New entrants into geographic regions that are themselves just emerging face a ‘double liability of newness’. The prospects for newly-founded organizations tend to be limited or highly uncertain (Freeman, Carroll & Hannan, 1983). When founded by individuals without the direct support of established firms, they start off without many of the capabilities that lead to success (Carroll et al., 1996). Sometimes, nascent organizations can benefit from the collective accomplishments of the regions in which they are founded (Landon & Smith, 1997). However, emerging regions initially lack these clusters and are thus poor in spillovers emanating from incumbent producers. Other times, the required organizational capabilities come from or through experienced founders (Freeman, 1986; Klepper, 2001). Again, however, the established incumbent organizations that tend to spawn these experienced founders are lacking in the early phases of regional development.

In this paper, we advance a perspective on the emergence of competitive successes in which specific acts of entrepreneurship combine with developing social ties among early founders within a geographic region. When the relevant insights and capabilities are not imported into a region via the in-bound mobility of experienced founders, they must be developed locally through the actions and experiments of local entrepreneurs. The competitive implications of successful acts of entrepreneurship are amplified in the presence of ‘friendship ties’ (Ingram & Roberts, 1999) among individuals in the region. These social ties support the spread of ideas, supportive resources and capabilities and confidence (Sorenson & Audia, 2000) among the founders who establish organizations in a just-emerging region. Friendship ties are critical during this emergent phase given the lack of cumulative successes that give rise to collective reputations (Tirole, 1996) and specific regional identities (Romanelli & Khessina, 2005) that might be accessed by individuals not connected by close social ties. Thus, we predict that the success of early entrants into a region depends on having pre-founding friendship ties to entrepreneurs who have themselves experienced some success. How organizations interact and succeed within regions evolves over time. With accumulating prior successes, a region’s collective reputation and its identity solidify and some of the requisite ideas, resources and confidence drivers become external to any one individual or organization. Moreover, as the informal groups expand and become communities of related organizations, regions also begin to house thicker local labor markets (Marshall, 1920). The resulting employee mobility
provides broader conduits for the diffusion of ideas and capabilities to the new entrants. Thus, we predict that as a region matures, the positive effects of pre-founding friendship ties to successful entrepreneurs become weaker.

Note that we focus on pre-founding friendship ties for two reasons. Following recent research that examines the implications of pre-founding career experiences on the competitive prospects of young firms, it is theoretically interesting to examine those factors that shape founding blueprints (Baron, Hannan & Burton, 1999). These core and enduring ideas imprint new firms (Stinchcombe, 1965) and thus have enduring consequences for important firm outcomes (Roberts, Klepper & Hayward, 2009). From an empirical point of view, the examination of pre-founding social ties allows for a clearer identification of the effects of ties that clearly predate our observed outcomes and that likely form for a number of factors (i.e., geographic proximity or ethnic homophily) that are not ties to the pursuit of those outcomes.

The Ontario Wine Industry

Ontario’s emergence as a quality-based wine region is characterized by recent rapid growth. Prior to the New World wine boom in the 1970s, there were only eight commercial wineries active in Ontario. The turning point for Ontario was the founding of Inniskillin in 1975. This was the first winery to receive a license from the Ontario government in fifty years. Several other wineries soon followed and by the late-1980s there were about a dozen new Ontario wineries. In this early period, passionate winery founders experimented with different winemaking approaches and different wine styles. By far the most important entrepreneurial experiment during this period occurred during the winters of 1983 and 1984. A group of four founders with German-Austrian backgrounds struggled in their initial attempts at making Icewine, which is produced by picking and vinifying grapes after they have frozen on the vines. For the next half dozen years, the wineries that learned to make Icewine had a difficult time selling it. In an effort to increase demand, Reif Estate sent a bottle of its 1987 Vidal Icewine to Robert Parker, the famed wine critic, who proceeded to list it among the best wines tasted in 1989. The watershed event for Ontario Icewine, however, occurred when Inniskillin won the prestigious Grand Prix d’Honneur at Bordeaux’s Vinexpo wine fair in 1991.

From then on, Ontario built on these initial entrepreneurial successes with an expanding community of wineries and growing market acceptance. Today the region houses more than 100 wineries, most of which produce and sell Icewine. This said, not all producers have had equal success selling their wines. As evidence of this, consider that by the end of 2008, Ontario’s wine producers had accrued 107 reviews from the Wine Spectator for their Icewines. More than one-third of these were 90-plus quality ratings. However, all of these influential reviews went to 23 producers, meaning that roughly 3/4 of the new entrants had not received global recognition for their Icewines. Interviews with roughly 40 Ontario
winery founders indicated similar variability in their wineries’ abilities to gain effective and reliable access to local distribution channels, specifically the Liquor Control Board of Ontario (LCBO), by far the dominant retail outlet for wines within Ontario.

The specific questions that we address are first, did the accrual of published reviews in the Wine Spectator or regular listings in the annual catalogs of wines sold through the LCBO depend on having pre-founding social ties with successful entrepreneurs? Second, did the positive effect of these social ties diminish as the region matured over time? The social ties that we emphasize are pre-founding friendship ties to one of the original group of Icewine producers, or to other entrepreneurs who had accrued their own prior Wine Spectator reviews and favorable LCBO catalog listings. To obtain the requisite friendship tie information, we administered surveys to the founders of Ontario’s wineries. After providing information about the pre-founding wine industry employment experiences of each member of the founding team, each respondent is shown a roster of all Ontario wineries and asked to identify those at which s/he had ‘pre-founding professional friends’. These are people that at least one of the founders liked and whom he/she would have felt very comfortable asking for advice or a favor.

References
