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Principal Topic

It is taken for granted that entrepreneurs deeply socially embedded in their communities have a competitive advantage since they have a heightened awareness of opportunities and are less vulnerable to threats. However, we studied social embeddedness and performance and found that the least embedded entrepreneurs had the highest levels of financial performance, and that entrepreneurs most attuned to opportunities were originally outsiders who strove to become more socially embedded, but this did not translate into superior financial performance.

Methods

We conducted a qualitative, multiple-case, study of 11 ventures based in the Irish-speaking sections of Ireland (Gaeltachts). We conducted interviews with nine founders, two GMs, and five separate experts. We also collected field notes from tours of the ventures, interaction with employees, and publically available information. After analyzing and coding the data, we constructed 11 case studies and cross-case matrices to understand patterns of entrepreneurs’ backgrounds, ventures, embeddedness, and performance.

Results and Implications

Entrepreneurs’ social embeddedness was classified into one of three types: “Natives” (born in a Gaeltacht and continue to participate in their communities), “Locals” (originally outsiders but adopted the local language and embedded in the community), and “Blow-ins” (also outsiders but have chosen not to embrace the language or the communities in which they work).

The Blow-ins had the highest levels of financial performance followed by the Natives and then the Locals. The Blow-ins also had the highest responsiveness to market conditions and ability to scale their ventures. Essentially, they came to the Gaeltacht for economic reasons and focused on running their businesses.

The Natives, already embedded, devoted their time to economic goals and had the next highest level of responsiveness to market conditions and scalability.

The Locals, attracted to the Gaeltachts for lifestyle reasons, spent much time socially embedding. Being highly attuned to the intricacies of local culture and resources, they were the most creative; however they were also the least responsive to changing markets and least scalable.

The primary implication is that the benefit of social embeddedness can be trumped by organizational capabilities. In other words, socially embedding may have an economic cost.

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