strict rational way but rather by making use of a 'feel for the game' that has been learned over many years, and which allows them to 'effectuate' networks, that is, successfully tap them for resources usable in the concrete situation.

We argued that small business entrepreneurs can economize on social capital by attempting to strategically build social capital in the form of 'unconventional alliances'. These alliances, based on flexibility, informality and trust should be carefully conceived by the single entrepreneur, who composes it in order to pool complementary skills and roles that allow the network to undertake a specific task. As we saw, experiments may fail, however skillful entrepreneurs with a well-developed sense of the game are able to *reduce* the risk of wasting time and money. Such creative 'blends of businesses' should be seen as an important type of *bridging* social capital based on unique and innovative cooperation between partners characterized by high trust and low transaction costs. As we illustrated in our three case studies, such long-term 'super social capital' is likely to increase entrepreneurs' incomes and allow their SMEs to gain a competitive advantage. This is especially true in peripheral rural areas where networks are scarce, industrial clusters almost non-existent, and where the number of potential cooperative partners is limited. Hence, private entrepreneurs, business development planners and politicians should have in mind that 'networking' can be a terrible waste of time leading to high opportunity costs. However, when networking is needs driven and carefully conceived and orchestrated, it may lead to significant positive, economic outcomes.

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Notes

Note 1. For example, a 2007 survey among 180 company directors in Denmark, Sweden, UK and Germany shows that “three and a half years of a working life spent emailing are a complete waste of time, since 32% of messages read and sent are considered irrelevant” (Plantronics 2007). Peter Thomson, Director of The Future Work Forum at Henley Management College, which has undertaken the survey, states: “Our research proves that email use is out of control, often causing confusion and inertia. It also paints a bleak picture of silent offices where colleagues email rather than talk face to face. However there is a solution and its very simple – make a phone call with a headset and start talking, email should just be used to firm-up and recap on what everyone has agreed on the phone (Plantronics 2007).