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Mobilizing relationship marketing to ensure venture development in a rural resource-constrained
bilingual context: The case of Draig Technology Limited

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Abstract

The evolution of relationship marketing (RM) in a new technology-based firm (NTBF) located in a rural resource-constrained bilingual context is explored over a five year period. Evidence from an in-depth longitudinal case study illustrates that a novice entrepreneur can adapt by developing mutually beneficial relationships to retain customers and acquire resources required for venture development. By analysing information from the NTBF's entrepreneur, customers and other actors, we build theory and present propositions relating to the RM process. We contribute by illustrating that social embeddedness is a key dimension of RM in a rural resource-constrained bilingual context. Implications for practice are discussed.

Keywords

Relationship marketing, bilingual context, social embeddedness, new technology-based firm

Introduction

Some entrepreneurs are adept at developing close relationships with their customers (Stokes, 2000; Fischer and Reuber, 2004) to ensure venture development and some are actively engaging in Relationship Marketing activities although they do not explicitly refer to the academic term (Lam and Harker, 2015). Relationship Marketing (RM) relates to an arrangement where both the seller and buyer seek a mutually beneficial exchange (Harker, 1999; Morgan and Hunt, 1994). It is a form of marketing which focuses on developing long-term relationships with customers by listening to customer requirements and satisfying customer needs with the aim of retaining high value customers (Reichheld and Sasser, 1990). RM therefore enables sellers to acquire and mobilise external resources required for the development of their ventures through these relationships. For example, RM may promote a seller's strategic (i.e. the ways in which organisations instrumentally manipulate and deploy evocative symbols in order to garner societal support) (Suchman, 1995) and institutional legitimacy (i.e. how external forces direct social actors to conform to regulations, legal pressures or values and expectations of the context in which they operate) (Aldrich, 1999; Stringfellow et al., 2013).

Despite evidence suggesting that RM can be successfully adopted by small and medium-sized enterprises (SMEs) (Day et al., 1998; Lam and Harker, 2015) there is little empirical research investigating the RM strategies used by SMEs (Hultman and Shaw, 2003) and there is scant evidence relating to the RM process in new technology-based firms (NTBFs). This is important as research suggests that marketing in NTBFs requires a relational competency which involves a deep understanding of customer needs, creating useful resources and networking (Helander and

Ulkuniemi, 2006; Hedaa and Ritter, 2005). Moreover, it is unclear whether the RM process may be associated with unique characteristics in a rural resource-constrained bilingual context.

Detailed examples surrounding how RM can be used to address liabilities of firm newness (Stinchcombe, 1965) and smallness (Hannan and Carroll, 2000), as well as locational resource scarcity constraints have not been presented. We seek to address these gaps in the knowledge base. This study explores the following research questions with regard to a rural resource-constrained bilingual context: Why does a novice entrepreneur (i.e. no prior business ownership or marketing experience) of a NTBF engage in RM with customers and strategic partners? How does a novice entrepreneur of a NTBF engage in RM with customers and strategic partners? Does RM generate social embeddedness benefits (i.e. customer retention and accumulation of resources) for a novice entrepreneur of a NTBF?

The persuasive power of the single case for building new theory or elaborating existing theory is recognised (Siggelkow, 2007). Here, we illustrate issues relating to the RM process with regard to NTBF development in a rural resource-constrained bilingual context. This single case study provides rich empirical description and analysis of the evolution of RM reported by Richard Sheppard who is a novice entrepreneur of the the case firm, Draig Technology Limited. A call for studies to theorise relating to context has been made (Zahra, 2007). We respond to this call by exploring why and how Draig uses RM in a rural resource-constrained context (i.e. a mountainous region with a low population and business density, small local market, and few large private or public sector organisations), which has not been considered in the extant RM literature. Draig operates in a bilingual context where the majority of the population speak Welsh, and English is the second rather than the primary language of the majority of the population in North West Wales

(Jones-Evans et al., 2011). In this study, we monitor Richard Sheppard's and Draig's engagement in RM and social embeddedness activities.

We make a contribution to theory building by illustrating the development and benefits relating to RM reported by a novice entrepreneur who facilitated mutually beneficial relationships with customers in order to address constraints on NTBF development due to their location in a rural resource-constrained bilingual context. We integrate insights from RM theory and social embeddedness theory, and illustrate changes in social embeddedness relating to customer retention and accumulation of strategic resources due to RM. The case study findings are presented and discussed in relation to the key themes identified including the social and locational context of the entrepreneur, RM and aspects of which emerged as being important to the development of RM in NTBFs (networking and development of alliances), social embeddedness and its links to RM, and the influence of the firm's bilingual context. Emerging from the analysis of the case evidence we present novel propositions relating to context, which can be explored in further qualitative and quantitative studies.

This article is organised as follows. In the next section, the theoretical foundations of RM are summarized, and a summary of the literature relating to RM in software SMEs is presented. Social embeddedness theory is then summarised. This is followed by a discussion of the data collection methodology. A brief overview of Draig Technology Limited is then presented. In the subsequent findings section, issues relating to the rural resource-constrained bilingual context, RM activities, and social embeddedness benefits generated by RM are illustrated. Finally, key contributions and implications are then discussed.

Relationship marketing

‘Traditional’ marketing originated from economic theory and focused on the exchange of goods between the buyer and seller. Approaches to marketing were thus largely transaction-oriented and split into varying ‘functions’, the legacy of which can still be seen in the traditional four P’s of the marketing mix (Product, Price, Promotion, Place). Gordon (1999) argued that the marketing mix should be replaced by RM as the approach was too limited for firms who required long-term relationships with their customers. Scholars have since broadened the scope of marketing beyond a focus on products, markets and transactions to a focus on relationships, continued interactions between the buyer and seller and the co-creation of value (Vargo and Lusch, 2004).

RM relates to an arrangement where both the seller and buyer seek a mutually beneficial exchange (Harker, 1999). Specifically, RM refers to the management of relationships that seek to provide customized and richer personalised contact with customers with the aim of generating long-term value from customer relationships (Gummesson, 2002; Morgan and Hunt, 1994). RM has the potential to forge a new synthesis between quality management, customer service management, and marketing (Christopher et al., 1991) as it is cross-functional and organised around processes that involve all aspects of the organisation.

For the seller, RM can generate a better understanding of the customer, the development of trust between the seller and buyer, and increased customer satisfaction (Gil-Saura et al., 2009; Kelly and Scott, 2011) leading to enhanced customer retention (Hennig-Thurau et al., 2000) and/or higher profits for the seller (Reinartz and Kumar, 2003). Assumed financial benefits to the seller relate to reduced costs due to increased retention of existing customers, and higher profits due to increased buyer loyalty and reduced price-sensitivity (Reichheld and Sasser, 1990; Gronroos, 1994). Other benefits of successful RM for the seller include customer loyalty and

positive word of mouth communications that can potentially lead to relationships with new customers. Assumed RM benefits for the customer include reduced anxiety and comfort in knowing what to expect from the supplier, social and emotional benefits and individualized additional services or special treatment (Hennig-Thurau et al., 2002).

An effective RM strategy in an NTBF can result in increased cooperation with buyers (i.e. customers), a better understanding of buyer requirements, and a dialogue with buyers leading to the development of co-created and customised products and services (Ruokonen et al., 2008). In the business-to-business (B2B) context, the complexity of products and the perceived risk of purchase mean that effective long-lasting relationships are paramount for creating mutual value for the seller and buyers (Caceres and Paparoidamis, 2007).

Relationship marketing in software SMEs

Many scholars acknowledge that SMEs do not approach marketing in a conventional manner (Carson et al., 1995; Gilmore et al., 2001; Hill, 2001). Marketing competency deficiencies can retard NTBF development (Covin and Slevin, 1990) and NTBFs with resource deficiencies may not be able to effectively market their innovative products / services (O'Dwyer et al., 2009; Hatonen and Ruokonen, 2010). NTBFs may therefore wish to develop close relationships with their customers as a way of securing future trade, developing credibility in the marketplace and encouraging positive word of mouth without the need to use conventional marketing methods. SME's have potential for close relationships with customers (Storey, 2000; Simpson et al., 2006) and the relationship between the entrepreneur and customer is proposed to be a key element of Entrepreneurial Marketing, a term which describes the marketing activities of entrepreneurs that is focused on the customer and on taking risks (Morrish et al., 2010). In terms of survival, one of

the most vital marketing activities for SMEs is selling (Stokes, 2000), which consequently involves developing relationships with customers (Reijonen, 2010). The benefits of RM in small firms have been found to include access to new customers through referrals and introductions and access to resources such as information and advice based on the development of two-way trust (Hultman and Shaw, 2003).

Entrepreneurial networking, or the development of Personal Contact Networks (PCNs) in SMEs has been identified as an important and instinctive SME marketing strategy, practised in order to increase market knowledge, access marketing resources, identify new opportunities, and share knowledge and experiences (Shaw, 1999; Jack et al., 2004; O'Donnell, 2004). Although the nature of networking in SMEs is mostly informal (Shaw, 2006), networking and proactive marketing have been found to increase the sophistication of SME planning and decision making processes (Gilmore et al., 2006).

Little attention has been directed towards the marketing of NTBFs or software SMEs (Alajoutsijarvi et al., 2000; Helander and Ulkuniemi, 2006; Ojasalo et al., 2008). However, the investigations conducted point towards the benefits of developing relationships, networking and alliances in this sector. Helander and Ulkuniemi (2006) and Ruokonen (2008) consider the marketing of software as requiring a relational competency, viewing businesses which develop tailored software to be inherently relationship and service-oriented. In the technology sector, lasting relationships with customers facilitate a clearer understanding of customer requirements (Ahmed and Capretz, 2007) and is related to positive firm performance (Tzokas et al., 2015). Boussara and Deakins (1999) also found that social networks of entrepreneurs and strategic alliances are wholly appropriate to this business context. Alliances provide technology firms with the opportunity to share resources and capabilities whilst entrepreneurial owner-managers use

networks to build business, marketing and innovation capacity (Stokes, 2000). As small software firms tend to be managed by technical specialists, SMEs often seek inter-firm co-operation and partnership opportunities in order to share resources and capabilities (Hedaa and Ritter, 2005; Rao and Klein, 1994; Ojasalo et al., 2008).

Social embeddedness

Social embeddedness is defined as “the degree to which commercial transactions take place through social relations and networks of relations that use exchange protocols associated with social, non-commercial attachments to govern business dealings” (Uzzi, 1999: 482). The theory builds on sociology, law, and market theories to explain why economic transactions become embedded in social relations and how these transactions can subsequently affect the allocation and valuation of resources (Granovetter, 1985; Uzzi, 1997). This is relevant for entrepreneurs because the extent to which they are embedded in their social interactions can impact their ability to identify and accumulate social and economic resources (Jack and Anderson, 2002). Social embeddedness can result in advantages and drawbacks for entrepreneurs. For example firms that are embedded in their social structure and local environment are better able to create and realise opportunities and report enhanced credibility in the marketplace (Jack and Anderson, 2002). Embeddedness theorists also assert that people who form intense relationships will begin to trust each other and share resources more willingly (Uzzi, 1997), which echoes the Relationship Marketing philosophy. Forming relationships (or partnerships) can also enable an entrepreneur to overcome ‘core rigidities’ (i.e. becoming institutionalised / complacent within a relationship which decreases the odds of innovating / developing new capabilities). Developing relationships with local actors can affect an entrepreneur’s level of local embeddedness (Kalantaridis, 2009), which can, in turn

determine the flow of information and other resources available to an entrepreneur (Jack and Anderson, 2002).

A distinction is made between relational embeddedness (i.e. the extent to which a dyad frequently and over a long period of time develop multifaceted relationship in the process), and structural embeddedness (i.e. the extent to which a dyad's relationship is grounded in social attachments and whose mutual ties are connected to one another) (Newbert and Tornikosi, 2013). Noordhoff et al. (2012) suggest that partners with high relational embeddedness (i.e. high closeness and reciprocity) will be less likely to address core rigidities. However, partners with low knowledge redundancy (i.e. low degree of knowledge overlap between vertical partners who are not direct competitors and inter-firm heuristics that makes partners reluctant to challenge one another) can increase the likelihood that smaller innovative firms acquire new capabilities and other resources required for venture development. Noordhoff et al. (2012) contend that unique new capabilities can emanate from inter-firm relations as well as from a single firm's existing internal resources. These inter-firm relations therefore become relational resources.

Although entrepreneurs establishing and retaining relationships or partnerships can facilitate access to information, skills, capabilities and other resources (Lechner and Dowling, 2003) required for venture development, being socially embedded can have drawbacks for small firms. For instance NTBF entrepreneurs can be impelled by necessity, opportunity or strategic need to establish relationships with large, powerful partners (Eisenhardt and Schoonhoven, 1996). Whilst the potential for access to external resources such as expertise are plentiful, many novice entrepreneurs do not have the resources (in particular, time) to maintain a large number of embedded relationships (Newbert and Tornikoski, 2013). Some entrepreneurs who require external resources to ensure venture development are 'fearful of entering relationships with more

powerful parties' (Villanueva et al., 2012), and may even refrain from developing relationships with large organisation customers because they fear becoming vulnerable to the power of more powerful parties (Gulati and Sytch, 2007), and potentially be 'eaten by sharks' (Katila et al., 2008). Novice entrepreneurs may report the 'fear of opportunistic behaviour' (Yli-Renko et al., 2001) relating to the appropriation of technology by the larger partner, or pressure for unduly favourable exchange terms (Fischer and Reuber, 2004). However, the latter view is being challenged. Villanueva et al. (2012: 28) assert that, "... the dangers may lie in exactly the opposite direction. Ventures that fail to reinforce and build mutual dependencies with other organizations may become expendable and may fail to create the new value and innovations they might otherwise reap from these relationships...". The relational view of the firm (Uzzi, 1997) illustrates that embedded ties across organisational boundaries can create value and motivate exchange partners to share that value. This is because each exchange partner can potentially accumulate benefits from the embedded relationships (Fischer and Reuber, 2004).

Integrating RM and social embeddedness

The goal of this study is to identify whether and how social embeddedness is an important dimension of RM for an NTBF in a rural resource-constrained bilingual context. RM and the associated local embeddedness has been found to generate trust, transfer of fine-grained information, and joint problem-solving between exchange actors, which can enable novice entrepreneurs to reduce costs, increase efficiency and legitimacy, gain access to external information, skills, capabilities and knowledge, which can enable a novice entrepreneurs firm to actively engage in the invention of new products or services (Yli-Renko et al., 2001; Fischer and Reuber, 2004). Novice entrepreneurs may engage in RM to enhance local embeddedness in order

to establish and maintain relationships with customers and to create value in the form of additional resources and expertise for the novice entrepreneurs firm and which can subsequently be passed to their customers. RM may, therefore, enables a novice entrepreneur to gain access to external resources required for adaptation and innovation to ensure NTBF sustained firm competitive advantage. The social embeddedness stimulated by RM and the associated increased potential access to information, skills, capabilities and knowledge generated by local embeddedness may ensure NTBF development. Therefore we assert that RM can promote new relationships and facilitate the retention of existing relationships for novice entrepreneurs seeking to gain access to external resources required for venture development. We also assert that entrepreneurs engaging in RM can enhance their local embeddedness and access essential external resources required for venture development.

Methodology

Driven by the need to appreciate the richness of context and to capture the relational dynamics of entrepreneurship (Stringfellow et al., 2013), a qualitative approach was employed. An in-depth case study provides a broad detailed portrayal (Jick, 1979). A qualitative approach was employed in order to search for meanings that lie behind RM actions and outcomes reported over the 2005 to 2010 period. A case study approach is appropriate to examine relationship-based phenomena (Jack, 2010), particularly studies focusing on ‘how’, ‘why’ and ‘so what’ questions (Yin, 1994) relating to a contemporary phenomenon within a real-life context (Zahra et al., 2014). Further, a single case study enables deep probing and analysis of a phenomenon in its natural setting, and has been used to investigate entrepreneurial learning in NTBFs (Voudouris et al., 2010). Findings can be drawn upon to elaborate or build theory relating to the development and outcomes of RM

and social embeddedness currently theoretically ignored, and refocus the direction of future qualitative and quantitative studies (Burns, 2000). Findings from a single case may be difficult to generalise to all other contexts (Eisenhardt, 1989). However, a single case approach is regarded as being appropriate if the phenomenon has attracted scant conceptual or empirical attention, or the case represents an extreme situation (Yin, 1994). Some phenomena relate to unique organisations and contexts that may not easily be explored by other types of analysis (Meredith, 1998).

To limit informant bias relating to retrospective sensemaking bias and / or impression management (Eisenhardt and Graebner, 2007), information was collected from several data sources. Regular discussions with Richard Sheppard (i.e. lead entrepreneur) and other employees in Draig were conducted as part of the participant observation. All observational data was manually recorded in a journal. Three interviews with Richard Sheppard were conducted in 2008, 2011 and 2012. Also, 24 semi-structured interviews were conducted with employees in Draig and their customers and partners in 2008, 2011 and 2012. In addition, documents and marketing material were analysed.

Semi-structured discussions can promote the refinement of existing theory, and the generation of new insights in a case study. The first interview conducted with Richard Sheppard took place in 2008, and a further in-depth two-hour interview was conducted with him in 2011. The interviews were loosely guided by a list of questions, but flexibility was retained in order to explore other pertinent emerging issues raised during the interview such as the lead entrepreneurs' background, experiences, skills and knowledge, and the activities of Draig between 2005 and 2010. Triangulating multiple of sources of evidence can minimise the risk of error within a case study. Following the multiple contact model (Gephart, 2004), in 2012, a further interview was conducted

with Richard Sheppard to follow-up on Draig's activities. This three-phase methodology yielded broadly similar reproducible responses (Yin, 1994). As intimated above, 21 interviews were conducted with the firms' customers to gather perceptions of their relationships with Draig, and interviews were conducted with three full time employees in Draig.

Thematic analysis and coding of the combined case material were employed as the main analysis method (Miles and Huberman, 1994). All case evidence (i.e. observation journal notes, interview transcripts, corporate documents and marketing material) were analysed iteratively by clustering and organising the data around key words relating to RM, and aspects of RM such as networking, forming strategic alliances and social embeddedness, as well as emerging themes identified (i.e. the social and locational context of Richard Sheppard and the influence of Draig's bilingual competency on its RM). Coding of the data was initially conducted by the interviewer, and subsequently verified by a second researcher. Further, we explored the alignment of case evidence with existing theory (Strauss and Corbin, 1990). Case study findings relate to narratives from Richard Sheppard focusing upon Draig's RM story and the links with customers with regard to themes from RM and social embeddedness theory. Individual interviews with Richard Sheppard were analysed using a narrative analysis approach by eliciting stories as a way of providing insights into the everyday life of Richard Sheppard. Here, the "...interviewer and respondent become active participants who 'jointly construct narrative and meaning' and thus 'render events and experiences meaningful'..." (Larty and Hamilton, 2011: 225). Interview transcripts were examined by exploring critical events, key decisions, complexities of the customer and partner relationships and importantly, Richard Sheppard's reflections about himself and the decisions he had made since the inception of Draig. Following Eisenhardt and Graebner (2007: 29), diverse

material relating to this “... story is then intertwined with the theory to demonstrate the close connection between empirical evidence and emergent theory”.

Overview of Draig Technology Limited

Following 20 years of working as a manager in the IT industry in England and the USA, Richard Sheppard decided to make a life change in 1999 and founded Draig Technology Limited (Draig meaning Dragon in Welsh) back home in Bangor, North Wales and solely ran the business for a year. Initially, Richard worked from home, but after hiring two employees he rented office space at a local business park. Richard began his RM efforts by proactively engaging with a range of local and regional customers, in order to learn about their software requirements. As there was no specific software product or target market at this stage, the nature of RM was ad hoc, illustrating the haphazard, grass root approach to marketing which is common in small firms (Gilmore et al., 2001). However, this relatively loose approach to marketing consistently involved a close proximity to local customers. For instance, Draig’s first software customer was located in the same business park as Draig. Subsequently Draig sought to diversify the customer base by offering information technology (IT) services to several local customers. Draig continued its RM strategy by forming relationships with new customers through actively networking and maintaining established customer relationships, initially in the North Wales area.

Draig’s first successful product was the ‘Tô Bach’ software utility, which was launched in 2005. This software utility makes typing Welsh characters easier. The application was offered free of charge as part of a marketing campaign to create awareness about Draig. The success of ‘Tô Bach’ encouraged Draig to pursue other Welsh and English bilingual software opportunities through more focussed RM. For instance, creating relationships with potential customers for

which bilingual services were selected. Due to increased awareness of their expertise in bilingual software products Draig was selected in 2006 as the technology partner to translate and localise Microsoft Windows XP and Office 2003 applications into Welsh and subsequently. became a Microsoft Gold partner. Draig's bilingual capability has since emerged as a key competitive advantage. However Richard still maintained his RM efforts with existing bespoke software customers and delivered a variety of bespoke software applications to a number of customers. By 2010, Draig provided bilingual software services to the energy supplier sector and the employment size of the firm increased to 14 employees. Overall, Richard practiced RM in order to secure and maintain his first customer although his initial efforts were poorly targeted. Once Draig's position in the marketplace became established, Richard was able to adapt and focus his RM activities according to the type of customer (bespoke, IT services, bilingual).

RM stimulated the growth of bilingual software solutions and as a result, Draig secured several local customers from industries who required bespoke software solutions. The firm thus continued to invest in RM with existing customers, which then enabled Draig to identify and develop further opportunities from existing relationships and networks. Draig's competitive advantage evolved from a bespoke capability to having a unique bilingual software capability, and a unique capability in the energy billing sector. With regard to the latter, their alliance and co-operation with a key large firm partner has been vital to marketing a software product, a key element of RM for software SMEs.

Findings

Rural resource-constrained bilingual context

Richard Sheppard's vision was to set up a successful software development company in North Wales. Richard believed that the Welsh software industry could develop into a key sector in terms of innovation, growth, and job creation. He described setting Draig up as "*a normal part of my vocation and life*". Richard wanted to make a life change and shaped the business around his preferred lifestyle, which is living and working in environmentally attractive North Wales. Locational choice is not always motivated by profit maximisation, because quality of life is important to people who live in rural areas (Jack and Anderson, 2002). The choice of Bangor as a location was based on lifestyle reasons, and because it was Richard's "*local place*". It was also, in part, due to Richard's belief that he could succeed in the area. Richard stated: "*For me it was a case of why can't I do it here? Why can't I be successful here?*". This aligns with Jayawarna et al.'s (2013) proposition that entrepreneur motivations are dynamically interrelated with social circumstances across their life course.

External environments vary in their resource munificence and intensity of competition for resources. Location can be seen as a resource pool that can impede or stimulate entrepreneurial behaviour (Westhead and Wright, 2013). The locality meant that Richard's expectations with regard to technical resources, software development skills, access to potential customers, and financial resources were limited, and thus Richard instinctively conducted RM in order to access resources. He realised that there was a dominant "*public sector-built economy*" in the area, and a culture that was not perceived as conducive or supportive to technical entrepreneurs. Richard reflected: "*What is lacking is a social infrastructure in that it's not business friendly...it's around attitude and culture...it's a culture which is not sympathetic to entrepreneurs-they are seen as a challenge or a threat*". Despite this resource-constrained context, engaging in RM and embedding his firm within the local culture enabled Richard to turn these limitations into specific firm

competencies. RM scholars have not yet considered the impact of locational context or how a NTBF might approach RM in comparison to a larger organisation, leading to the following proposition:

P1: Novice entrepreneurs facing the liabilities of NTBF newness in a rural resource-constrained bilingual context instinctively conduct RM in order to accumulate legitimacy and trust resources required to obtain resources from local and national external resource providers

Relationship marketing

From the start of his firm, Richard mobilised his software development capability and experience to network and develop relationships with prospective customers although the RM approach was initially haphazard due to a lack of clear differentiation and unique offering from Draig. Richard sought to forge relationships with customers by developing an understanding of their issues and providing customised software and additional services to suit their needs (Ruokonen at al., 2008). Richard created relationships with potential customers both reactively and proactively but not in a strategic or linear manner. Draig's first customer was identified via socialising. Richard stated: *"Very informal ... through meeting someone at the pub"*, illustrating the informal nature of networking undertaken by SMEs (Shaw, 2006). Other national (pan-Wales) customers were found through reacting to available tendering opportunities, networking at business events and exhibiting at conferences, but primarily through proactively communicating. Richard reflected: *"You can't exist in isolation. You're in business and you have to tell somebody. Who do you tell? Anyone that will listen!"*. The biggest resource investment that Richard made into each relationship was *"time to communicate ... e-mails, phone calls, meetings that kind of stuff"* in order to ensure

customer satisfaction and as an attempt to build customer loyalty and identify further business opportunities (Helander and Ulkuniemi, 2006).

During the first three years Richard exhibited proactive RM tendencies but not by active pursuit. When probed about finding customers and marketing techniques employed, Richard mentioned several techniques such as networking, cold calling, website, mailshots, and attending events. However the approach to RM became evolved and became more focussed. Richard stated in 2008: *“It’s still forming relationships, and there’s more structured networking like our relationship with Computercenter ... channelled networking. These types of relationships have been more successful in terms of getting customers and expanding brand presence”*. This highlights Richard’s improving RM competency whereby he was able to categorise and identify a specific set of beneficial relationships on which to devote resources into cultivating and managing.

Richard proactively initiated a dialogue with prospective customers in order to understand their needs and overall, pursuing an RM approach seemed to win and impress Draig’s customers. Indeed by pursuing RM, Draig was able to secure customers by providing them with tailor made software solutions, which the customer could not procure elsewhere. One of Draig’s customers reflected: *“The opportunity to build a relationship with them. This is important because if you have a good relationship with the company, you are a lot more likely to achieve your objectives because you can talk to them easily, they will understand you, you can build up the rapport, they will know where you’re coming from and you can both move forward together”*. The benefits realised for the firm included customer satisfaction and future trade based on an established trust in Draig’s service and capability. The benefits for customers included comfort and reduced anxiety knowing that they had a reliable software supplier who would tailor solutions to their needs (Hennig-Thurau et al., 2002). However RM scholars have yet to consider the subsequent power

dynamic within established relationships between the firm and a customer and in particular, the implications for a small firm entering into a relationship with a larger customer. Contrary to the views of Katila et al. (2008), Richard was keen to develop relationships with larger organisations from the outset because he realised the potential benefits. However, the power dynamics between Draig and their first key large organisation customer were tipped more towards the customer who was vital in ensuring Draig's survival and growth. Richard was eager to please the first large customer. He developed a new innovative software solution and personally bore the high costs in order to ensure return custom from the large organisation. In this example, the financial costs to a small resource-constrained firm engaging in RM is apparent.

Networking as an aspect of RM

Richard proactively engaged in networking as means of developing relationships with actors who may become useful resource providers. Richard stated: *“With networking, you just do it ... It's not like studying an advance business or computer science theory ... it's how to communicate and influence people ... I already knew that”*. Limited skills prompted Richard to collaborate with local actors (potential local customers and partner firms), which led to a higher level of local embeddedness (Kalantaridis, 2009). Activities that promoted local embeddedness included networking in local and regional business exhibitions and cultural events, attending business award ceremonies, chairing the local business society and engaging with local public and private sector businesses. These relationships were therefore formed as a reaction to the local resource-constrained environment. For Richard, networking is a social process based on affinity, shared attitudes, and trust (Jack et al., 2010). Networking is an aspect of Draig's RM, but the firm exhibited 'network myopia' (O'Driscoll et al., 2000) with several existing networks ceasing to be

useful. Richard suggested that it is difficult to opt-out of local networks due to strong ties with particular members, and the desire to retain a strong local embeddedness. This presents a potential dilemma for NTBFs who may be involved in too many relationships for fear of becoming less embedded but risk venture development if they are unable to focus on their most valuable relationships. Zhang (2010) has asserted that network ties should be cut strategically to fit the entrepreneur's changing needs. Supporting this view, Draig shaped its networking and RM to suit its needs. Richard reflected: *“The trigger was to realise the ineffectiveness and the lack of relevance (of certain networks) as we became more established. As we have become more specialised it has changed. It's now more specialised relationship building”*.

Forming alliances as an aspect of RM

Richard recognised the benefits associated with building entrepreneur and organisation legitimacy from the initiation of Draig in order to address the liabilities of firm newness and smallness. He consistently sought to enhance his own reputation and the reputation of Draig by developing alliances with key local (e.g. a local authority, a local translation firm), national (e.g. Computercenter) and International (e.g. Oracle and Microsoft) firms. Developing and maintaining these alliances were a key aspect of Draig's RM and a form of resource mobilisation. Forming external alliances is an important strategy for NTBFs (Street and Cameron, 2007) as it can provide the opportunity to share resources and capabilities, and can generate a positive impact on value creation in the software industry (Swaminathan and Moorman, 2009). The benefits of embeddedness highlighted in the literature such as the development of unique new capabilities from inter-firm relations were evident in the Draig case example. This is because Draig's partners were carefully selected. Partners were selected if they had common strategic goals (i.e. to develop

and deliver the software solution), and they were able to provide complementary resources and competencies. An alliance should create an idiosyncratic resource that is unique and difficult to imitate (Hunt et al., 2002). Draig's unique offering was its capability in bilingual software solutions, which provided added value to a larger, more robust partner and enabled Draig to become even more socially embedded as it reflected the culture of the location. Partners that are large and well respected have also enhanced Draig's RM efforts by signalling observable quality to potential customers. This enhanced legitimacy has reduced the risk perceived by some customers, a recognised RM benefit (Hennig-Thurau et al., 2002). One of Draig's customers who later became a partner stated: *"They're giving us confidence and they give the project credibility because they have a good reputation and they are very credible and very competent"*.

Despite the benefits that partnering can provide a NTBF, this case highlights several issues raised by Villaneuva et al. (2012) relating to how entrepreneurial firms manage their relationships with powerful actors who control external resources. In 2009, a large organisation and potential channel partner sought Draig for their expertise in energy billing software solutions. This partnership developed into Draig's most important and lucrative alliance. The channel partner identified the customers while Draig developed the software. Richard suggested the alliance was *"like a marriage but the end customers are the children"*. It was a high-risk relationship for Draig. Notably, Draig had become severely vulnerable to the decisions made by a large external organisation. Draig had been forced to dissolve (due to the inability to recruit additional skilled staff) other customer relationships in order to focus on this potentially larger and more lucrative niche market. Although Draig had achieved financial success and considerable growth due to this partnership, there was a clash of cultures and relationship problems that frequently arose. Due to the amount of time and finance invested by Draig into this key relationship, Draig exhibited

resource dependence on a key customer. Richard feared he may lose his key customer. He commented: *“Six or seven years ago we had 20 clients so if we lost one then it meant losing five or ten percent of my revenue. But it’s different now”*. Despite doubling Draig’s employment size and sales turnover, Richard has not enjoyed the experience. He reflected: *“The last three years have been extremely painful as we have been completely vulnerable ... they’re ten times the size of us and although we have something they want, it would sometimes be easier to walk away”*. Richard reported he was endeavouring to minimise Draig’s relationship dependence disadvantage. Richard stated: *“They’re ten times the size of us and although we have something they want, it would sometimes be easier to get divorced, to walk away ... the problem is that it’s not a sustainable relationship so something has to change”*. Despite the power struggles, and problems that have arisen during the partnership, Richard recognises that it is a relationship worth maintaining.

Yli-Renko et al. (2001) and Katila et al. (2008) assert that entrepreneurs should not become too dependent on one large organisation. Draig illustrates that the mobilisation of resources by Draig and a large organisation has generated outcomes that would not have been possible by Draig going it alone (Villanueva et al., 2012). Richard, however, recognises that he needed to establish a mechanism that promoted a display of equity and empathy from the larger, more ‘powerful’ organisation. Although RM involves the management of relationships, scholars have not examined how NTBFs should approach the management of relationships with larger, more powerful partners. As classic RM theory is more suited to larger more resource-abundant organisations, the following propositions reflect the new patterns observed by a NTBF in a unique context:

P2: Early approaches to RM in NTBFs does not evolve in a linear or uniform manner.

P3: Novice entrepreneurs in a rural resource-constrained bilingual context re-shape RM

relationships in order to reduce dependence disadvantage with large powerful partners and to focus on their most valuable relationships.

Social embeddedness in a rural resource-constrained bilingual context

Draig exhibited low relational embeddedness when the firm started but by 2008 through engaging in RM they had become highly embedded with several partners. Draig established relationships with partners with different skills and knowledge sets than Draig in order to identify and reap opportunities and demonstrate enhanced credibility in the marketplace (Jack and Anderson, 2002). Draig's skills in RM enabled them to become embedded and were key to Draig when developing their competitive advantage. Richard commented: *“a focus on software for the Welsh language came from these relationships ... developing relationships with key people in this sectors, focusing on the Welsh market and becoming a Welsh branded identity”*.

Draig tended to have closer, more highly embedded relationships with lower redundancy between the partners, which enhanced current capabilities such as straightforward bilingual web-based information databases. However, Draig were unable to mobilise new capabilities such as highly sophisticated multilingual software solutions that could potentially be marketed to several industries. Draig thus needed to consider working with other large software companies for either a short period of time, or on a less intense / more flexible basis, in order to accumulate and mobilise new capabilities. The RM practiced at Draig promoted relational and structural embeddedness that fostered the following benefits for Draig: customer retention and accumulation of strategic resources such as market knowledge, additional skills in developing solutions, and a strong brand which provided credibility when tendering for high value contracts.

One locational impediment which Draig initially viewed as an obstacle was an external perception that a relatively rural area is not conducive to the development of innovative software firms. Draig's newness meant that it lacked credibility in terms of customer references and past experiences. Richard overcame these barriers by focusing on the positive aspects of the locality. In this respect, Draig became socially embedded, which was vital in understanding the local structure and to identify entrepreneurial opportunities in a specific context (Jack and Anderson, 2002; Kalantaridis, 2009) by mobilising their bilingual capability. The subsequent focus on the Welsh language was an opportunity developed due to Draig's social context and a unique capability, which emerged through relationships. Richard reflected after Draig were commissioned to write the bilingual software standards for Wales: *"Did we get paid for writing the standards? No. Did we win any business? No. But I got to speak at various seminars three or four times a year and those seminars included people from Oracle, Microsoft..."*. This demonstrates how a firm's social context was able to shape an entrepreneur's propensity to engage in RM. In 2006, based on their bilingual achievements, Draig won a 'Best Bilingual Business in Wales' award, and subsequently developed new relationships with future customers based on the award's publicity and improved perceived credibility in the marketplace. These examples illustrate how Draig was able to use their bilingual capability to develop new networks and relationships and, ensure social embeddedness. Social embeddedness theorists assert that an entrepreneur's level of social embeddedness can determine the resources available to an entrepreneur (Jack and Anderson, 2002). In this case we see an instance whereby an NTBF not only is able to access local resources but is able to create a unique capability, through the practice of RM which further impacts their level of embeddedness. Therefore,

P4: Novice entrepreneurs with limited resources operating in a rural resource-constrained bilingual context seeking firm development engage in RM to broaden their firm's social embeddedness.

P5: Novice entrepreneurs in a rural resource-constrained bilingual context engage in RM to accumulate and mobilise local embeddedness resources.

Conclusion

Contributions of the study

The aim of this study was to provide fresh insights into the development of RM by a novice entrepreneur seeking to develop a NTBF located in a rural bilingual resource-constrained environment, where the Welsh language can shape opportunity exploitation, resource accumulation, and firm development. The novice entrepreneurs' RM efforts, networking and partnering were proactive, but the RM process was not always linear or logical. Although Draig became larger than it has ever been in terms of sales turnover and employment size, Draig still exhibited resource dependency on a dominant partner but strove to address resource dependency by engaging in networking activities to become more socially and locally embedded, as well as to accumulate and mobilise resources required for opportunity identification and exploitation.

This in-depth case has provided rich description relating to the take-up, shaping and re-shaping of RM by a NTBF operating in a rural bilingual resource-constrained context where the firms' novel technological and bilingual capabilities provide a competitive advantage. The key theoretical contribution of the case is its ability to demonstrate how this context shaped the RM process in a NTBF. Specifically, this case shows that developing mutually beneficial relationships with customers and key partners can enable a novice entrepreneur with no prior business

ownership and limited marketing experience to accumulate and mobilise resources in order to achieve credibility and business growth. Guided by presented findings, we contribute to RM theory elaboration by linking RM to the theoretical stream of social embeddedness that relates to the entrepreneurial process. The qualitative approach followed in this study both builds on prior empirical and theoretical literature and enables the derivation of the contextually grounded new propositions that are amenable to subsequent testing.

Implications for practice

This case suggests implications for entrepreneurs, practitioners and policy-makers. The behaviour of Richard Sheppard illustrates how specialised relationship building and networking is appropriate for a novice entrepreneur who seeks to acquire resources to ensure firm development. RM can enhance the legitimacy of an inexperienced entrepreneur, and can enable a firm to address the liabilities of newness in a rural resource-constrained context where there is limited external resources, and intense local competition for resources. This case illustrates how locational and cultural restraints can be overcome and turned into opportunities for success. Entrepreneurs need to focus on relevant and specialised partnership and alliance relationships that can provide strategic resources for firm development. This case also illustrates that entrepreneurs need to quickly recognise when formal or informal networks cease to be useful. Entrepreneurs need to focus on customer needs. RM can facilitate win-win relationship for all parties, and create value for customers. Despite the potential benefits of alliances with larger organisations, novice entrepreneurs should avoid over-dependence on a sole large organisation, and they should be vigilant throughout the relationship. Power struggles and control issues within a key relationship with a sole large organisation can threaten a novice entrepreneur's confidence, and firm

development. Novice entrepreneurs need to foster RM with less embedded but more redundant vertical partners, which generate new and innovative capabilities required for new opportunity discovery. Working with other software smaller firms that have complementary knowledge, but are not too close in capabilities, would enhance inter-firm learning and may lead to co-creation of new solutions. Another way of remaining innovative is to proactively change partners in order to fight ‘institutionalised creativity’ (Grayson and Ambler, 1999). Finally, RM can enable entrepreneurial firms to embed themselves locally and in the wider opportunity structure, and it can address the resource limits associated with local embeddedness alone. RM is, therefore, an effective strategy for some entrepreneurial firms to overcome local restraints on business survival and development.

This case has implications for policy-makers seeking to promote economic development, whilst at the same time enhancing local culture in a resource-constrained environment. Notably, this case demonstrates that RM enabled a novice entrepreneur to acquire and mobilise essential resources. Assuming an interventionist stance, policy-makers seeking to promote wealth creation may play an active role in encouraging more inexperienced (and experienced) entrepreneurs to accumulate and mobilise RM for venture development. Policy-makers may have a role in addressing attitudinal and resource barriers to the adoption of RM. They may directly (or indirectly) support the provision of information and educational support systems that promote the take-up of RM, particularly by inexperienced entrepreneurs who do not have any prior marketing and/or business ownership experience. To increase the adoption of RM, policy-makers can highlight the benefits associated with RM practices. In addition, entrepreneurs can be encouraged to identify and exploit new opportunities for wealth creation. Events and/or schemes directly (or indirectly) supported by the public purse need to clearly illustrate to entrepreneurs the benefits of

partnering, and the risks associated with overdependence on a single partner. At these events, the story of Draig Technology Limited could be presented as an exemplar case illustrating the issues facing NTBFs, and how RM is a route to ensure venture development in a rural resource-constrained area. Additional case study examples relating to diverse types of entrepreneurs and firms with reference to industry and location context are warranted to illustrate the broader benefits of RM. The bilingual influence has also been shown to aid the development of new relationships and thus ensuring social embeddedness and as such, this could have wider applicability to firms who wish to operate in bilingual markets globally. Initiatives to assist owners of NTBFs to develop suitable partnerships with larger complementary firms are also warranted.

Limitations of the study and recommendations for future research

Inevitably, evidence from a single case relating to a single industry and a single extreme locational context is associated with limitations. Despite the recognition by Eisenhardt and Graebner (2007: 27) that, "... theory building from multiple cases typically yields more robust, generalizable, and testable theory than single-case research", the persuasive power of the single extreme case (Siggelkow, 2007) for theory building or elaboration is widely recognised to shape the focus of future multiple case study analysis (Pratt, 2009). We recognise that the novel key findings from this study that have not been detected before need to be explored in a variety of national, environmental and cultural contexts in order to ascertain their validity. However, the explored context, which is atypical in entrepreneurship research, aids theoretical development by serving as a comparison (Stringfellow et al., 2013) with the extant RM and resource mobilisation research more typically conducted with reference to large firms, and resource munificent external environments. Many entrepreneurship studies fail to illuminate temporal dimensions (Bengtsson

and Johansson, 2014). In this study, the lead novice entrepreneur, employees and customers were interviewed on several occasions over a five year period. A novel diachronic dimension to the emerging conceptualisation of the RM process in a new small private firm was conducted. Additional qualitative (i.e. multiple cases that can derive propositions deeply grounded in varied empirical evidence) (Eisenhardt and Graebner, 2007) and quantitative studies are required to explore the issue of RM in small private entrepreneurial firms. Future multiple case studies could build or elaborate RM theory with reference to a theoretical sampling approach (Eisenhardt and Graebner, 2007). Studies could focus on polar types of entrepreneurs and external environment contexts. For example, a two by two theoretical sampling typology (Fischer and Reuber, 2004) of RM entrepreneurs could relate to the theme of entrepreneur prior business ownership experience on one axis (i.e. the extremes of novice and expert experienced entrepreneurs), and on the other axis the level of resource munificence in the external environment where the entrepreneur is operating their primary venture (i.e. the extremes of resource scarcity and munificence). Case studies or cross-sectional quantitative studies relating to multiple sources of data across people, space and time could explore the RM contexts, behaviour and outcomes reported by novice entrepreneurs compared relative to different types of serial and portfolio entrepreneurs who have contrasting combinations of prior business ownership success and / or economic and / or non-economic failure experience to mobilise. Links between RM, prior business ownership experience, embeddedness and networking could provide additional insights to guide the resource allocation decisions of practitioners seeking to protect and economically and socially stimulate rural communities with distinctive cultural and linguistic attributes.

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