

# RURAL ECONOMY

**The Social Networks of Rural Business Owners in  
East Central Alberta**

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Project Report 96-02

## PROJECT REPORT



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## **EXECUTIVE SUMMARY**

Rural business owners in Alberta are often described as independent minded entrepreneurs. The reality is that they do engage in social networking. This project focussed upon the social networks that help rural business owners access markets beyond their local area. The data were provided by the self-employed business owners who engaged in specialized agricultural and non-agricultural business operations in the geographic area defined by the East Parklands Community and Business Development Corporation headquartered at Mirror, Alberta.

Six networks are examined: intimate, friendship, broker, professional, governmental and volunteer. The results suggest that owners rely upon their intimate networks for practical and emotional support. The professional networks neither encourage nor discourage the business activity, while the governmental networks are not accessed to their full advantage. Associational networks provide information to the business owners through journals, magazines and publications. Rural business owners belong to these volunteer networks, but often are not active participants.

The structure of the networks suggests that the non-agricultural owners are moving away from the gemeinschaft-like strong bonds of the intimate and friendship networks. They are developing what are called “weak-ties” with broker and specialized networks that include trade shows, producers of similar products or through the conferences. Agricultural owners, however, are continuing their strong relationships within the friendship networks to develop and sell their product. These networks provide fewer opportunities for market expansion than do the broker-type networks.



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## 1. INTRODUCTION

Self-sufficiency for rural business owners is often mistakenly understood as “going-it-alone”. Rather self-sufficiency means integration within essential social, organizational and governmental networks to refine business operations and develop markets. Rural business owners need to rely not only upon their own initiatives, abilities, and resources but also upon social relationships to compete effectively in the global marketplace. This project sheds light on the strategies that rural business owners use through social networks to create opportunities for survival and development of their businesses. This paper is based on a larger sociological study *Social Networks and the Economic Life of Rural Business* (Deans, 1996) and complements an earlier economic study *Tradeables<sup>1</sup> in Rural Economies: A Development Analysis in Alberta, Nebraska and Senora* (Fullerton, 1995), (Apedaile and Fullerton, 1994).

### 1.1 Background to the Study

The restructuring of the Canadian prairie economy during the last fifty years has changed the face of rural communities forever. Agriculture, once a primary industry on the prairies, is no longer dominant. Today the modern farm resembles an urban enterprise.

...the farm [is] no longer the foundation of a rural way of life where, as in a self-sufficient garrison, the family [can] surmount the vagaries of world price changes and even of the weather. The farm [is] instead a large, capital-intensive business that operates on a line of credit...(Friesen, 1987:432).

The farm is equipped with the latest technology and these technological advances have changed the way agriculture is practised. New innovations have allowed agricultural producers more flexibility in the commodities produced, markets accessed, and land cultivated. The result is that fewer people are required for agricultural production, and the family farm is no longer the mainstay of the rural community (Reimer, 1992). The 1991

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<sup>1</sup> Tradeable activities are defined as those activities which create opportunities to generate wealth for a rural place. These activities are traded and valued outside of the rural economy (Apedaile and Fullerton, 1994:iv).



census for Alberta shows the farm population represents seven percent of the total population, down from 12 percent in 1976 (Alberta, 1993a).

Communities, dependent upon primary industries as an economic base, face the question of their very existence. These communities must look to other forms of economic activity for survival. In place of agriculture, different types of economic activity are emerging in rural areas: agri-food processing, manufacturing, tourism or specialized government activities.

A common rural development strategy during the 1950s and 1960s was to attract outside investment. This strategy was unable to create the promised jobs. Firms that were attracted to an area because of regional development initiatives were inclined to move as more attractive incentives were offered in other communities. In the end, most communities were competing for a few industries and never received the anticipated benefits of tax revenue and employment opportunities (Alberta 1993b).

During the 1970s rural development strategies in the prairie provinces centred upon infrastructure rehabilitation namely telephone conduit upgrading, water and sewer upgrading, site developments and business parks in the small rural communities. The dispersion of government offices to small communities was a government policy attempting to stem out-migration from rural to urban areas (Kisko, 1993). These policies were designed not only to sustain rural communities but also to promote these same communities as viable places where businesses could grow and thrive.

Beth Honadle (1983) identifies traditional areas leading to economic and social disadvantages for rural business such as population decline, isolation, and personal familiarity. Declining population density constrains the ability of companies to market their goods and services. Low population densities create low saturation points for absorbing goods and services locally. Thus, companies must look farther afield to locate markets. With fewer people in the rural community, new social relationships need to be fostered, beyond the local area, for businesses to be successful competitors in the changing economy.

The lack of human resources in rural areas presents disadvantages such as an overworked and under-skilled labour force. The result is a drop in the quality of work and

the inability of businesses to engage in long-range planning. As the availability of people with technical and leadership skills diminishes, fewer people remain to do many tasks. Large centres have the advantage of a larger better-skilled labour force to draw from, therefore placing rural business owners at a disadvantage when they attempt to acquire knowledgeable and skilled employees.

Personal familiarity presents its own special problems. Often this is referred to as “density of acquaintance-ship” where people within a community interact frequently with one another on a personal basis (Flora et al 1992:78). Often in rural communities everyone knows everyone else. If business owners wish to maintain confidentiality about their business operation, they may become isolated from their community members. Owners may not want to bank, discuss their business with local suppliers, or use professional services such as lawyers, accountants or insurance agents located in the local town. They may prefer the anonymity and privacy that larger centres offer. Owners may inadvertently impede their ability to assess the local business environment or tap into important information sources while striving to maintain privacy.

Rural firms must contend with isolation, especially if they are located in outlying areas. These remote areas may be looked upon unfavourably for revitalization projects or assistance programmes by governments because of the extra costs associated with travel. Distance from suppliers, service professionals, or financial services are obstacles encountered by many companies. Much personal effort, on the part of rural business owners, must be made to meet with and keep in contact with community leaders both locally and farther afield. Driving long distances may deter frequent and necessary interaction. Fullerton (1995) notes distance as the most important obstacle to rural tradeable business expansion.

Despite these constraints rural areas contain firms whose owners have foresight and imagination to seek specific market niches for their products. However, rural firms are unable to compete on price alone. These firms must take advantage of the uniqueness of their geographic place and the production of high quality, low volume, labour intensive goods and services (OECD, 1992).

Value added<sup>2</sup> economic development strategies encourage more differentiated markets by increasing the value captured locally through design, manufacturing, processing and marketing of goods. This type of development attempts to bring jobs into communities by using local production. This means that rural businesses may produce products such as furniture, wood cabinets or farm machinery and equipment that may reach beyond the local to more affluent markets. Rural business owners using a value added strategy may be more ready to compete and trade their product beyond the local market (Fossum, 1993).

## **1.2 The Problem**

Business owners in Alberta, especially within the manufacturing sector, have been described as having a solitary attitude toward business activities (Western Centre for Economic Research, 1994:47). During economic downturns, these owners may be reluctant to rely upon anyone for assistance, yet at the same time, their independent spirit allows them to enter into risk-taking ventures more readily. This individualistic attitude, however, may deter these same individuals from drawing upon assistance from people within the industry or entering into mutually beneficial business arrangements.

This autonomous entrepreneurial model does little to explain the complex social and economic arrangements that rural business owners find themselves a part of. Business owners are able to access markets, locate suppliers, find staff, acquire professional services, and recognize competitors.

The problem to be examined in this study involves the extent to which the social networks and social participation of the owners contribute or constrain businesses operating in markets beyond their rural home base. Understanding how these businesses operate includes not only understanding the economic opportunities and resources that rural communities offer, but also understanding the social networks and the social participation of the business owners.

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<sup>2</sup> Value added is defined as industrial activity that generates increased capture of the benefits of production and product differentiation. (Fossum, 1993:175)

The issue is that self-sufficiency does not mean “going-it-alone” but rather that business owners use networks to access know-how and resources that they are unable to generate internally (Larson, 1991).

### **1.3 Objectives**

The overall objective of this study is to collect relevant information on the networking strategies of rural business owners as well as socio-economic information on the business owner and the firm. From this data, it is hoped that a greater understanding of the operation of these rural businesses can be established, thus providing insight into the operation of the firms with a view to improving or modifying existing programmes designed to assist rural business owners. Three specific objectives were defined for this study namely:

1. to develop a profile of rural business owners and their firms, which produce or have the potential to produce a product to trade beyond their local borders.
2. to determine the importance rural business owners place on networks to access information about markets and technical knowledge.
3. to understand the personal relationships business owners use to carry on the business operation.

## **2. THEORETICAL FRAMEWORK**

Businesses are operated by people who forge relationships to carry out transactions in the course of the day-to-day activities of the firm. These businesses are not artificial constructs that emerge without some form of social interaction among members of society. Only recently have sociological studies started to focus on businesses, and more specifically on small rural business.

### **2.1 Relevant Theoretical Concepts**

The business literature provides a basis for developing criteria to study rural firms. Network analysis informs us about the social relationships that owners construct to access markets or identify competitors. Financial resource and dependency literature instructs us

how businesses access capital for business start-ups and for business sustainability. Organizational literature points to firm and ownership characteristics which may contribute to the business being able to continue. Social organizational literature provides insight into the personal contacts that owners make through volunteering their time and money to social units inside and outside of their community. Each of these conceptual areas helps to explain the complex environment in which businesses operate, whether or not they are located within an urban or rural setting.

## **2.2 Social Network Analysis**

Sociologists have always been interested in how individuals are linked to one another and how these associations “serve as both a lubricant for getting things done and a glue that provides order and meaning to social life” (Powell and Smith-Doerr, 1994:365). During the last three decades, an immense interest has taken place in the role that networks play in social and economic activities.

### **2.2.1 Defining a Network**

Today, the notion of networking is in fashion. Communication networks, business networks, computer networks, manufacturing networks, or women’s business networks are but a few of the terms in vogue. The *Concise Oxford Dictionary* (1982:680) defines a network as “chain of interconnected persons.” “Networking is people connecting with people, linking ideas and resources. Networking has entered the lexicon to mean *making connections among peers*. One person with some need contacts another with a resource, and the networking begins” (Lipnack and Stamps, 1986:2). Social network analysis focuses on three elements by (1) conceptualizing social structure as a network with ties connecting members and channelling resources; (2) focusing on characteristics of the ties rather than on the characteristics of the individual members; and (3) viewing communities as personal communities, that is, as networks of individual relations that people foster, maintain and use in the course of their daily lives (Wetherell et al. 1994:645).

In a rural context, Flora et al. (1992:240) define social networks as “webs of relationships that link individuals within communities.” Often these networks form and

fade as the need arises. For example, community members may join together to build a community centre, yet may never meet at social activities beyond their immediate community.

## **2.2.2 Approaches to the Study of Networks**

Four approaches to the study of social networks have been identified through a survey of the literature: strength of weak ties, sociological and organizational theory, embeddedness and social organizations. All these approaches to study the social environment of the economic processes of business, are concerned with how individuals are linked together in relationships of association that provide meaning and order to their social world. The underlying assumption is that the economic life of a business is embedded in the social relationships fostered by the business owner.

### **2.2.2.1 Strength of Weak Ties**

Anthropologist Fredrik Barth (1966) alluded to the notion of networks in his discussion of transactions. For Barth, entrepreneurs are inventors who seek to make profits. They engage in transactions for goods and services with others whom they were previously not associated. “Entrepreneurial activity thus tends to make a bridge between what before was separated” (Barth, 1966:18).

Granovetter (1974a) builds upon this notion of bridging in his sociological theory “the strength of weak ties”. In his book *Getting a Job*, Granovetter’s a priori hypothesis was that those individuals with whom one has the most contact would be the individuals who were most likely to be of help in locating a job. The strong ties that Granovetter alludes to are those of family, friends and co-workers. These are the people who tend to interact with each other most often and in the most varied situations. However, the weak ties, those individuals who are less well-known to each other, are more likely to divulge needed information to acquire work. “Acquaintances are more likely to pass on job information than close friends...” Granovetter (1974a:54).

In a business context, Aldrich et al. (1986) suggest that owners who are securely linked to a few sources of information may acquire superfluous or useless knowledge

whose meaning was unclear. Business owners would interact with and receive assistance from spouses because of their propinquity. Dystra (1990) suggests that in studies of older married men and women, men were likely to turn to their wives for assistance. This may indicate that spouses also would share the same values and beliefs. Therefore, a tendency may exist for each individual forming a couple to have the same information and knowledge with small amounts of new information infiltrating their network. Certain friends and co-workers, like spouses, may fall into this category as well.

Knowledge and insight shared, among the owner, spouse, friends and co-workers, may be spurious because of close social and working relationships. Information that should be shared may be withheld because of fear of social sanction. For example, a co-worker may fear losing his or her job; a friend may fear severing a long-standing relationship; a spouse may fear the withholding of affection. Thus, “entrepreneurs activate their weak ties for at least two purposes: to gain access to business information and to attract customers” (Aldrich et al, 1986:26). In 1994, Hartman et al. identified networks containing both strong and weak ties.

Weak ties include customers, competitors, educators/trainers, while strong ties include family, friends, or employees. The weak ties to customers were identified as the most important network.

Business owners may use numerous avenues for knowledge acquisition. Consistent with the notion of weak ties is the role of brokers in social networks. The function of the broker networks is to “link persons having complementary interests, transferring information, and otherwise facilitating the interest of persons not directly connected to one another” (Aldrich and Zimmer, 1986:24). Today trade shows, trade journals, conferences and the internet are but a few of the brokers that provide venues for entrepreneurs to access both customers and information about other possible markets, technical knowledge and even competitors. The focus of these events is multi-dimensional. Information is exchanged on a number of levels. Events such as trade shows and conferences allow business owners to meet and interact with a diverse group of people having diverse interests, knowledge and know-how.

Owners who rely solely on people they meet face-to-face probably have a greater chance of meeting others very much like themselves than those using third parties to meet others. Meeting 'friends of friends' is more likely to expand the diversity of the owner's network than only meeting people at one's place of work or residential community, unless one's friends also choose people like themselves. (Staber and Aldrich, 1995:460)

Using brokers in business as a source of accessing new customers and new information is left to chance; planning, however, occurs more in personal social circles. Using the strength of weak ties theory in a rural setting appears appropriate considering that rural communities are assumed to have strong social relationships among their members. Yet, at the same time, rural residents know many people on a casual basis. These casual relationships may be the weak ties that link rural business owners to people beyond their immediate community.

#### **2.2.2.2 Embeddedness Model**

Granovetter (1992:4) writes that "economic action (like all action) is socially situated and cannot be explained by individual motives alone; it is embedded in ongoing networks of personal relations rather than carried out by atomized actors."

A classic example of social embeddedness is the personal networks used to help the American electric company, Chicago Edison, become one of the most successful companies in the industry. Thomas Edison engaged in a struggle with banker J. P. Morgan for the vision of an electrical industry which supplied energy to households and businesses through central stations. Morgan's vision was to have individual generators for each home and business. Thomas Edison's primary assistant was Englishman Samuel Insull. Insull moved to Chicago to take over a new company Chicago Edison. Insull brought with him, not only technical knowledge gained from experiences as a personal assistant to Edison, but also his own personal networks. These networks included links to financiers in Chicago, New York and London and links to political leaders in both the United States and England. Insull's personal networks were well situated in the technical, political and financial spheres. These connections allowed him to access capital, political knowledge and favours that few other competitors could assemble. Financial resources and changes to



government policy that Insull garnered for Chicago Edison were embedded in his own personal networks and his ability to access and use these networks and connections effectively (Granovetter, 1992).

Silicon Valley is a modern example of the embeddedness of social relations in economic activity. People are highly mobile in Silicon Valley. Today's employee may be tomorrow's CEO. Today's competitor may be tomorrow's colleague. Social paths constantly overlap. All the while, notes Saxenian (1990:97), "[these same individuals] continue to meet at trade shows, industry conferences, and the scores of seminars, talks and social activities organized by local business organizations and trade associations." These venues provide an opportunity for information exchange, from market information to new enterprise creation opportunities. Economic action is enabled through on-going social relationships. The overall guiding principle may be that owners whose networks reach into the most institutional and organizational spheres might possibly have an advantage competing for market share (Granovetter, 1992).

People in embedded relationships may also be vulnerable to the improprieties of those with whom they are dealing and in whom they trust. Within network relationships a type of trust develops among the information sharers. This trust and feelings of social responsibility may be the reasons that entrepreneurs invoke their strong ties to family or persons with whom they have complete trust - with whom they can show some degree of vulnerability (Staber and Aldrich, 1995).

Customers may well be the most important networks of business owners (Hartman et. al. 1994). These owners may trust the customer more because of past dealings. Reciprocal dealings may have been positive for both the owner and the customer, and they may wish to continue the relationship. These reciprocal relationships between the business owner and the customer may not so be so much relationships of trust but relationships of confidence.

Relationships of trust involve an unquestioning faith and dependence upon someone or something. However unlike trust relationships, confidence is more likely to be based on expectations of more sales or more business referrals. Thus the business owner's confidence in the customer may come from past dealings, and the quality of the knowledge

obtained, which may be full of definite, specific details pertinent to the need for sales, production or new markets (Gibb, 1991).

### **2.2.2.3 Organizational Theory**

Powell and Smith-Doerr (1994) identify social and organization theory as an approach to the study of social network analysis that has taken place during the last thirty years. This theory views networks as analytical tools for shedding light on the social relationships of firms whether or not these relationships are within the inter-organizational ties or within the organizational environment.

Recent studies focus on firm characteristics such as age, size and ownership (Tigges and Green, 1994, Variyam and Kraywell, 1992, Aldrich and Auster, 1986). Firm age and firm size are two important criteria for business success. Small businesses are most vulnerable to a dissolution during the first few years of operation but, as organizations age, they are less likely to die. Age works against many small firms in two ways. When firms are small and young they face obstacles such as market recognition and product acceptance. To overcome these barriers, large capital expenditures must be made on advertising and product development. As well, licensing or certification requirements may be difficult to obtain. Unless the business is producing a product for a niche market, competition from larger more established firms may be extremely fierce (Aldrich and Auster, 1986; OECD, 1995).

The second way that age becomes a liability is when small businesses must trade away control to ensure continuation of the firm. These strategies include mergers, share offers, acquiring partners or selling the business. These strategies may ensure survival of the business, yet they may mean a loss of control and increased dependence upon outsiders.

Older established firms also experience age liabilities. Being somewhat larger, these firms may become more bureaucratized and less close to customer needs. Older, established businesses have difficulty adjusting to customer needs and changing product lines to accommodate changes in consumer preferences and attitudes (Aldrich and Auster, 1986).

A measure of firm size is often the number of full-time employees. A firm with 500 or fewer employees is often placed in the category of small (Variyam and Kraybill, 1992). However, this number is not constant across all studies. For example, Hartman, Tower and Sebor (1994) define small businesses as having less than 250 employees but more than 25. The Canadian Federation of Independent Business (CFIB) uses the following definition for small business: “we generally take the number of employees as the yardstick, with independently-owned firms having less than 50 employees counted as small, and firms with 50-499 employees classified as medium-sized” (Thompson, 1992).

## **2.3 Other Relevant Empirical Findings**

### **2.3.1 Financial Resource Dependency**

Raising capital is one of the most difficult obstacles that small or emerging firms face. Most small businesses begin with self-financing strategies. Funds are usually acquired from an owner’s personal savings, family, friends, inheritances, liquidation of personal assets or mortgages on personal possessions such as the family home and other personal properties (Aldrich and Auster, 1986).

Seed money is difficult to raise from formal institutions especially if the individual is unknown and the product untried. Entrepreneurs often try to obtain seed-money or venture capital on the basis of their ideas and expertise. Financial institutions have difficulty measuring intellectual capital and individual expertise. As a consequence, financial institutions are reluctant to lend money for these ventures. For financial institutions a major dilemma is “learning how...to evaluate a business when knowledge is its chief resource” (Stewart, 1994:68).

Many major banks and financial institutions are rarely located in small rural towns. The loan officers may not have the authority to authorize loans or credit, if a major bank does exist in such a community. The responsibility of local bank personnel is to gather the documentation and submit it to a higher level for authorization. This phenomena exists for branches of the Canadian Imperial Bank of Commerce or Alberta’s Treasury Branches, the two primary banking institutions, operating in some of the small towns of the East Parklands area. For example, the Treasury Branches in some small towns only receive

deposits or cash cheques and are operated as franchises.

### **2.3.2 Government Dependency**

Businesses are subject to rules and regulations from numerous levels of government: municipal, provincial and federal. The challenge for each business owner is to keep abreast of changes in policy at each of these government levels. Small business surveys indicate that approximately one-half to one day per week is consumed with reporting requirements to government agencies and departments (Manley and Martin, 1994). Reporting requirements become trying and a particularly important factor for rural firms which must draw their employees from a comparatively small labour pool. These small businesses may not have the human resources to deal with the paper work, because the individual doing the reporting may be the marketer, the purchaser, the bookkeeper and the product developer for the business.

### **2.3.3 Social Organizations**

Flora et al. (1992:247) define social organizations as “an element of a community’s social infrastructure, [that] include either formal or volunteer groups providing services essential to the maintenance of physical, social, and cultural needs of a community.” Social organizations are visible within rural and urban environments. These social organizations include volunteer organizations, churches, recreational facilities, various types of cultural activities and professional associations.

One has only to look at local newspapers in East Parklands area of central Alberta, to see the notices of church meetings and suppers, agricultural associated meetings, community choir events, auxiliary activity for nursing homes and lodges, bowling, skiing or skidoing or rodeo activities. The resources of time and money, for these organized activities, are drawn from individuals within the community.

An example of such a social organization is the ad hoc committee formed to save the newly constructed hospital at Galahad, Alberta from closure effective January 1, 1996. This ad hoc committee is comprised of a number of volunteer members from the local area who are investigating the possibility of the hospital becoming an assisted-living facility or

a private health care facility. The committee is considering fundraising events to earn approximately \$90 000 per year over and above fees paid by the residents.<sup>3</sup> This is an example of a social organization forming to initiate activities to secure the existence of a needed facility in a community where local and provincial governments have ceased to provide funding. Other social organizations within communities and within the area have joined together to support this need. In the case of Galahad, the local agricultural society is involved with fund raising-activities, too.

“Voluntary associations, trade associations, public agencies [and] other social units increase the probability of people making connections with one another” (Aldrich and Zimmer, 1986:25). One would expect that entrepreneurs would take advantage of social organizational involvement for two reasons. The first reason is that organizations are places where informal information about government trends, market trends, or product acceptance passes among the membership. Information passes among the members through formal meetings, word-of-mouth among the members, or by means of an organizational newsletter, magazine or journal. Information may be passed informally about the community and shared with other community members. Information may include knowledge about community members needing work or having skills the business person could use in the business. The second reason entrepreneurs might take advantage of social organizational involvement is Canadian tax laws. These laws favour businesses by allowing deductions for membership dues, donations, promotional and business travel.

Yet according to Rosenfeld (1992), entrepreneurs fail to belong to social organizations such as the Chamber of Commerce, local business and trade associations or other local organizations. As a consequence, owners of small and medium-sized firms often fail to have their firms listed in business directories. Owners may miss out on information pertinent to their firms’ activities by having their own names or the name of the firm automatically placed on information mailing lists. Indeed these owners may miss

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<sup>3</sup> This information was provided in a personal conversation with the town secretary at Galahad, Alberta. Also refer to an article in the Edmonton Journal of May 21, 1995, page A8 entitled *Galahad Holds Wake Over Closure of Hospital* .

out on possible new business ventures and opportunities.

Rosenfeld (1992) points out that business owners may be reluctant to join volunteer associations and organizations because these activities may require more time than the business owner can accommodate. Campbell and Lee (1992) observe that voluntary associations compete for an individual's time along with home and employment responsibilities.

## **2.4 Summary**

Social network analysis is a tool to direct the study of ties that bind owners to specific social relationships: the strong ties that owners have to family and friends may be a constraint to the business operation due to emotional relationships, while the weak ties to acquaintances and the use of brokers may provide a variety of contacts and new information.

Business owners make decisions in a social context rather than in isolation. When these owners attend conferences, trade show or auction sales, they find themselves located in social relationships. These activities provide a venue for owners to share and exchange information, to cultivate friendships or to assess market trends. Thus the economic activities that owners undertake is embedded in their on-going social relationships.

Organizational theory points to pertinent variables for both the firm and the owner. Variables for the business include gross sales, age, and legal ownership. Variables for the owner include network involvement in volunteer activities, age, education and marital status. Financial and governmental dependency literature indicate other variables such as business financing and on-going reporting requirements. The concept of social organizations points to the personal activities owners partake in either for community, business or personal interest.

These concepts guide this project by helping to create a holistic view of the complex environment business owners function within.

### **3. THE RESEARCH PROCEDURE**

#### **3.1 Study Area**

This sociological study focuses on a geographic area (Figure 1) defined by the East Parkland Community and Business Development Corporation (EPCBDC). This area was chosen because of the following characteristics: the area has been dependent upon primary industry: agriculture, oil and mining; the region is not closely situated to the Alberta's two major metropolitan centres: Edmonton and Calgary, and rural development initiatives have been undertaken in the area.

The northernmost edge of the EPCBDC area is located approximately 100 km southeast of Edmonton, Alberta. The southernmost edge of this area is approximately 300 km south of Edmonton. Red Deer, a thriving city of approximately 50 000 inhabitants is situated about 50 km west of the region.

This region is home to approximately 21 000 people<sup>4</sup> of which 40 percent are under the age of 15 and 22 percent are over 64 years. Approximately 15 percent of residents in the area receive pension benefits. Approximately 31 percent of the tax-filers receive income from self-employment, compared to 15 percent for the Province of Alberta. The average income from self-employment for East Parklands is \$18,415. Problems of a declining population and an aging population, who rely upon government transfer payments, are concerns facing the area members. Another concern is the loss of young people to urban centres for better work opportunities.

#### **3.2 Procedures for Data Collection**

Two types of business enterprises were selected for this study. The first type was non-agricultural endeavours. Criteria for determining the population of these businesses were established as follows: (1) the business must have 50 employees or less and is based on the definition used by the Canadian Federation of Independent Business (Thompson, 1992); (2) the businesses can be from various economic sectors except retail, hospitality

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<sup>4</sup> This information was provided by Western Economic Diversification, 1991 tax filer data for J-212 East Parkland, Alberta.

and tourism, health care, commerce, petroleum production, transportation or agricultural service. Agricultural service means feed mills, seed cleaning plants, veterinarian services or building supply stores; (3) the businesses must not be multi-national firms, branch-plants or subsidiaries of multi-national corporations. This criterion eliminates those firms that have access to financial and knowledge resources through their research and information departments located in head offices; and (4) the business must produce a product that is traded or has the potential to trade beyond its local area. A total of seventy-five (75) firms were identified that fit the criteria for the non-agricultural businesses.

The second type of business activity was specialized agriculture. This was included because of agriculture's historical significance in the area and because, in today's global economy, farms are entering into new forms of revenue-generating products. Specialized agriculture for this project is defined by those businesses raising llamas, alpacas, meat goats, buffalo, ostrich, emu or having specialized greenhouse operations. A total of thirty-five (37) firms were identified that fit the criteria for the agricultural operations.

Systematic sampling was used to choose the business owners to be interviewed. From the population of business, every third business was chosen for the sample of both the agricultural and non-agricultural businesses. Face-to-face interviews were conducted with owners of 20 non-agricultural and 15 agricultural businesses.

The benefit to small samples is that they allow us to look at relationships within the data that may be lost in the large close-ended study designs. More importantly small sample survey work allows us to "get our hands dirty" by coming face-to-face with those people whom we are studying. In essence, we obtain a glimpse into their work-a-day world, which is never entered by those who choose the large sample surveys. The benefit of the small sample is that it allows a rare opportunity for researchers to get close to their study subject.

### **3.3 Interview Schedule Design**



The interview schedule was designed to collect quantitative and qualitative data. Ranges for gross sales were used because of the small samples and factors of confidentiality. Categories were constructed in \$50,000 increments, with the last category being \$500,000 or more. Gross sales were used as a measure of the ability of a firm to trade a product. A preferred method would have been to have the interviewees indicate the gross sales for the last three years to eliminate any unusual events in a firm's history such as a "one-time" large contract or an unusual slump in business activity. Questions were adapted from the *Skill Shortages and Training Needs in the Edmonton Labour Market Survey* conducted by the Population Research Laboratory at the University of Alberta, to determine gross sales and the trading region of the business.

Questions on personal social networks of the business owners were adapted from a study on personal network delineation (van Sonderen et al, 1990). The questions were designed to elicit names of people who provided advice and help with the business. The questions were open-ended and the respondents were able to provide as many names as they wished. Within these questions the interviewee was asked where that person was geographically located. The geographic area was more difficult to gather information on, because the interviewees would avoid answering the question altogether.

Two questions were developed to determine the type of learning activity that business owners might use that may contribute to the business operation. Open-ended questions provided information about the organizational involvement of the business owners. These questions were open-ended and the interviewees could list as many names as they wished. Religious, governmental and political involvement were the most difficult to obtain. Some interviewees indicated "I don't discuss politics or religion," and refused to answer. Other interviewees seemed embarrassed by the question, but provided an answer.

### **3.4 Data Analysis**

The sample for this study is small; thirty-five usable interviews in total. Since this small sample size does not lend itself readily to multi-variate analysis, the study uses

descriptive and non-parametric statistical analysis to look for relationships within the data.

The data has been analysed from two perspectives. The first perspective contrasts the agricultural and non-agricultural samples. This analysis is descriptive and looks at the characteristics of the firms and the owners.

The second analysis views the sample from a trading/non-agricultural and trading/agricultural viewpoint. A total of twenty-five businesses were classified as trading: seventeen non-agricultural and eight agricultural. The firms were classified as trading or non-trading by their sales area. Firms were classified as trading, if owners indicated a percentage of gross sales were beyond the Alberta market. Firms were classified as non-trading if all of the gross sales were local and within Alberta.

Firm owners provided a percentage of gross sales for the area where the product was sold. The owners were also asked to indicate which range of gross sales best suited their business. The gross sales were estimated by taking the mid-point of each range, except for the firms with over \$500,000 in sales. The gross sales for this range were taken as \$500,000. An estimate of gross sales for each area where the product was sold was made from the estimated percentage of gross sales. These estimated gross sales were then ranked.

The number of broker networks that a business owner used for marketing and technical information was determined by the interviewees' response. Network use was determined from observations of the thought processes used by the owners. Owners would indicate that they used the information source and then determined how important the source was. For example, some would indicate that "We don't use this much, so it's sort of important, we'll give it a three." Another comment was "We use this a lot so let's give it a five." Still another respondent indicated that "I can see the importance, but we don't use it, so give it a one." If owners indicated that the importance was three or above on the Likert scale, then the network was counted as being used. The Likert scales were recoded into three categories: very important, moderately important and not important.

The questions on the use of relationships were analysed on a separate basis. Each question about who the owners consulted when making business decisions concerning

operating, financial and sales were coded as to the first, second, third, fourth, or fifth person contacted. The first person listed was assumed to be the first point of contact. This analysis was consistent with a study performed by (van Sonderen et al, 1990). This analysis was repeated for the question about who the owners shared their business successes with.

Bivariate correlations were performed on the data to determine relationships that existed among selected variables. Tests using chi-squares revealed no significant relationship between the agricultural and non-agricultural samples. The correlations among the networks and the gross sales showed a plethora of negative and weak correlations for the non-agricultural and agricultural samples. These relationships were re-examined as trading relationships. Tests using chi-squares indicated a significant relationship between the trading activity and the product produced for non-agricultural and agricultural firms. Bi-variate correlations changed to show positive and moderate relationships especially within the trading/non-agricultural sample.

#### **4. ATTRIBUTES OF THE BUSINESS AND OWNER**

The businesses are analysed from a perspective of a two-way classification: trading/non-agricultural and trading/agricultural. Trading firms are viewed as contributing to new wealth generation in the economy by exporting goods and services. Of the thirty-five firms interviewed, twenty-five firms were classified into trading: seventeen non-agricultural and eight agricultural. The trading firms that produced value-added goods exported their product beyond the Alberta market.

##### **4.1 Legal Ownership of the Business**

Ownership of the trading firms is indicated in Table 1<sup>5</sup>. More trading/non-agricultural firms were incorporated than trading/agricultural firms. Incorporated trading/non-agricultural firms account for 59 percent of the trading group, with 37 percent of the firms being owned in conjunction with family members and 24 percent being owned

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<sup>5</sup> Tables are to be found at the end of Section 5.

with a non-family member. More trading/agricultural firms were proprietor and partnerships than the trading/non-agricultural firms. Proprietorships accounted for 17 percent of the firms. The trading/agricultural firms showed fewer incorporations with 37 percent. Fifty percent were partnerships with family members and 13 percent proprietorships.

#### **4.2 Years of Operation**

Table 2 summarizes the age of the firms. The mean age of the non-agricultural and agricultural trading firms was 12.1 and 6.1 years respectively. The largest percentage of new firms was the agricultural group with 63 percent. Twenty-eight percent of the non-agricultural firms were in the age category of 0 to 5 years, while sixty-three percent of the agricultural firms were in the same age category. Thirty percent of the firms were between the age of 21 to 26 years in the trading, non-agricultural group, compared with 12 percent for the agricultural businesses.

#### **4.3 Number of Employees**

Many of the businesses that were involved in trading activities were able to provide employment for a number of people. Rural regions in Canada have been places of low income and high unemployment with a dependence upon resource industries such as agricultural, forestry, oil and gas, or fishing. Within these regions, other types of income sources are now being pursued through self-employment and entrepreneurial activities. Small business development is seen as an important component contributing to the growth and stability of rural economies by providing employment and income opportunities for community members (Dykeman, 1992).

The firms sampled in this study provided employment, both full and part-time, for three times as many males as females (Table 3). The firms provided full-time employment for a total of 69 people of whom 73 percent were males and 27 percent were females. The total number of part-time employees for the firms was 68 people of which 75 percent are male and 25 percent were female. All of the firms provided some type of employment for a total of 137 people. The agricultural firms employed considerably fewer individuals than

the trading firms: 11 full-time and 29 part-time positions.

#### **4.4 Gross Sales**

Seventy -five percent of the trading/agricultural firms had sales of less than \$100,000 compared with 51 percent of the trading/non-agricultural firm (Table 4). Thirty-six percent of the non-agricultural firms had gross sales of \$400,000 or more, with twenty percent of those firms having gross sales of \$500,000. The trading/non-agricultural sample had twice as many firms with gross sales exceeding \$500,000 than did the trading/agricultural sample. Agricultural firms had no gross sales between \$200,000 and \$499,999.

#### **4.5 Owner Attributes**

Table 5 describes the characteristics of the owner including gender, age, marital status and education. Eighty percent of the owners of the trading/non-agricultural firms were male and eighteen percent were female, compared to the trading/ agricultural firms with fifty percent male and fifty percent female ownership.

The trading/non-agricultural owners were older than the trading/agricultural owners, with a mean age of 45.2 and 43.7 years respectively. The average age for these owners is slightly less than the average age of an Alberta farm operator for 1991 which is 49.0 years (Alberta, 1993a). Thirty percent of the trading/non-agricultural firms had owners in the age range of 35-44 years, while 62 percent of the trading/agricultural firm owners fell into the same category.

An equal number of trading/non-agricultural and trading/agricultural owners have completed high school: 64 and 62 percent respectively. Eighteen percent of the non-agricultural group had elementary schooling or less. For many of these interviewees, this means an education of grade 8 or less. While other interviewees had some form of secondary or technical schooling. Twenty-four percent of the trading/non-agricultural group had completed a college or technical degree and 17 percent had a university degree. Fifty percent of the trading/agricultural owners had completed a technical or college degree. The trading/non-agricultural group were more comparable to Alberta farm

operators than are the agricultural group in educational attainment. In 1991, 25.6 percent of farm operators had completed some form of post-secondary, non-university training and 10.5 percent had completed university degrees (Alberta, 1993a).

## **5. DISCUSSION OF RESULTS**

Business owners operate their businesses in a complex social environment that includes the intimate relationship of their spouse or significant other, their friends, and people connected with the on-going operation of the business. The discussion of the results includes the strong-ties to the intimate and friendship networks and the weak relationships of broker, professional and institutional networks. This discussion of results focuses upon the firms from a trading/non-agricultural and trading/agricultural perspective.

### **5.1 Intimate Networks**

The intimate network has been defined as the owner's spouse for this study. Eighty-two percent of the trading/non-agricultural and 88 percent of the agricultural owners were married. The spouse was the first person contacted when these owners wanted to share their business successes or when they wished to consult someone about the operating, financial or sales aspects of the business. Propinquity of the owner and the spouse increased the likelihood that these two people would share information and talk about the business operation with each other, since the workplace was home for many of the owners. "The higher degree of emotionality in the conjugal unit is accentuated by the fact that custom forbids the individual to go anywhere else in society for solace" Goode (1982:110).

Closure within networks is the ability of network participants to support or rebuke its members (Reimer, 1995). "Kinship roles often involve individuals in a network of loyalties that discourage them from taking an attitude of economic calculation, and thus dampen economic activity" (Smelser, 1975:82). Twenty-four percent of the trading/non-agricultural and 50 percent of the trading/agricultural owners had a spouse present at the

interview. These spouses were active participants during the interviews. If the female spouse felt that she was not being heard, she attempted to justify her position with words and phrases like “because,” or “You know we do this.” In other instances, when the question was asked about the importance of the spouse in gleaned marketing or technical information, the husband would turn to the wife and ask “How important are you?” Some of the responses were very emphatic with comments such as “I’d better be important,” or “I’m damned important”; other replies were less enthusiastic such as, “Put what you want,” or “It’s up to you.” The above comments of the spouse would indicate that some type of sanction was present in these relationships, but the type and intensity remained hidden.

Some of the women read the interview schedule to the husband and made sure that the husband understood the question. If the spouses were not in the room during the interview, they were close enough to make comments during the interview. These spousal relationships might be very important to the owners because the spouse provided the owner with a sense of appreciation, practical assistance such as bookkeeping services for the firm, literacy skills for the owner, or being an “ear to the ground” when attending conferences or other activities. One interviewee indicated that

My wife made friends with another competitor's wife at a conference - not exactly a competitor because they're from another country. Now we're going there for a holiday and staying with them - a good opportunity for me to see how things are done there.

## **5.2 Friendship Networks**

Friendships are important to a person’s well-being. Friendships provide companionship for social activities or practical assistance. Friendships provide solace, strength and support in times of crisis (Fisher, 1982). Owners shared their successes with their friends. Friends were the first contact with five non-agricultural and two agricultural owners when they wanted to talk about their business achievements.

Fifty-nine percent of the trading/non-agricultural owners felt that friends provided them with some type of information which would help them market their product. Correlations suggest that a relationship exists between the friendship network sales beyond local Alberta markets, namely the US and Mexico (Table 6). One owner believed

that a friend made a significant and practical contribution to his business: “My friend works the trade shows for me, he goes to everything in Alberta, Saskatchewan and Manitoba.” This owner did not have time to promote his product, but the friend provided this service for him. Friendships might work for sales in Western Canada because travel there is relatively easy and not as time-consuming as travel is to other parts of Canada or internationally.

Friendships while being a source of pleasure when sharing the positive aspects about the business, might be a source of pain especially when friendships have declined or when the friendships have failed to provide the support and information that the owners anticipated. One owner noted that “Since my husband took sick, we don’t have the friends come that we used to...they seem scared to come now.” Another owner indicated that his interests have changed since he started the business. He expressed this sentiment “I’m sure that many of our friends feel neglected, but I just don’t have the time and I’m not sure they [friends] understand that.”

Granovetter (1973) suggests that close family and friends are the least likely to share pertinent information. This might indicate that overall friends did not provide as much assistance as the owners believed. Perhaps owners were “looking through rose-coloured glasses” because they feared being isolated within their own personal community.

### **5.3 Broker Networks**

Brokers are not necessarily entrepreneurs; instead they facilitate the economic actions of the entrepreneur (Aldrich and Zimmer, 1986). A number of broker networks were identified for this study and included customers trade shows and journals, conferences, auction sales, newspapers, suppliers and sales people and the internet.

Correlations from the study suggest that the higher the total gross sales the more likely that owners would use technical networks especially for sales to the United States and Mexico (Table 7). The broker networks might be providing sound, usable information for selling their product abroad such as cultural knowledge or advertising strategies or customs regulations. Owners might be benefiting from “the strength of



weak-ties.” These owners might be acquiring an abundance of knowledge and know-how from the numerous broker networks in which they were involved.

Correlations for the trading/agricultural firms showed no significant relationships with the broker networks for selling their product beyond the local area. Part of the reason might be that these were infant businesses; the mean age was 6.1 years. Owners might be applying knowledge from their involvement in the grain and cattle industries. This knowledge might not be appropriate for a new industry that might function in a vastly different way from an industry that they know more intimately. One owner indicated “I’d never take my animals to an auction mart. It’s not like cattle. In our industry culls and poor stock go to auction. You’ve got to be careful.” Owners who raised ostrich and emu had difficulty getting the chicks to feed. As a result there had been high mortality rates for chicks. Being new to the industry, they were relying upon their own wits to solve many of the problems they encountered.

### **5.3.1 Customers**

Eighty-three percent of the trading/non-agricultural firms felt that their customers, through word-of-mouth, brought them most of their other customers. The owners always equated customers with word-of-mouth. “That’s how I get all my work” was one reply. Another reply was “I seldom advertise - too expensive, so I rely on my customers.” Yet data suggest that the more important the owner thought the customer was, the less likely they were to sell their product (Table 6).

Owners may become too dependent upon a few customers and developing strong ties to their customers. This might change or hinder the flow and quality of information received by the business owner. Customers with strong ties to the owner might withhold valuable information, both positive and negative.

Business owners indicated a considerable reliance upon the customer and “word of mouth” marketing. “Our customers are standing order customers now, that’s how we get referrals,” or “In our business the customers come back about every two years, - when [the product] wears out.” Another owner spoke about using distributors to sell his product: “It sure takes the pressure off me trying to sell my [product]. They [referring to

the distributor] have connections.” Owners might not have realized that they were developing strong ties with their customers especially if they have less interaction with their friends and community members. These strong ties might close doors to other opportunities and inhibit the flow of information. In some cases, information such as customer referrals or payment of accounts might not be forthcoming. For example, customers who became friends might use the trust and confidence built up to procrastinate about paying accounts. Owners might not wish to breach the relationship by using either personal or legal means to pressure the customer into paying.

Many of these owners indicated that their customers had become “good friends.” Good friends might be reluctant to indicate that prices are too high or too low, that the product quality is less satisfactory than they would like, or that the product is becoming obsolete in the market place. In other words, friends might not want to be the “bearer of bad tidings.” Friendships might be fragile because the owner’s interest has changed from activities once done together, to a single overriding preoccupation with the business. As well, friends might not wish to be reproached or held accountable by owners for a perceived indiscretion. Friends might not want to jeopardize a relationship.

One owner indicated a problem of strong ties to a single customer this way: “...so by him [the distributor] building up his business he built up mine...but since he [the distributor] retired things have gone down...I see that dealing with one person is not good.” Another owner indicated that he would never use a distributor because “They take all the profit, nothing left for me.”

However, the trading/non-agricultural owners believed that the customer provided them with useful technical information. One owner indicated “My customer tells me what they want and I do it, then I use the ideas for other [products].” Correlations for total gross sales and technical information suggests that reliance upon the customer for “know-how” or new techniques might be a sage strategy.

### **5.3.2 Trade Shows and Conferences**

“Conferences and other types of meetings provide periodic opportunities to

reaffirm or redefine shared values, to establish and re-align relationships, to conduct work and to have fun with others” (Lipnack and Stamps,1986:27). Trading/non-agricultural owners indicate that these events are very important to them. This was the case especially for trade shows, where 65 percent of respondents indicated trade shows were very important. Conferences were less important with 24 percent of the respondents indicating that these events were very important. One owner observed that “You can learn a lot over dinner - we met a group at the conference and went for dinner afterward - the talk at the dinner table was pretty helpful”; and another owner indicated “I learned in one of the sessions my signs were wrong, so I came home and changed them.”

Correlations suggest that conferences and trade shows used for marketing information produce a positive effect upon total gross sales. This suggests that the more important trade shows and conferences are to the owner, the more likely they would affect the sales generating capacity of the firm. However, trade shows and conferences help overall sales, but sales to local or inter-provincial markets may be influenced by other variables. Perhaps sales within the local area and within Alberta are less significant because local customers knew the producer through community knowledge or personal familiarity. This finding is corroborated by some of the comments made by owners who indicated that they rarely made sales at local trade shows or conferences, but that they thought that these events were good for product exposure. Trade shows and conferences located beyond the local area spread the firm or owner’s reputation and product quality farther afield. Owners attending these events might obtain an understanding of where their products fit into a larger market or how these products could be adapted to fit new and different market areas.

Disappointment might arise for owners because there might be an expectation that sales should occur at these events. However, these events might be a socially acceptable venue where competitors could interact or new technologies could be exposed and demonstrated. These events might be a catalyst where new product ideas could emerge.

#### **5.4 Government Networks**

Respondents were asked if governments at the three levels, - federal, provincial and municipal, - provided any information pertaining to marketing and technical information.

Less than 25 percent of the owners contacted government personnel for this purpose. One respondent indicated that he hadn't received any help from government, and then added, "I've never asked."

Interviewees who used the services of government personnel rarely used Alberta government personnel but rather used government personnel from other provinces. This choice was partly because of the specialized nature of the operation and partly because these owners want to remain anonymous. Owners may believe that anonymity may enhance their competitive advantage in the market place by keeping possible competitors from moving into their market and geographic area.

Another owner indicated going beyond Canadian government departments to access information from various government departments in the United States. This owner indicated that "Our own people just don't have what I need." However, the specialized nature of the business may lead owners to believe that government agencies and departments have no relevant technical expertise and know-how that can be applied to their particular business venture.

One owner had obtained a seat on the local town council. He indicated that his specific goal was to promote the town as a place for business activity for, he noted, "No one promotes business here, everyone thinks tourism is big, but I don't see it." This owner believed that being on town council would enable him to make more contacts and "find out what's going on."

## **5.5 Volunteer Networks**

Membership in volunteer organizations is determined by income rather than by length of residence or life-cycle stages (Goudy 1990). Some trading/non-agricultural interviewees indicated that they were "active when the kids were small, but not now." Contrary to Goudy's findings, the stage in the life-cycle that these owners are in may contribute to their non-involvement in organizations, considering the average age of these owners is 45 years.

Yet volunteer activities by business owners might be a way to meet other community members as well as individuals from outside of their local area. Seventy-six

percent of the trading/non-agricultural group indicated that they belonged to an community volunteer organization (Table 8). These volunteer activities included producer groups, trade associations or local community organizations such as community clubs, agricultural societies, hockey and ball clubs.

“Belonging” to a volunteer organization did not mean active participation for these owners. Some of the interviewees indicated that they didn’t have much time for active involvement. Other owners indicated that they joined organizations to obtain the journals and literature. They did not attend meetings. One interviewee indicated that “As far as community stuff, I give money if I’m asked. I get my community information over coffee with my employees.” Perhaps this owner is avoiding the possibility of developing strong ties within the community. If strong ties developed the owner might be obligated to provide his own personal services or contribute more money than the business could afford. The owner opted for non-involvement rather than becoming obligated. This finding is consistent with Rosenfeld (1992) who notes that small business owners rarely belong to Chambers of Commerce, trade or business associations.

Data suggest that the more organizations the owner was involved in the more the total gross sales of business were likely to be. The chance meeting of people at social events might lead to unexpected relationships enhancing business opportunities rather than a pragmatic approach designed to increase one’s circle of friends.

One owner was very involved in a volunteer organization. This person indicated that this organization was attempting to have the industry become more regulated. He commented “I was asked to join the board and it’s really helpful - you learn a lot and meet different people.” Another owner indicated that at the association meetings, he learned what was happening in the industry. He indicated that “ The executive works closely with some government people, they report back to us - but I never talk to government people.” Another owner was asked to join a government board that sets standards for the industry. This individual noted “I really enjoy being involved, but it takes time.”

Yet, owners might not have the human resources, with all of the day-to-day business concerns, to be active participants in business and community activities, since the owners were self-employed and had very few employees. These owners might put the

affairs of the business ahead of any sort of social involvement. The business becomes a “greedy institution” consuming the owners’ whole being. As one spouse indicated “My husband thinks about this [the business] constantly. He takes the cell [phone] everywhere and phones back all the time. Even on holiday.”

## **5.6 Professional Networks**

Business owners reach out at some time to acquire specialized information through professionals such as lawyers, accountants or insurance people (Young and Francis, 1993). These professionals interpret the policies and directives of various levels of government. The only exposure to government for many owners was through the professions: accountants, lawyers and bankers. Accountants interpret both provincial and federal tax laws that include individual, corporate and employee taxes; lawyers interpret corporate, contract, or trademark and patent law; bankers interpret laws that affect investments and bank loans, both corporate and personal.

Professional networks might lack specialized knowledge about the businesses they serve. One owner claimed that “I got so damned mad trying to explain to them [a bank loan officer] what I did, I finally walked down the street.” This owner not only changed banking institutions, but he took his business to a larger town outside of the East Parklands area. These professions might have strong ties to government, and become intermediaries between government and business owners: the government being the rule maker, the professions being the rule interpreters.

For the trading/non-agricultural sample, professional networks showed no significant relationships to increased trading activity. Perhaps these owners used the professions as little as possible because the professions have a reputation of charging high fees. The professions, - accountants, lawyers, bankers and insurers - were described by the owners as acquaintances. Although, some owners indicated that “Our accountant is now our friend, he wasn’t when we first went to him.”

## **6. CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Summary**

East Parklands in Alberta is diverse in value-added economic activity. Businesses contribute to the local community by their very existence in the region. They locate their firms in the area because it is home and they want to live there. Distance, from Alberta's two major metropolitan centres Edmonton and Calgary, appears to be of little concern to the owners.

This project has three objectives. The first objective is to develop a profile of owners and businesses which produce a product or have the potential to produce a product to trade beyond their local markets. Attributes of the owner and the firm are analysed from two perspectives: non-agriculture and agriculture; and trading/non-agriculture and trading/agriculture. Data indicate that trading/non-agricultural firms are twice the age of the trading/agricultural firms. The trading/agricultural firms are in the infancy stage of development where as the trading/non-agricultural firms are mature. More trading/non-agricultural firms were incorporated than the trading/agricultural firms. The sample of trading/non-agricultural and trading/-agricultural firms, combined, provide full and part-time employment for a total of 137 people.

The second objective is to determine the importance that owners place on networks to access information about markets and technical knowledge. The evidence indicates that owners place a significant amount of importance on customers, conferences, trade shows and friends for information. Conferences and trade shows contribute significantly to total gross sales for the trading/non-agricultural businesses. Volunteer activities also have a significant and positive effect upon gross sales for the trading/non-agricultural firms. Noticeable in this data is the minor role that professional and governmental networks play in the marketing and technical networking strategies of rural business owners.

The third objective develops an understanding of the types of personal relationships business owners use to carry on the business operation. These relationships are complex. On the one hand, the intimate network is equivocal in that this relationship constrains the business activity and, on the other hand it augments the owner's resources and contributes to the operation of the firm. Friendship networks can enhance the

business activity by providing needed social release from the daily grind of the business operation. Yet the evidence is that owners are reluctant to share information about their business activities among these same friends.

Broker and volunteer networks provide an abundance of knowledge and know-how for these owners. These networks provide information through observation and informal learning situations. Volunteer networks have a business focus and link with the broker networks to provide venues for owners to come together through various activities such as journals, magazines, trade shows or conferences. Owners indicate that they belong to volunteer associations to obtain journals and magazines published by that organization.

Professional and governmental relationships are used by owners out of necessity. Professional networks provide very specific types of knowledge by interpreting the complex rules of conduct ascribed by regulatory and financial institutions, and the judicial system. Data indicates that the professions do little to provide trading opportunities for these businesses. Indeed, the rural professional service firms are usually organized as non-trading businesses with little exposure to markets and business protocols beyond their home market.

## **6.2 Conclusion**

Rural business owners are far from being solitary and individualistic. These owners depend upon many people from their spouse to acquaintances to operate their business. These networks of personal relationships augment the business by marshalling resources and knowledge necessary for the business operation. These owners realize that to build a thriving business, they require the cooperation and collaboration of many people both inside and outside of their own industry.

Value-adding businesses are a way to stem population decline in rural places, since agriculture is declining in importance as a major user of human resources. Value-adding rural firms provide income generating opportunities for community members. If these businesses were located outside of the East Parklands area, rural residents would look



beyond the local area for employment opportunities. Some of the non-agricultural business owners who previously confined their business activities to agriculture have subsequently diversified into non-agricultural enterprises on the farm. These non-agricultural firms provide jobs that are stable and this may encourage new businesses to locate within the same area.

Noticeably absent from the networks is the reliance upon children for social support. Business owners, whether or not they are involved with non-agricultural or agricultural activities, do not encourage and rarely consult their children about the operating, marketing or financial aspects of the business. Without the active encouragement and apprenticeship of family members into the business, continuation of the firms through more than one generation is questionable. Owners, by encouraging their children to pursue other career opportunities outside the area are inadvertently contributing to the declining population in rural places.

Trading/non-agricultural owners are moving away from the strong ties of family and friends and into weak tie relationships associated with broker networks. These networks provide knowledge which has potential to lead to markets and contribute to a greater array of business options. These business owners are competitive in obtaining their market share locally and provincially, yet they draw back from accessing international markets. Field observations indicate that these firms need to upgrade their existing technology not only to stay competitive locally and provincially, but also to enable expansion into the international marketplace.

Trading/agriculture owners maintain strong tie relationships to develop and sell their product. They maintain an egalitarian attitude of “we are all in this together.” They often rely upon local networks to sell their product and to look after their animals and birds. A cooperative rather than a competitive spirit exists among these owners because they attempt to sell their product to each other and to share pertinent market information among themselves.

Rural business owners acquire knowledge and know-how from observation and hands-on learning. Conventional educational opportunities are unable to provide the

necessary learning experiences that these owners require to operate and maintain their businesses. Trade shows serve as venues for learning opportunities since these activities provide an opportunity for owners to observe and to talk with others who share similar interests.

Strong ties to a spouse, to friends or to close business associates appears to impede business activity primarily because of social sanction. Nevertheless, the strong ties to the spouse are absolutely crucial for many owners, especially when the spouse provides literacy or bookkeeping skills for the business owner. Lack of literacy skills constrain many owners from developing business plans, pursuing marketing opportunities, acquiring new technological skills or having the confidence to articulate their needs to outside agencies or professionals.

Owners, by virtue of their business ventures, are non-conformists. They have chosen not to “go-along” with the norms and values of their community which is dominated by traditional agricultural activities: cereal and livestock production. Therefore, they are unable to talk about their business because they are not behaving like the majority of the community members. Thus maintaining personal relationships with community members is difficult.

The networks that owners use are complex involving more than characteristics of participants or the networks themselves. This network approach to studying small businesses in a rural setting suggests that the economic life of rural business is embedded in the social networks of the owners. They obtain their information and knowledge through the social relationships that they foster.

Choosing networks is a means of developing relationships that complement each other, thereby creating opportunities conducive to trading a product beyond the local market area. Choosing to network does not mean choosing between networks, but rather developing conditions where separate networks can complement, inform, and shape an attitude conducive to business activity.

### **6.3 Recommendations**

Factors arising from this research have implications for development policy in rural areas. Non-agricultural and agricultural firms are very different in their business activity and therefore must be treated as distinct policy domains. Rural firms, although operating in the same geographic region access diverse networks which provide differentiated types of knowledge and expertise. Kendall's correlations indicate that broker networks used for marketing and technical information have a more significant impact upon the trading/non-agricultural firms ability to trade a product beyond the local region than do these same networks for trading/agricultural firms.

Policies supporting formal classroom training should be redirected toward policies supporting activities that include observation and hands-on learning. Trade shows and conferences are venues for this learning, especially if these events are national and international in scope. These networks would enable rural business owners to enter into networks providing social, cultural and technical information and knowledge.

On-farm non/agricultural operations are making a contribution to the rural economy by creating off-farm income for local residents. These businesses should be supported through economic development initiatives that would enable rural non/agricultural firms to secure appropriate and adequate financing, promote education and retraining opportunities for workers as well as providing market and product development.

Finally, just as owners use varied social networks, rural business policies need to encourage similar businesses to take advantage of or to create continuing educational and training opportunities for employees as well as for the self-employed owners. Rural business owners also need to take better advantage of and foster networks with colleges, universities and provincial and federal research facilities to stimulate research and development activities that are expensive as a independent venture.

#### **6.4 Future Research**

This research examined the networks and strong and weak tie relationships that rural owners of non-agricultural and agricultural firms find themselves a part of. This project is timely in that groups of businesses are beginning to cooperate when it is to their

competitive advantage in the marketplace to do so.

An area of fruitful study would be to determine the technical information gathering networks that non-agricultural and agricultural business owners access using a time-analysis frame-work. As well, research on these firms across geographic areas would address the interregional differences leading to a fuller understanding of the opportunities and constraints that geographic regions impose upon the networking strategies of rural business owners.

Trade shows and conferences are venues offering networking opportunities for the business owners. Research would uncover the extent to which these activities provide hands-on learning and educational experiences for rural business owners which would lead to new product development and innovation.

A finding that warrants additional research is the minor role that adult children play in the business operation. The non-involvement of children has implications for sustainable business operation and rural development. Succession is doubtful without the apprenticeship of children or other family members.

## **6.5 Concluding Statement**

The overall objective of this project was to study the social networks used by non-agricultural and agricultural business owners operating in the area defined by the East Parkland Community and Business Development Corporation. The research indicates that the business owners are far from being super-independent, but rather are dependent upon numerous and varied networks of acquaintances to augment their business activities.

Results from this project - the movement of non-agricultural owners into weak tie relationships with broker networks, the constraints imposed by the professions upon the firms' ability to trade beyond the local area, and the importance of trade shows and conferences for creating a competitive business culture- are areas that can be addressed not only by policy makers but also by the rural business owners.

The networks that business owners access contribute to the sustainability of not only the business but also the rural community. These networks are the bridges between the business owner and the global economy. Business owners who dare to seize new

opportunities by locating and using networks which are located in an ever changing global market place will contribute to the social and economic viability and sustainability not only of their business but also their community.

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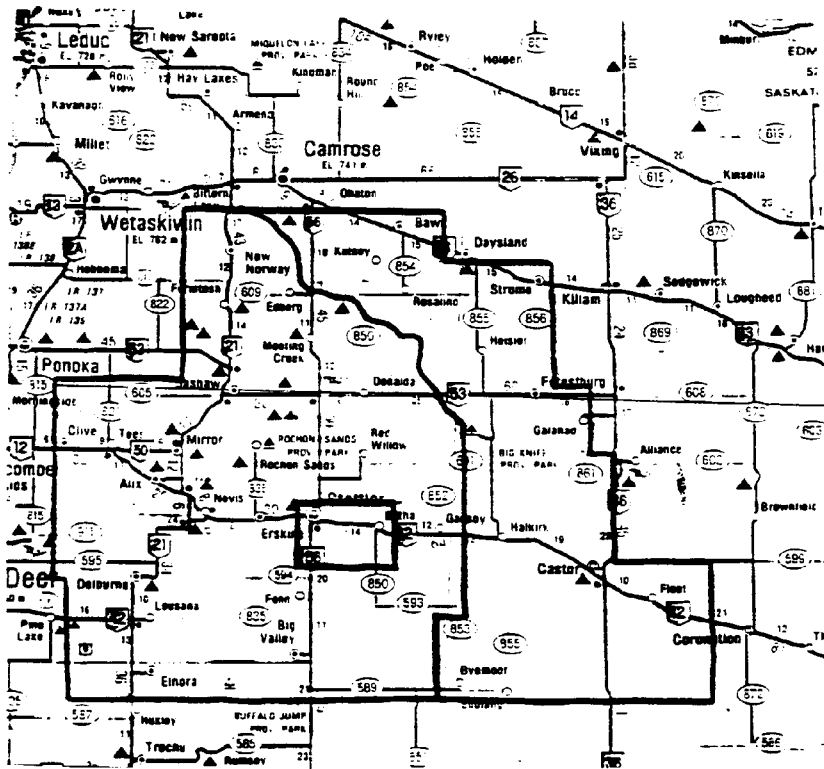
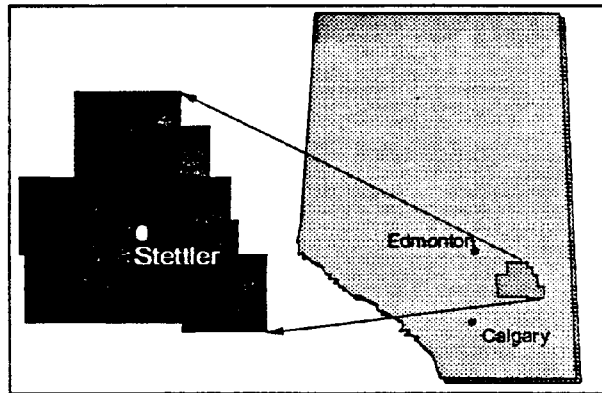
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Figure 1: Map of East Parklands Area



The map is courtesy of East Parklands Business and Community Development Corporation. This map shows the area of East Parklands as at December 31, 1994.

**Table 1: COMPARISON OF TRADING/NON-AGRICULTURE AND TRADING AGRICULTURAL FIRMS BY LEGAL OWNERSHIP**

<b>Legal Ownership of Businesses</b>	<b>Trading Non-Agricultural % of Respondents</b>	<b>Trading Agricultural % of Respondents</b>
Proprietorship	17	13
Partnership with family	24	50
Incorporated with family	35	37
Incorporated with non-family	24	0
<b>Total</b>	<b>100</b>	<b>100</b>

Trading/non-agricultural N=17; trading/agricultural N=8

**Table 2: COMPARISON OF TRADING/NON-AGRICULTURAL AND TRADING/AGRICULTURAL FIRMS BY YEARS OF OPERATION**

<b>Years of Operation</b>	<b>Trading Non-Agricultural % of Respondents N=17</b>	<b>Trading Agricultural % of Respondents N=8</b>
0 to 5 years	28	63
06 to 10 years	24	25
11 to 15 years	18	0
16 to 20 years	0	0
21 to 26 years	30	12
<b>Total</b>	<b>100</b>	<b>100</b>

**Table 3: COMPARISON OF TRADING/NON-AGRICULTURAL AND TRADING/AGRICULTURAL FIRMS BY TOTAL NUMBER OF FULL-TIME AND PART-TIME EMPLOYEES**

	<b>Full-Time Male</b>	<b>Full-Time Female</b>	<b>Total</b>	<b>Part-Time Male</b>	<b>Part-Time Female</b>	<b>Total</b>
Trading: Non-Agricultural	45	13	58	35	4	39
Trading: Agricultural	6	5	11	16	13	29
Total number of employees	51	18	69	51	17	68

Trading/non-agricultural N=17; trading/agricultural N=8

**Table 4: COMPARISON OF TRADING/NON-AGRICULTURAL AND TRADING/AGRICULTURAL FIRMS BY GROSS SALES FOR 1994**

<b>Gross Sales</b>	<b>Trading Non-Agricultural % of Respondents</b>	<b>Trading Agricultural % of Respondents</b>
\$0- \$ 99,999	24	75
\$100,000 - \$199,999	17	13
\$200,000 - \$299,999	23	0
\$300,000 - \$399,999	0	0
\$400,000 - \$499,999	12	0
\$500,000 or more	24	12
<b>Total</b>	<b>100</b>	<b>100</b>

Trading/non-agricultural N=17; trading/agricultural N=8

**Table 5: COMPARISON OF TRADING NON/AGRICULTURAL AND TRADING/AGRICULTURAL FIRMS BY OWNER’S ATTRIBUTES: GENDER, AGE, MARITAL STATUS AND EDUCATIONAL ATTAINMENT**

<b>Owner Characteristics</b>	<b>Trading Non-Agricultural % of Respondents N=17</b>	<b>Trading Agricultural % of Respondents N=8</b>
<b>Gender</b>		
Male	82	50
Female	18	50
<b>Age</b>		
25 to 34 years	12	0
35 to 44 years	30	62
45 to 54 years	47	38
55 to 64 years	11	0
<b>Marital Status</b>		
Never Married	12	0
Married/Common law	82	88
Divorced/Separated	6	12
Widowed	0	0
<b>Education - Secondary</b>		
Elementary or less	18	0
Some High School	18	38
High School Graduate	64	62
<b>Education - Post-Secondary</b>		
Some College, Technical Or University	24	25
Technical or College Degree	24	50
University Degree	17	0
No Post Secondary	35	25

**Table 6: KENDALL CORRELATION CO-EFFICIENTS MEASURING THE RANKED ASSOCIATION BETWEEN GROSS SALES AND FRIENDS, CUSTOMERS, CONFERENCES, AND TRADE SHOWS FOR MARKETING**

<b>Gross Sales</b>	<b>Friends</b>	<b>Customers</b>	<b>Conferences</b>	<b>Trade Shows</b>
<b>Trading: Non-agricultural</b>				
Gross sales - Total	-.03	.23	.58**	.44**
- Alberta	.36	-.06	-.06	.06
- Canada	.32	.06	.14	-.08
- US and Mexico	.43	.21	-.11	.34
- Other	-.20	.21	-.19	.15
<b>Trading: Agricultural</b>				
Gross sales - Total	-.40	.21	-.36	-.73*
- Alberta	.05	.07	-.34	-.12
- Canada	-.14	-	-.08	-.51
- US and Mexico	-.40	.20	-	.21
- Other	.27	.14	.41	.14

Trading/non-agricultural N=17, trading/agricultural N=8, Significant at P<.05\*, P<.01\*\*

**Table 7: KENDALL CORRELATION CO-EFFICIENTS MEASURING THE RANKED ASSOCIATION BETWEEN GROSS SALES AND BROKER, PROFESSIONAL, AND VOLUNTEER NETWORKS FOR TECHNICAL INFORMATION**

<b>Gross Sales</b>	<b>Broker Technical</b>	<b>Networks Marketing</b>	<b>Professional Networks</b>	<b>Volunteer Networks</b>
<b>Trading: Non-agricultural</b>				
Gross sales - Total	.42*	.24	.17	.41*
- Alberta	.03	-.12	-.16	-.03
- Canada	-.08	.07	-.01	.18
- US and Mexico	.42*	.53*	.23	.23
- Other	.35	.32	.14	.15
<b>Trading: Agricultural</b>				
Gross sales - Total	-.28	-.33	.50	-
- Alberta	-.23	-.30	.39	.12
- Canada	-.07	-.07	.49	.12
- US and Mexico	-.28	-.33	.50	-
- Other	.53	.45	-.26	.54

Trading/Non-agricultural, N=17; Trading/agricultural, N=8; Significant at P<.05\*, P<.01\*\*

**Table 8: COMPARISON OF TRADING/NON-AGRICULTURAL AND TRADING/AGRICULTURAL FIRMS BY PERCENTAGE OF OWNERS BELONGING TO AN ORGANIZATION AND TYPE OF VOLUNTEER NETWORK**

<b>Volunteer Networks</b>	<b>Trading: Non-Agricultural</b>	<b>Trading: Agricultural</b>
Belong to an Organization	76	88
<b>Volunteer Networks</b>		
Business/Professional	35	75
Community	59	50
Government/Political	18	-
Religious	53	25

Trading/Non-Agricultural N=17; Trading/Agricultural N=8