

## **Entrepreneurial networks in localized embedding practices: A case study from the Norwegian micro wool industry**

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## Introduction

All entrepreneurial practice (EP) is embedded in contexts that can facilitate or constrain its creation of opportunities (McKeever et al., 2015; Müller and Korsgaard, 2018; Welter, 2011; Zahra et al., 2014). Explaining entrepreneurial practice as an embedding activity is particularly intriguing because many creative micro entrepreneurs are often situated in rural areas or draw on rural resources, localized knowledge and networks (Korsgaard et al., 2015; Rajendra et al. 2018; Bakas et al., 2019). Interestingly, local networks and locally anchored knowledge and raw materials can serve as resources and provide opportunities for entrepreneurs aiming beyond their local markets (Korsgaard et al., 2015). Yet we do not know much about the dynamics of the embedding process and how it unfolds in practice. We therefore set out to study the embedding practices of a localized process in a small-scale industry by using a practice perspective (Claire et al., 2020; Chalmers and Shaw, 2017).

The entrepreneur as practising actor is socially embedded, co-creating a business opportunity through diverse networks (Bakas et al., 2019; Rigg et al., 2021; Shaw et al., 2017; Keating et al., 2014; Sharafizad & Coetzer 2016). However, ‘the extent to which networks provide a mechanism for embedding’ (Jack and Anderson, 2002, p. 484) needs further explanation. This is particularly important given the widely held notion that networks spur and sustain entrepreneurial value creation for smaller enterprises (Witt, 2004; McAdam et al., 2014; Munkejord, 2017; Fuglsang and Eide, 2012), particularly those depending on rural resources or located in rural areas (Freire-Gibb and Nielsen, 2014; Müller and Korsgaard, 2018). Inspired by Baraldi et al.’s. (2019) processual network development, we explore the embedding process as it unfolds by asking *how* creative entrepreneurs work through local networks to anchor their entrepreneurial opportunities and how this influence subsequent embeddedness in the larger industry context.

To enhance our understanding of the embedding process, we use the concept of *local embeddedness* (LE), which is proven to be central to identifying entrepreneur–environment relationships, that is, the nature, depth and extent of an individual’s ties with a local environment (Jack and Anderson, 2002, 484), both physically (Boschma, 2005) and emotionally (Kibler et al., 2015). The majority of micro entrepreneurs in this sector face numerous constraints related to resources, skill development and infrastructure (Freire-Gibb and Nielsen, 2014) that impede their development. On the other hand, LE might stimulate entrepreneurial activity despite such resource constraints, since entrepreneurs use local resources and networks readily available in rural areas (Korsgaard et al., 2015). Our empirical context is locally oriented micro entrepreneurs in the Norwegian wool industry. We explore in-depth networking mechanisms involved in localized embedding processes, a hitherto under-investigated area in entrepreneurship research. Focus is on the entrepreneurs’ network practices as they challenge established industry and work relationally as pioneers to make the industry more locally oriented and sustainable.

The paper is structured as follows. First, we develop a conceptual backdrop based on a review of entrepreneurial practice, creative industries and LE to situate our research. We then outline our methodology and findings before discussing them in light of our theoretical framework. Finally, we conclude by outlining contributions to and implications for theory and practice.

## **Literature**

### ***Entrepreneurial practice in networks in creative industries***

A practice perspective conceives entrepreneurial processes and networking as fundamentally situated in everyday practice, and enables us to focus on what the micro entrepreneurs

actually do and how they engage in networks (Rigg et al., 2021; Chalmers and Shaw, 2017). We turn our attention to the specific relational practices inherent in networks in the focal industry rather than individuals and groups (Claire et al., 2020). From this perspective, EP may constitute routinized, less obvious, and surprising dimensions, and is relational in its nature.

The creative sector represents an intriguing research context to explore relational practice because creative entrepreneurs are particularly dependent on their networks (Shaw et al., 2017). There is a particular value in social forms of EP, as entrepreneurs in a small and creative business often lack the experience and knowledge to thrive in business development alone, and benefit from forming relationships and networks with relevant actors in their entrepreneurial milieu (Bakas et al., 2019; Hill, 2020; Kuhn and Galloway, 2015).

Typically, creative entrepreneurs follow a means-driven co-creation process (Sarasvathy, 2001), employing existing means and networks to creatively build new markets (Lehman et al., 2014). These collaborative networks seem to stand in contrast to other practices in more dominant and competitive industries (Shaw et al. 2017).

Micro firms in the creative industries also tend to suffer from resource constraints and are therefore reliant on accessing a broader pool of knowledge to enhance their entrepreneurial agency. Informal networks (Kingsley and Malecki, 2004; Lee, 2015; Raffo et al., 2000a), immersion in the creative industry sector (Rae, 2004; Daskalaki, 2010) and mentoring and learning among peers (Raffo et al., 2000b; Kuhn and Galloway, 2015) are important enablers in accessing operant resources, knowledge and skills among creative entrepreneurs. Furthermore, creative and innovation-related knowledge is typically tacit and is best transferred through direct interaction (Bathelt and Glückler, 2011). Networks are therefore particularly relevant for small micro businesses in the creative sector, also as a low-cost opportunity.

### *Networks as mechanisms of local embedding*

For a long time, the prevailing view of entrepreneurship was as a purely economic and profit-maximizing activity (Davidsson et al., 2006). This emphasis on competitive logic has increasingly detached not only regional products but also the value of places, local practices and know-how, and made them interchangeable and less relevant (Horlings and Marsden, 2014). Granovetter (1985) criticized researchers for such an ‘under socialized conception’ (p. 483) of economic activities which pays too little attention to the context in which economic activities occur and to the social interactions that enable exchanges between actors. The relationship between the entrepreneur and the context is explained through the concept of embeddedness (Granovetter, 1985; Jack and Anderson, 2002). *Embeddedness* is a concept that conceives the social structure based on how the operating institutional and social context influence perceived entrepreneurial opportunities in particular situations (Kloosterman, 2010; McKeever et al., 2015; Welter, 2011; Welter and Smallbone, 2011). Thus, the entrepreneurs’ embeddedness may enable or constrain entrepreneurial action and opportunities.

LE allows entrepreneurs access to place-specific local structures that anchor them in the local context and give them access to specialized knowledge not found elsewhere (Jack and Anderson, 2002), such as artisan or handicraft knowledge. Several studies illustrate the benefits and outcomes of LE, which encompass access to local resources, tacit knowledge and community support. Anderson’s (2000) research illustrates how rural entrepreneurs commodify such specific intangible and often redundant peripheral resources. Likewise, Rae (2017) showed how peripherality offers new insights, innovations and opportunities for shared value between actors. Müller and Korsgaard (2018) exemplify rural entrepreneurs as bridging agents between local and non-local markets and industry contexts. Researchers have demonstrated the importance of specific resources in generating regional value through local

networks and local knowledge (Alsos et al. 2003; Evans & Bosua 2017). Consequently, LE emphasizes the importance of the social in shaping entrepreneurial practices. However, we neither know much about how the localized embedding process unfolds through the day-to-day activities of the entrepreneur nor have much insight into the practices of *how* networks are mobilized to gain access to important local knowledge resources. Thus, we aim to investigate the role of networks in entrepreneurial practice from a case study design.

### **Research design and methodology**

An embedded case study design was chosen as the appropriate research strategy due to its applicability for investigating a contemporary phenomenon in its real-life context emerging over time (Simons, 2009; Yin, 2014). We argue that such an approach will benefit and further advance conceptualizations of embedding practices because it is grounded in understanding what entrepreneurs actually do in their daily practice (Chalmers and Shaw, 2017). Further, it enables closeness to the phenomenon, which suits our aim to conduct meaningful investigations of the lived experiences of entrepreneurs in support of theory development grounded in actual practice (Eisenhardt, 1989; Flyvbjerg, 2006). Within this research design, thus, we employed an abductive approach, using a mix of deduction and induction with prior understanding and theory development within the field (Tavory and Timmermans, 2014; Thagaard, 2013). Based on our focus on the phenomenon of network-based localized embedding practices, a qualitative case method (Yin, 2014) of interviews and observations was undertaken in the context of the Norwegian wool industry. This industry was chosen because of its many small actors and due to its transition towards more local production practices (Klepp et al., 2016; Klepp and Laitala, 2018). In this movement, the smallest

businesses take a leading role, inadvertently challenging established industry practices (Schindehutte et al., 2008). This context is further described below.

### ***The research context***

The wool industry in Norway represents various small and medium-sized enterprises offering wool products, including yarn, textiles and apparel items. The industry consists of a few large actors (up to 100 employees) and many entrepreneurial micro businesses. Over the past five to 10 years, a transition towards more local production practices has been developing in the Norwegian wool industry (Klepp et al., 2016; Klepp and Laitala, 2018). We focus on this select group of locally oriented niche market players with a special interest in local production as a sustainable practice for their products and business models (Hall et al., 2010).

These creative entrepreneurs present a suitable context for studying network-based and localized embedding practices for two main reasons. First, they share a passion for local wool fibre, craftsmanship and production, yet geographically they are quite dispersed around Norway, and some also have placements in the cities, despite local attachment. They have an interest in the local wool fibre both because it represents traditional ‘slow’ craftsmanship due to its physical features and because of the role animal husbandry has had in Norwegian culture and landscape. Second, entrepreneurs share an emotional place attachment to the local and rural, irrespective of where they are located. In fact, this shared passion for local fibre and craftsmanship was what led many of them to get to know each other and try to work together despite the geographical distance separating them. This shared passion represents an emotional place attachment (Kibler et al., 2015), a place embeddedness rooted in caring about a place. Interestingly, the ‘place’ in this case represents not a specific small area but rather anywhere in Norway where sheep husbandry or wool craftsmanship takes place. This change

of scale in ‘localness’ is perhaps not surprising in the context of the wool industry, which is otherwise highly globalized.

### *Selection criteria and data sources*

The cases were selected using an expert sampling strategy (Neergaard, 2007). For example, we conducted two expert interviews with a lead researcher and author of several books about the Norwegian wool industry. This expert offered a comprehensive overview of all relevant actors in the industry. Since our primary focus was on the smallest actors – micro businesses with 10 or fewer employees, including the founder-manager – it was relatively straightforward to obtain an overview of potential candidates for interviews. The candidates represent different businesses along the Norwegian wool value chain, such as spinning, fabric production and design studios, as well as independent creative entrepreneurs relying on local wool for their production. Five of the micro businesses are entrepreneurs located in rural areas in different parts of Norway. They also exhibit a more anchored place embeddedness in addition to an emotional place attachment. The rest of the sample (four) is represented by micro businesses with a non-rural residence, yet with local emotional attachment to localized knowledge and practices, and reliance on local sourcing and value chain cooperation.

To attain deep insight into a new theme by posing a research question of “how”, qualitative in-depth interviews were conducted along with observations (Easterby-Smith, Thorpe, Jackson, & Jaspersen, 2018). Such a combination of data sources was chosen to facilitate a more comprehensive understanding of this particular micro industry rather than relying on a single source of data. We followed the entrepreneurs over a period of three years (2015–2018) to gain a deep immersion and an insider view of this industry (Rae, 2004). This provided us with highly relevant and well-founded information about the industry and the



entrepreneurs over a long time. This helped us understand the context and practices going on in the networks, which again aimed to increase the validity of our investigation.

Our primary data source was (i) semi-structured and retrospective interviews (with individuals and focus groups) involving 11 micro entrepreneurs/co-entrepreneurs and (ii) audio recordings from a café dialogue (facilitated process for leading collaborative dialogue) (Brown and Isaacs, 2005) from a one-day business development workshop we arranged for the entrepreneurs in October 2017. Initial individual interviews were first carried out with four of the entrepreneurs, and a larger sample of entrepreneurs was invited to participate in the business development workshop. Three of the entrepreneurs that were initially interviewed were unable to participate in the workshop, which resulted in a total sample of eight entrepreneurs representing seven businesses participating in the focus group discussions and café dialogue. The second data source was direct observations by taking part in eight industry-relevant network events as participant observers of the annual Wool Day, the Oslo Knitting Festival and the Oslo Design Fair. For details of the informants and data sources, see Table 1.

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Semi-structured interviews were conducted with the entrepreneurs because we wanted flexibility to move back and forth between themes and questions as the informant reflects on learning and relationships. The focus group interviews were particularly effective for capturing relational dimensions because they stimulated meta-reflection caused by group dynamics (Morgan, 2002). During the interviewing, we focused on the entrepreneurs' experiences with and from their local networks on opportunity development, drawing

attention to the local knowledge and practices inherent in these experiences, how they build and use their networks to anchor locally, and challenges encountered in those activities. To enhance research quality, all interviews were audio recorded, digitally stored and fully transcribed. In this process, the Norwegian transcripts were used for the data analysis. Illustrative quotes used in the article were translated into English. Apart from the names of locally specific sheep breeds, there were few challenges in the translation process.

### *Analysis*

The analyses focused on how the entrepreneurs mobilize local networks to anchor and develop their opportunities locally, seen in retrospect, and on seminal events in their practice trajectories. The locally oriented micro businesses represented the units of analysis. This research strategy provided a unique opportunity to compare findings across the embedded units and to theorize about interesting dimensions across the micro business cases.

Our interviews were inspired by the critical incident technique, which originates from Flanagan (1954), since we were probing for seminal events from local networking in which the entrepreneurs could recall activities and incidents of significance for their business development. First, the researchers read the transcripts and coded them. We used and combined the thematic analysis, as described by Braun and Clarke (2006) and Gioia et al. (2013). The coding process involved a step-by-step method to enhance the transparency and transferability of our analytical procedure. An initial set of broad codes drawn from the theoretical framework was developed as a backdrop for subsequent coding and included the following themes: use of local knowledge and networks in daily practice, use of local knowledge and networks in opportunity recognition, relational embedded practices, anchoring practices, and influential and unexpected events from localized networking practices. Our coding procedure differed

somewhat from entirely grounded procedures, since we allowed theoretical pre-understanding to influence coding in parallel with the inductive development of themes derived from the data set (Lapadat, 2009).

In the first round, data were coded in accordance with the broad categories in the initial list. We marked, discussed and compared data across the research team to address reliability and content validity. Thereafter, individual and independent open and inductive coding was performed to develop the first-order codes. We looked for similarities and differences to differentiate between the emerging categories and searched for deeper meaning and relational structures within the data material as the themes emerged (Gioia et al., 2013).

In the next stage, we moved iteratively between second-order themes and third-order themes, continually comparing, contrasting and discussing the findings until consensus was reached on the third-order theoretical dimensions. We then returned to consult the entire data set, including attending to our observations for contextualizing our findings to see whether our final patterns reflected the main structure| and depth of the data material to provide answers to the research question. The four main aggregate themes of localized embedding learning practices that emerged from our analysis were represented by the following dimensions: *accessing localized knowledge across spatial contexts*, *localized co-creation in recognizing opportunities*, *localized opportunity legitimization* and *moving the knowledge front of embedded localized practice through bridging*. In Figure 1, we offer a visual representation of the entire analytical process in the form of a final data structure consistent with Corley and Gioia (2004). The figure shows the four aggregate dimensions and the underlying second-order themes and first-order categories from which we interpreted findings and their interrelationships. Closeness to the research phenomenon ensured that the analytical conceptualizations from our data were validated against our observations, rendering it

possible to identify contextual, theoretically meaningful patterns (Eisenhardt, 1989; Flyvbjerg, 2006).

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In the following presentation of our empirical material, due to the small number of available micro entrepreneurs, we anonymized the sample by giving the participants pseudonyms.

## **Findings**

Mirroring our empirical analysis structure and using the four theoretical themes, in this section we elaborate on how local embedding operates in the networks of creative micro entrepreneurs. We argue that the localized embedding process operates within two spheres; it operates in the local, small-scale industry context (i.e among the locally oriented micro businesses), but bridges into the dominant large-scale industry context (.i.e the larger actors within wool manufacture and production). We provide an in-depth understanding of how micro entrepreneurs mobilize networks within each of these spheres. We present our findings by proposing a processual, four step framework of localized embedding practices in Figure 2. The framework captures the temporal aspects of embedding describing how the micro entrepreneurs in their small-scale sphere are driven by an LE that encourages them to reach out across spatial contexts to access localized knowledge and 1) establish a customized localized practice community of like-minded peers (*accessing localized knowledge across spatial contexts*). This serves as an open and trust-based knowledge-building process which enables 2) mobilization of value-based and means-driven co-creation within local networks (*localized co-creation in recognizing opportunities*). Through localized co-creation, the

entrepreneurs can further 3) consolidate to legitimize their opportunities through various levels of embedding in local networks (*localized opportunity legitimization*), ranging from using local networks for viability sound-boarding and testing to securing commitment from locals to join in a mutual ‘investment’ in the business. Being embedded in a localized network ultimately provides the stability and agency for a community-based movement of locally anchored knowledge and tacit practices into the dominant, large-scale industry context through bridging, moving the industry standards in their favour and ultimately 4) stabilising the small-scale industry and localizing the larger industry (*moving the knowledge front of embedded localized practice through bridging*). In elaborating on the four dimensions of the framework, we provide an in-depth understanding of the specific underlying mechanisms behind each of them. The arrows represent procedural connections rather than strict causal relationships. In the following sections, we discuss the four dimensions of the framework.

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### ***Accessing localized knowledge across spatial contexts***

Through our analysis, we found that the creative micro entrepreneurs, who either were situated in cities or were in-migrant entrepreneurs to rural districts, did not necessarily possess a suitable local network or the local knowledge resources to meet their needs. Therefore, they were embedded in the local small-scale industry to varying degrees. With the longest track record of local production, Åsa, Helene and Sigrid were the entrepreneurs with the most vibrant local capital in the form of possessing both artisan and handicraft knowledge and easy access to local networks. They were also regarded as ‘experts’ on local sourcing and production, constantly in search of learning and perfecting their skills and know-how. They were willing to include others, and openly and altruistically shared their knowledge. The

remainder of the sample were less anchored locally and were considered novices in this respect. Consequently, their ambition to use locally produced wool made them seek out localized and artisan embedded knowledge about sourcing, production and skills associated with spinning different qualities of yarn in the rural districts. In our analysis, we found that the entrepreneurs primarily increase their access to and renewal of localized knowledge across spatial contexts in two ways, reflected in the sub-themes *expanding the localized knowledge pool* and *developing a localized practice community of fellow peers*. In Table 2, we illustrate these second-order themes, their first-order categories and representative quotes which provide additional empirical evidence to substantiate our aggregate dimension.

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Regarding the first second-order theme of *expanding the localized knowledge pool*, the entrepreneurs employ three interrelated embedding practices that expand their horizons for localized knowledge acquisition. First, they seek out targeted seminars and events to *expand their local networking possibilities*. Second, they use these initial and random connections as door openers to *go local* on informal site visits in rural districts of Norway to meet with local producers and exchange experiences. Third, they understand that to benefit from the experience, a *trust-based open* relationship is necessary as a platform for knowledge sharing, thereby increasing reciprocal commitment in new local relationships. This is highlighted in the following understatement:

It is a trust-based relationship that has to work ... well if it should last over time. (Merete)

The next second-order theme, *developing a localized practice community of fellow peers*, reveals how the initial local relationships are transformed into a learning community of entrepreneurs, where fellow entrepreneurs work informally together in a joint learning practice to assist one another in local production practices. From our analysis, we interpreted

three ways in which this is accommodated. The first practice, *reciprocal growth benefits*, is associated with the more knowledgeable expert entrepreneurs who visit each other regularly and have developed joint benefits, such as smarter resource configurations through cooperation and joint communication as well as common bargaining power in relation to wool producers. The second practice is the result of turning the more informal knowledge relationships into purposeful learning in practice through training in *informal apprenticeships*, where fellow entrepreneurs use each other as learning mentors to gain particular new craftsmanship skills or knowledge. The quotation below illustrates the transfer of localized knowledge about hand spinning to another local spinning actor (Åsa and Helene) and the joint benefit it offered:

It was actually very nice because it became an exchange of experience. We knew very little, but we were good hand spinners, so we knew a lot about yarn in advance. We could begin discussing it with them right from the start, and as a result they saw that they might have some use for us, too. (Sigrid)

This practice also reveals the notion of the cultural norm of assisting each other that is typically associated with a community of practice (Lave and Wenger, 1991). Interestingly, the willingness to share experiences and assist more novice entrepreneurs seems more dominant than the fear of competition, which benefits all parties and ultimately facilitates the growth of the entire local micro wool sector. The third practice, *legitimate sharing 'space'*, results from the other two; collaboration creates a legitimate space to ask for further assistance in development, thus removing initial barriers of competition.

From our overall interpretation of this dimension, it is evident that micro entrepreneurs as a group actively expand their local network and thus their own knowledge pool of localized practices, creating a resource pool for local production wherein exists a legitimate 'space' for the actors to visit and learn from each other through open and reciprocal sharing in the form of a practice community. Through these practices they transfer and make accessible localized embedded knowledge to a network of peers, even to those

without rural residence or considered novices in local production. Through these practices they embed themselves more efficiently into local production and establish reciprocal and long-term yet informal relationships with other local enthusiasts, contributing towards moving localized knowledge across spatial contexts and between actors across the country.

### ***Localized co-creation in recognizing opportunities***

By actively making localized embedded knowledge accessible in a network of peers, creative entrepreneurs tend to co-create opportunities, combining localized evolving knowledge sharing and encountering new discoveries. However, even though these opportunities may seem to occur as the result of contingencies in the co-creation process, we found important value-based nuances that guide co-creation with other local actors. We discovered two underlying sub-themes related to the theme of localized co-creation which the actors employ: *local production as the guiding norm* and *value-based* and a *means-driven local approach to co-creation*. In Table 3 we illustrate these second-order themes and the first-order categories with representative quotes.

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Regarding the first second-order theme, *local production as the guiding norm*, the entrepreneurs particularly value three aspects of local production as their norm to recognize opportunities. The first one is related to their focus on maintaining a transparent value chain in order to create a common ground for production practices for small-scale actors with an interest in wool. The second aspect is related to local heritage and to utilizing wool from ancient and endangered local breeds with no established market value. The ambition is to increase its market value in non-local markets through co-creation. The third aspect of the



guiding norm is reflected in the ambition to utilize and transform the place-specific characteristics of the landscape and climate into unique qualities of the raw material, treasuring it as specific localized knowledge, as reflected in this account:

[Through our work] we have attained unique competence in the process. If we get wild sheep wool from [southern Norway], we know it will be fatty, because it comes from a humid climate with a lot of rain. If we get Spæl sheep from [the mountains in mid Norway], it will be dry and have a lot of undercoat because it's a cold dry climate there. (Åsa)

The next second-order theme, *value-based and means-driven local approach to co-creation*, reveals an interesting pattern consisting of three underlying aspects. The first aspect, *sustainability as a compass*, represents how the entrepreneurs operationalize their normative values into a value-based compass for selecting other sustainable cooperative partners when developing opportunities with others. Regarding the second aspect, *localized means*, we found an intriguing nuance associated with localized opportunity co-creation, namely that the entrepreneurs seem to emphasize that co-creation with other locally oriented entrepreneurs is more important than the actual end product. This is illustrated in the following account:

We had an early idea, but the actual product to be made was of less importance. It was important to make something that could be produced within the country's borders but [it was not definite] it would be a wool sweater ... We got stuck on finding Norwegian raw materials for buttons and eventually decided to look into timber firms. We had to go through very many [firms] until we finally found a small [firm], the only one that could guarantee the timber was Norwegian ... From that relationship we are now building a small micro house. (Merete)

As this quote reveals, the entrepreneurs chose their like-minded partner first and then focused on how they could join forces to bring sustainable value to the market in a means-driven manner. Their value-based means-driven approach again opened the possibility for unexpected localized events and thus new discoveries to occur which they could leverage:

I met a sheep farmer who has [a local endangered species] sheep. It was a completely random meeting, since I had a sales stand at [a local market] and she just came over to me as a customer and we began chatting. As we talked, she said she had sheep, and I have angora rabbits. She said she didn't know what to do with the spring wool, so I replied, "It's probably nice to mix it with rabbit wool". All of a sudden, and by pure coincidence, I got a new product. (Berit)

Random surprises like revealed in this account were welcomed by our entrepreneurs as vital sources of value creation in terms of new market segments or products. Such local and random

meetings were often driven by a strong shared interest in discussing their passion for local production. They participated in events and at local markets, shared their thoughts with others and exposed themselves to new people, which resulted in more randomness in the opportunity process.

The overall interpretation of the theme is that recognizing opportunities in this localized context is by and large a value-based and actor-dependent process, with sustainable, local production held high as the norm.

### ***Localized opportunity legitimization***

In close relation to the previous theme, we analysed variability in the degree to which entrepreneurs leveraged local networks particularly to legitimize themselves as locally oriented entrepreneurs and how they anchored their opportunities in practice. We elaborate on the notion of this gradient of localized legitimization below through three sub-levels of embedding. In Table 4, we present these second-order themes, associated first-order categories and representative quotes to substantiate our findings.

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*At level one embedding*, we analysed two variants of local embedding of opportunities using local networks to *test the viability* of an early version of the opportunity to have it formally accepted in the peer network and using local networks to define production standards for a local product (*localized standardization*), both meaning that the entrepreneurs use their local network as a sounding board to legitimize a new local product. The viability testing was a commonly employed practice amongst the non-local resident entrepreneurs to develop an enhanced local anchoring of their products. This is reflected in the following account:

I've made contact with a lot of those I think are good to have in my network, such as other spinning mills, other hand dyers, the Norwegian Folk Art and Craft Association. I tend to be quite independent in idea development ... but I use my network, I test my thoughts and ideas on anyone I come across, really. (Siri)

As this account demonstrates, the entrepreneur is employing other locally anchored actors and peers within the wool industry as an external source of affirmation. By engaging in sensemaking with the knowable peers she trusts, she reduces uncertainty before eventually pursuing things further as she attempts to confirm whether or not her idea can be turned into a prosperous opportunity. We interpreted *localized standardization* to be a continuation of the previous sensemaking but more targeted, since the local network is used to setting the standard for a local wool product, typically in the form of advice and ideas on raw material choice and handling, suppliers, and local production practices.

For the next second-order theme, *level two embedding*, we found that entrepreneurs such as Hans, Sigrid and Merete used cultural participation in developing their businesses and were more deeply engaged in local and existing relationships (friends, existing customers, fellow peers) to establish strategic support to realize the emerging opportunity more actively. To verify whether their ideas could succeed as a local product, they gathered support from local customers or peer networks in two ways, using them as their first *test market* and as decision-makers (*localized decision outsourcing*) to reduce entrepreneurial uncertainty and increase their local legitimacy. This is reflected in Hans' method of operating:

I just gathered friends who are interested in winter sports, mountain tours, surfing. I talked to people I can relate to and it's now that I'm beginning to gain a foothold. (Hans)

This account demonstrates that Hans, who moved back to his home town, a small town with typical mountain hiking activities, used his local friends who were sports enthusiasts to gather support for his idea. In fact, he localized the opportunity through the distinctive cultural identity of outdoor activities, which is uniquely tied to this part of Norway and which is an advantage that could be leveraged more strategically when bridging to larger, non-local

markets later in the process. This is evident in Hans' tagline for his wool product: 'Made in line with nature, from nature, for use in nature'.

For the last second-order theme, *level three embedding*, we interpreted three anchoring practices: *localized commitment*, *locals as resources* and *local community building*. The first shows that one might in fact commit to the local network directly to enable the start of the business and create a sense of local ownership among local networks, as was the case for Sigrid. Later, she also decided to initiate a crowd-funding campaign among local customers in order to expand the production facilities. Through local attachment to the place and market, she could claim legitimacy to secure pre-commitment from her local network of customers. Interestingly, as an in-migrant local entrepreneur she had already established local legitimacy among wool breeders because she had a background in sheep breeding (high domain legitimacy) and could benefit from her LE and use *local partners as resources*:

I can't stand going to fairs, so I always try to find other solutions. For example, I'd send a crate of yarn to a farmer I know through my network and who's going to the fair anyway. (Sigrid)

The third type of local anchoring at this level is related to how the rural resident entrepreneurs' businesses positively affect value creation in the local district and community in which the business is established (*local community building*), ranging from establishing a workplace for local residents, attracting customers to the community with ripple effects to other local establishments in the local food and tourism industry, and contributing to other local partners' value creation (e.g. when a local sheep supplier who sells sheepskin can use yarn from Sigrid's spinning in the cloth fabric on the backside of the skin from the very same sheep breed, thereby doubling the sheepskin's value and securing the farmer's livelihood).

The overall interpretation of this theme reflects how the entrepreneurs have learnt to locally embed their offerings and business (albeit to varying degrees) using local networks to legitimize their opportunities and themselves as local entrepreneurs. In our study, the highest

level of embedding is, not surprisingly, only available to those who are already localized. This offers particular advantages but demands long-term investment. Interestingly, the entrepreneurs with non-rural residence have much to gain from using level one and level two embedding to anchor their products at low cost to reduce entrepreneurial uncertainty.

***Moving the knowledge front of embedded localized practice through bridging***

The micro entrepreneurs are situated in the small-scale sector of the wool industry, at the periphery of the more dominant actors, and possess unique localized production knowledge. The dominant players within the mainstream industries embody institutionalized industrial knowledge at the dominant knowledge centre, quite separate from the knowledge developed in the local network of micro entrepreneurs acquiring traditional, more localized practices relating to ancient wool breeds and wild sheep. This illustrates the notion of localized knowledge moving from the small-scale sphere into the dominant large-scale industry context in our framework and the bridging practices underlying this movement. Our analysis revealed two underlying sub-dimensions of bridging practices: *using 'smallness' and 'peripherality' in bridging to mainstream actors* and *legitimate 'peripheral-central' localized knowledge transfer*. In Table 5 we illustrate these second-order themes, their first-order categories and representative quotes which provide additional empirical evidence to substantiate the aggregate dimension.

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With respect to the first sub-theme, *using 'smallness' and 'peripherality' in bridging to mainstream actors*, we found intriguing nuances of smallness and otherness that are linked to the image of the local entrepreneur, which were intelligently exploited as a door opener and thus were advantageous in bridging to more dominant actors. This first aspect (*exploiting the*

*small-scale advantage*) reflects the notion at the individual level of being something out of the ordinary, hence creating a legitimate space to gain access to and stimulate the larger actors' generosity in terms of knowledge sharing. Since the small and 'other' actors were not perceived as possible competitors, it was harmless to discuss things with them. This is illustrated in the following account:

We've also visited [a larger wool factory] and have had a dialogue with them; we are so small that we do not pose a threat to the big spinning mills ... And anyway, perhaps they can also pick up something from our way of making things and our views. (Åsa)

The second aspect (*peripheral network influence*) reflects the notion of mobilizing the otherness on the network level to access dominant players. We interpreted this as a joint peripheral community that was stronger when it joined forces. Moreover, through having access to unique and shared knowledge in the network, they could draw on this as a resource pool, which provided them with more 'weight' and thus allowed them to be valued as qualified and legitimate business partners when entering into discussions with players in the dominant industry sphere.

The next second-order theme we interpreted, *legitimate 'peripheral-central' localized knowledge transfer*, reflected the entrepreneurs' underlying bridging strategies for leveraging their industry-specific know-how to educate and influence dominant actors. We analysed three influencing sub-practices: *third-party local legitimization*, *moving industry standards through invitation* and *transferring tacit localized knowledge through demonstration*. The first practice relates to using a third party, such as an interest group, experts or even customers, to spread knowledge about local sourcing of wool and the benefits of using it as a raw material, thus leveraging these contacts as 'objective' marketers for local production and functioning as a legitimate strategy to reduce entrepreneurial uncertainty. This is reflected in the following account:

We invited Tone and Ingun [textile researchers] to hold a presentation on the use of wool in interior design and architecture, and invited people from the sector. Having several to rely on reduces the [risks] a bit. (Merete)

From our analysis, it was evident that a third party could be used as a broker and, interestingly, in situations when mobilizing for a change in views that threaten established practices (reflected by Trine's learning account of trying to mobilize change in the conservative construction industry with her sustainable insulation wool products).

The next bridging strategy employed (*moving industry standards through invitation*) relates to the strategic inviting of influential industrial stakeholders to the entrepreneurs' local facilities to discuss and negotiate changing the industry standards for, for example, classifying wool from ancient breeds (which has yet no classification code in the system and hence no initial value as raw material). By doing so, a niche player can have a say in developing new standards for the use of the local raw material. Thus, this functions as a control strategy in developing a market value for wool from ancient breeds.

The third sub-strategy, *transferring tacit localized knowledge through demonstration*, is where the small-scale entrepreneurs demonstrate the qualities of local wool in production.

This is exemplified in the following account:

They discovered that the three races we were spinning in the project looked the same, were classified the same, but were a black, a grey and a white sheep from three different races. They behaved very differently in spinning. (Sigrid)

In summary, the micro entrepreneurs' relational bridging to mainstream actors moves the knowledge front of localized practice into the sphere of mainstream industrialized knowledge, offering more dominant actors new perspectives, insights and creative ideas not readily available in their own knowledge corridor.

Our overall analysis of this dimension exemplifies bridging from the local to the mainstream as vital not only in increasing the small-scale actors' own resource base and skills

but also, and more importantly, as a means to legitimize the local wool industry in the mainstream markets. Through their bridging practices, the entrepreneurs mobilize the dominant industries closer to their own vision of more localized and sustainable industrial practices, thus ultimately embedding the larger industries in their localized practice.

## **Discussion**

Networking activities in embedding a small business in its proper context have proven important for entrepreneurial development (Anderson et al., 2010; Jack et al., 2010; Shaw et al., 2017). With this study we employ a practice-based perspective (Claire et al., 2020; Chalmers and Shaw, 2017) to the study of entrepreneurial networks in the localized embedding of creative micro entrepreneurs in the Norwegian wool industry. The research explores in-depth the temporal aspect of this embedding process (Rigg et al., 2021; Shaw et al., 2017; Keating et al., 2014) in moving from local to dominant industry contexts. Inspired by the processual network development model offered by Baraldi et al. (2019), the study provides pioneering and fine-grained evidence upon the inherent networking practices in the embedding process through four steps and practices. These are: 1) *Accessing localized knowledge across spatial contexts*, (establishment), 2) *Localized co-creation in recognizing opportunities* (mobilizing), 3) *Localized opportunity legitimization* (consolidation), and 4) *Moving the knowledge front of embedded localized practice through bridging* (stabilizing).

The first embedding practice in this process, *accessing localized knowledge across spatial contexts*, represents the establishment of a platform by providing sufficient conditions for localized learning to be mobilized between actors. Most often, artisan knowledge and production are categorized as spatially bound and localized resources (Müller and Korsgaard, 2018). While wool actors are dispersed geographically and prevented spatially from knowledge interactions, our entrepreneurs show how they can overcome this through a ‘go



local' approach. By travelling locally and creating a community of like-minded local enthusiasts with similar values, the entrepreneurs increase their embeddedness in localized knowledge as individual entrepreneurs, at the same time this activity serves to overcome what Tödting et al. (2011) define as 'institutional thinness' within their own small-scale industry context. Through a transfer of knowledge across spatial contexts and between actors, this ultimately serves to build an informal community of localized practice (Lave and Wenger, 1991) where the micro entrepreneurs who operate in a common domain share their experiences and knowledge across spatial contexts to improve their innovativeness and overcome business constraints (Bakas et al., 2019; Hill, 2020; Kuhn and Galloway, 2015). As rural areas most often do not provide opportunities for formal training activities (Müller and Korsgaard, 2018), this is evidently a resource-efficient strategy. Our findings resonate with previous research showing that entrepreneurs, particularly in creative sectors, gain most by working informally together with more competent peers within their own industry sector (Kuhn and Galloway, 2015; Raffo et al., 2000b). The shared practice domain of the entrepreneurs consists of specialized and localized knowledge distributed throughout the networks. Thus, our study extends Jack and Anderson's (2002) LE concept to the social level and across spatial contexts.

While the seminal contextualized studies of Korsgaard et al. (2015) and Müller and Korsgaard (2018) have identified levels of resource embeddedness and the use of locally anchored knowledge to facilitate opportunity recognition, we extend these findings by revealing underlying practices that might enhance the embedded process through the second and third steps in the framework represented by, *localized co-creation in recognizing opportunities* and *localized opportunity legitimization*, respectively. The second step represents a mobilizing practice that exemplifies the notion of a contextualized actor-dependent co-creation process (Sarasvathy, 2001) in the sense that opportunity recognition is

driven by important norms and values shared by local actors as a compass for entrepreneurial development, reflecting a value-based effectual approach.

This can also be seen in terms of e.g., sustainability embeddedness, identified by Sharafizad et al. (2022) as a subset of local embeddedness. For these entrepreneurs, local embeddedness is driven by their sustainability values. The wish to shorten value chains, reduce textile-related pollution and maintain cultural-historical heritage has directed the entrepreneurial development process, leading to opportunities rooted in the local.

The entrepreneurs immersed themselves in their industry context (Rae, 2004); however, their local networking behaviour was not necessarily geared towards a goal-directed search, but simply towards gaining inspiration from like-minded peers who share the same ideology. In line with effectual thinking (Sarasvathy, 2001), possibilities from local networking were welcomed by the micro entrepreneurs as inspiring sources of new and unique products.

The third step which is represented by the embedding practice, *localized opportunity legitimization* can be conceptualized as the trajectory of localized embedding, explaining the extent to which entrepreneurs consolidate through legitimizing their opportunities and businesses locally, extending the findings of Müller and Korsgaard (2018) regarding the non-local/local embeddedness divide in the exploitation of resources. Earlier studies have shown that LE might enhance entrepreneurial activity and stability despite resource constraints because rural districts offer other advantages, such as natural amenities and local networks beyond the venture (Alsos et al., 2014; Korsgaard et al., 2015).

We found intriguing nuances in this localized embedding practices of *how* entrepreneurs use local network resources to legitimize themselves and their opportunities. While Korsgaard et al. (2015) found that rural entrepreneurs originally from non-rural origins prefer to go non-locally to market and strategically position their products, we found

that some of our entrepreneurs in an early phase of their process gather support for their opportunities from local customers or peer networks as a test market to reduce entrepreneurial uncertainty and to increase their legitimacy before moving to larger non-local markets. The final and highest level of localized opportunity legitimization in our study is exemplified when an entrepreneur uses and commits the local network to realize the opportunity, hence securing both local resources and a market for the opportunity simultaneously. At the highest level, the founder also lives in and engages with the community, showing high place attachment (Kibler et al., 2015). This provides the necessary legitimacy to anchor the business locally and, consequently, provide access to resources. Being locally anchored and on the periphery results in fewer social connections than in more central districts, but those that do exist seem to play a more central role (Rae, 2017) because the actors share a common emotional place attachment (Kibler et al., 2015). This trajectory of embedding illustrates the extent to which entrepreneurs leverage local networks as the available means (Sarasvathy, 2001) in legitimizing their opportunities and businesses. This is interesting, since effectuation theory does not discuss whether or not the entrepreneur is efficiently embedded in context. Since the entrepreneurs aimed to establish local partnerships and were all reliant on local raw materials and production, they have established a practice to embed their offerings locally, albeit to varying degrees, using local networks, including strategic resources as local customers. This extends the findings of Korsgaard et al. (2015) by demonstrating how local embedding might operate through different facets of the entrepreneurial process. Our study contributes by pinpointing central aspects of the entrepreneurial dynamics and networking practices of localized opportunity recognition and legitimization that lie behind the more ‘static’ rural entrepreneur typology introduced by Müller and Korsgaard (2018).

**This study also highlights an important paradox, connected to peripherality (Anderson, 2000; Rae, 2017), that marginality, through being anchored in peripheral localized knowledge networks, can in fact provide stabilization and agency for influencing the industry agenda through the introduction of ‘new’ practices by bridging to a more dominant industry, as reflected in our fourth and final step of our processual model *moving the knowledge front of embedded localized practice through bridging*. It is evident from our findings that the entrepreneurs seem to work from the periphery of localized, small production towards the mainstream centre (industrialized practices), as in the notion of legitimate peripheral participation (Rae, 2017; Lave and Wenger, 1991) increasing stabilisation as a small-scale industry. While Shaw et al.’s (2017) study reveals that networking affects broader industry structures and the distribution of resources, our study helps deepen the understanding of such activities across industry boundaries by not only embedding the actor in their own industry but also by bridging to other, more dominant, industry players. Interestingly, peripherality in itself provides not only new insights and opportunities for local actors with less access to mainstream industry knowledge (Rae, 2017), but also opportunities to influence the core industry practices of dominant actors, thus, localizing mainstream actors. As pinpointed in Baraldi et al. (2019), our study raises issues regarding challenges, but also opportunities for entrepreneurs in becoming accepted by the broader dominant networks and how legitimacy can be achieved through various embedding practices. Conclusion and implications**

In this study we responded to calls by Jack and Anderson (2002) and Shaw et al. (2017) for investigation into concrete embedding practices at micro level and how they unfold in the daily networking practices of the entrepreneur. Furthermore, our study responds to the research agenda raised by Baraldi et al. (2019) on the temporal aspects of the embedding process, and from our findings we propose a processual framework of localized embedding practices that captures *how* creative entrepreneurs work through local networks to anchor their entrepreneurial opportunities through four central steps, ranging from knowledge access, co-creation, legitimization, to bridging, with particular emphasis on the relational dynamics of entrepreneurs moving between the small-scale and large-scale industry context. In

addition, the study illustrates a case of sustainability embeddedness, where sustainability values guide the locally embedded opportunity recognition. By doing so, we build on and expand previous insights by challenging the placeless discourse in entrepreneurial practice through a combination of local embeddedness and relational practices in networks, joining influential scholars to inform the research community about the importance of context for entrepreneurial development (McKeever et al., 2015; Müller and Korsgaard, 2018; Welter, 2011; Zahra et al., 2014). Our study ultimately provides in-depth knowledge on networking mechanisms involved in localized embedding processes, an under-investigated area in general embeddedness research.

These findings open new avenues for future research on relational practices and processes in small businesses and in other contexts. While being illustrative, our results are still limited to the research context, that is, locally oriented micro businesses in a sector of the creative industries. Therefore, it would be interesting to see what kind of embedding process and corresponding practice patterns exist in other types of industries to verify our themes and dimensions more rigorously and to strengthen theory development (Flyvbjerg, 2006). Moreover, we found that the entrepreneurs worked altruistically as a community with shared values. Future studies may pursue this line of inquiry, as it would expand the understanding of locally and sustainability-oriented businesses and help verify what shared value means in other contexts (Korsgaard and Anderson, 2011).

Regarding implications for entrepreneurial practice, we point to the importance of community-based networking and cooperation across geographical regions to increase legitimacy for localized production practices. By investing in reciprocal knowledge sharing and apprenticeships, shared norms that are positive for new and unexpected relationships can develop. Moreover, small actors should value their ‘peripherality’ and localized knowledge as assets to be used more deliberately to influence dominant players, maintain interest for

local heritage, spread localized knowledge and establish new industry practice. Such bridging would strengthen resource-constrained local communities and expand micro entrepreneurs' access to new markets.

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