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It's all about whom you know:

The meaning of networks for small entrepreneurial firms

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Abstract

Networking among entrepreneurial firms is a widely researched and debated topic amongst academics; however, there are still research gaps. Most research is based on quantitative studies and researchers have called for more qualitative analysis to gain a deeper understanding in what impact networks have on entrepreneurial firms.

The *purpose* with this dissertation is to explore in what way networks are important (or not) for small entrepreneurial firms, and if this changes over the firms' development. The study has an interpretive philosophy and an exploratory research design. To collect data eight semi-structured interviews, with entrepreneurs in Kristianstad and the nearby area, were completed.

The *findings* of this study are that networks look different for all entrepreneurial firms and the importance of different relationships changes over the firms' life cycle. Informal relationships (*family* and *friends*) are important for the entrepreneur when it comes to encouragement and support, while formal relationships (*suppliers, employees, customers* and *other entrepreneurs*) contribute to the success of the firm by providing the entrepreneur with knowledge and advice.

The *conclusions*, from the collected data, are that all relations are not of equal importance to all entrepreneurs. The importance depends on the entrepreneur's personality and the industry the entrepreneur operates in. However, we found that the importance of talking to other entrepreneurs has grown and that the most important relationship seems to be with family and friends.

The *demarcations* of this study are that only entrepreneurs in one area of one country were interviewed, also that a qualitative method was used; therefore, we cannot show any statistical proof of the findings.

Keywords: entrepreneur, entrepreneurial firms, networking, formal relationships, informal relationships, relations

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1. Introduction

This chapter describes the background, problem statement, purpose, research question and limitations. At the end of this chapter there is an outline of the rest of this dissertation.

1.1 Background

Entrepreneurs have had a significant impact on the Swedish economy since the 1800s, when the freedom of trade increased opportunities to run business. According to Företagsamheten (2014) entrepreneurs and entrepreneurship will become more influential in the future because other competitive factors between countries and regions, for example natural resources and borders, will lose importance. When these factors diminish, factors linked to personality will increase. The accelerating pace of change in society today also increases the need for development, adaptation and conversion. The result of this is that people, companies, organizations, regions and nations best able to organize innovative activities will face the best development (Företagsamheten.se, 2014). Bjerke and Hultman (2002), state that the world economy is now in a new era, because there are several phenomena in the environment today that we have not seen before. They mention phenomena as: difficulties to plan the future, many drastic changes and the fact that firms most strategic resource is no longer capital, instead it is to have insightful and visionary employees, in other words access to entrepreneurs and their ideas (Bjerke & Hultman, 2002). In the next section the historical background of the entrepreneur will be discussed.

1.1.1 The historical background of the term Entrepreneur

The word entrepreneur originates from the French verb *entreprendre*, from the 1300s. It means to do something or to undertake. By the 1600s, people who undertook a business were referred to as entrepreneurs (Sobel, 2008). In the 1700s the French writer Cantillon, called those who bought goods at certain prices and then resold it at uncertain prices for entrepreneurs, since they bore the risk of not being sure of what price they could resell the good for (Sobel, 2008). The French philosopher Say, broadened the definition in the 1800s, and included as entrepreneurs they who organise factors of production. At the same time the researcher Smile looked at the entrepreneurs according to their personal and physiological traits. In the 1900s the economist Mill started to look upon capitalists as entrepreneurs because of the risk the capitalists bore (Bjerke & Hultman, 2002).

Schumpeter (1943) introduced a newer concept of entrepreneurship (Bjerke & Hultman, 2002; Glancey & McQuaid, 2000). His definition of an entrepreneur was someone who implements change in the economy by introducing new combinations of means of production or new goods (Sobel, 2008). Innovation is an important component of Schumpeter's entrepreneur; however, it must also include implementation of the new idea or activity and not just generating a new idea. These thoughts suggest that entrepreneurship can be temporary, and when the entrepreneur develops new products or services, or develops or expands the business; they rank as small business owners or managers rather than entrepreneurs (Bjerke & Hultman, 2002; Glancey & McQuaid, 2000).

Shapero (1975) argued, from a sociological position, that all organizations and individuals have the potential to be entrepreneurial. He focused on activities instead of the starting up of new organizations, when examining entrepreneurship. In his view, an individual or a group's initiative taking, resource gathering, autonomy, and risk taking characterize entrepreneurship. This definition covers all types and sizes of organizations independent on which function or goal the organization has (Shapero, 1975). The Oxford dictionary (2014) defines an entrepreneur as someone who undertakes an enterprise or business with the chance of profit or loss, which means that an entrepreneur is someone looking for rewards but also taking risks, someone who links different people and resources for commercial reasons or someone in control of a business. Next, the linkage between entrepreneurs and small and medium sized companies will be discussed.

1.1.2 Entrepreneurs linkage to Small and Medium sized companies

Entrepreneurs are often linked to small and medium sized companies and they account for a large part of the Swedish economy and employment. Small and medium sized companies have fewer than 250 employees and an annual turnover not exceeding 50 million Euros, and/or an annual balance sheet total not exceeding 43 million Euros" (European Union, 2003).

In Sweden, small and medium sized enterprises represent overwhelming majority of the industry (Svenskt näringsliv, 2013). There has been a growing interest for entrepreneurship, which has resulted in a growing interest for the changing role of small businesses. Data has shown that smaller ventures grow faster than large ones (Evans 1987), and over the last decades large firms have lost jobs while small firms have created new jobs (Drucker, 1985). Small firms are also found to be the major source of new innovations. This increasing importance of small businesses is also due to changes in the business environment, changes such as harsh global and local competition, the acceleration of technological development and

the increase of risk. Innovation, immediate adoption and reply to changes and entrepreneurial behavior have become vital for development, but also for survival. These changes have increased the importance of collaboration and cooperation between firms, which we can call networking (Drucker, 1985). According to the European Commission (2013) small firms are important for the economy and they are dependent on entrepreneurs. The European Commission states that Europe needs and wants more entrepreneurs and the commission will help and encourage everyone wanting to set up a firm in Europe (European Commission, 2013). The term network will be discussed in the next section.

1.1.3 The term Network

The term network can have many meanings, but the reference to network, as a paradigm is the most widespread use of the word. Network as a paradigm subsumes network logic, methodology, data structure and relational theory tests (Iacobucci, 1996). For some time researchers at the entrepreneurship area have engaged in the concepts of networks and networking to explore how entrepreneurs do business. More recently attempts have been made by O'Donnell (2004) to show how the networking process contributes to small firm marketing. According to Witt (2004) networking allows businesses to gain access to resources that might otherwise not be available to them. It can also assist the development of a firm's trustworthiness, expand the customer base and supplier contacts, highlight access to resources and available funding, encourage innovation and help develop strategic partnerships (Witt, 2004). Networks, according to Harris, Rae and Misner (2012) contribute to marketing effectiveness in entrepreneurial organisations because networking is the entrepreneur's inborn preference. They also mean that a business owner who has a more open network with diverse connections will have greater opportunities to develop a successful business than an individual with many connections within a single or a closed network (Harris, Rae, Misner, 2012).

1.2 Problem statement

According to Shaw (1999), entrepreneurs are identified as individuals that drives to be individual and independent; they are often more creative and have a lot of ideas that they want to fulfil. It is often the entrepreneurs that establish new enterprises because of their creative ability (Kobia & Sikalieh, 2010). Entrepreneurs have to be proactive and try to be prepared for things to come, and according to Shaw one core activity in their business running is networking (Shaw, 1999). Shaw (1999) also mentions that networks have been found to have a positive impact on entrepreneurial firm's innovation processes. When firms collaborate through networks they can share and code technical and scientific information that will encourage innovations and new product development. This will lead to more resource effective work and,

therefore, lower the costs for the firm. According to Hill, McGowan and Drummond (1999) networks improve the decision making process which leads to faster and more accurate decisions because the decision maker has the right information at the right time. According to Bjerke and Hultman (2002) the economy is in a new era and there are phenomena in the market never seen before, which makes it difficult for small firms to survive. These changes have increased the importance of collaboration and cooperation between firms and, therefore, the importance of networking (Drucker, 1985).

Shaw's (1999) definition of networks is that it is an important tool that can contribute to more effective business, since it can improve development of new products, introduce firms to new clients and make the pricing structure more effective. Another definition of networks discussed by Ford, Gadde, Håkansson and Snehota (2003) is that networks are a structure of nodes that are related to specific threads. These nodes can be a business unit, or people as: producers and customers. The threads are the relationships between companies and networks have different structures in different relations (Ford, Gadde, Håkansson, & Snehota, 2003; Rejeb-Khachlouf, Mezghani, & Quélin, 2011).

Hill, McGowan and Drummond (1999) have developed a theoretical model about relations in networks and it illustrates that the entrepreneurial network can be divided in informal and formal networks. These two parts of networking are used depending on which stage the firm is in. The first part is the informal network, which is the entrepreneur's social network. It contains the relations with family and friends and the entrepreneur uses this network to evaluate opportunities and to confirm information (*Ibid*). The degree in which the social network can play an effective role for the firm is dependent on the knowledge of the people in the network (Rejeb-Khachlouf, Mezghani, & Quélin, 2011). The informal network does not always contribute with the experience and expertise that is necessary and, therefore, the major role of the people engaged in this network is to support and encourage the entrepreneur (Hill, McGowan, & Drummond, 1999). When the firm grows the entrepreneur has to seek for additional information that the informal network cannot provide. The entrepreneur has to include professional, formal relationships too because the enterprise will grow and in the growing process the formal relations are important tools. Formal networks contain people as: bank managers, employees, suppliers and accountants (Hill, McGowan, & Drummond, 1999).

O'Donnell and Cummins (1999) state that the small firm owner relies heavily on the existence of a social and economic infrastructure and on the co-operation of many people. This statement strongly suggests that the relations a small firm/entrepreneur engages in are important. Limited

research has looked at the role networking plays in the business activity of small firms, or at the ways it has been managed over the firm's life cycle. There are many different models that can explain different stages that a firm goes through. Scott and Bruce (1983) have explained five different stages a small firm goes through and they are: Inception, Survival, Growth, Expansion and Maturity.

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A context that needs to be further examined is the issue of personal contact networks regarding entrepreneurs. Personal contact networking is defined by Hill, McGowan and Drummond (1999) as the management of relationships or alliances, the entrepreneurial individual has with others in the society. The entrepreneur has to build both formal and informal relations with people within the society who are, or can become important in assisting them to progress the growth ambitions of the enterprise (Rejeb-Khachlouf, Mezghani, & Quélin, 2011). These kinds of personal networks are a very important asset to entrepreneurs and the value of them depends on how the individual nurtures and develops these relationships. Entrepreneurial networks have been gaining increased interest for researchers but empirical studies have shown quite conflicting results. According to O'Donnell & Cummins (1999) this depends on the over use of quantitative methods to investigate the subject of small firm networking (*Ibid*). Based on the discussion above the aim of this study is to explore entrepreneurial firms from a networking perspective, with the use of a qualitative method.

1.3 Purpose

The purpose of this study is to explore in what ways networks are important (or not) for small entrepreneurs and their firms and if this changes over the development of a firm.

1.4 Research question

The research question this dissertation will investigate is:

In what ways do small entrepreneurs look upon networks as important (or not) for their firms?

1.5 Demarcations

A demarcation of this study is that only local entrepreneurs have been examined, and that eight selected entrepreneurs have been interviewed. Therefore, this study cannot be generalised outside of the examined area. Another demarcation is the research design; this study examines networking in a qualitative way and does not demonstrate statistical proofs of the findings.

1.6 Outline

This dissertation consists of five chapters. The first chapter presents the background, problematisation, and the purpose with the study and the research question. In this chapter limitations and the outline of the dissertation are also included, and it ends with definitions. In the second chapter the theoretical framework is presented. This chapter ends with building a preliminary research model. In the third chapter the methodological considerations are presented and also the adapted research philosophy, approach and design. This is followed by a description of the chosen participant selection and information collection. This chapter ends with an information analysis and a few comments on the credibility, transferability and conformability of this dissertation. The fourth chapter presents the data collection and discusses the data. In the fifth and last chapter conclusions, limitations and practical implications are presented. The chapter ends with suggests for further research.

1.7 Definitions

In this section we explain which definitions we will use in our study regarding what an entrepreneurial firm is and what networks are.

The definition of an entrepreneurial firm we have chosen for our study is a small business, owned by someone who has started or bought it, and now is managing it. We believe that an individual establisher or a buyer of an already existing firm is a risk taker. In the environment today it is difficult to survive on the market, and you have to be innovative and creative to succeed. According to Kobia and Sikalieh (2010) an entrepreneur can be an individual who establishes and manages a business for the purpose of profit and growth, therefore, a business owner is an entrepreneur. According to Business dictionary (2014), entrepreneurship is about having the capacity and willingness to develop, organise and manage a business venture along with the risks in order to make a profit. One example of entrepreneurship is the starting of a new business (Business dictionary, 2014). The entrepreneurial firms we will explore will be small or medium sized. A small or medium sized company must have fewer than 250 employees and an annual turnover not exceeding 50 million Euros, and/or an annual balance sheet total not exceeding 43 million Euros” (European Union, 2003).

Our definition of networks is the relations an entrepreneurial firm has with people in the surroundings. These relationships can be with the entrepreneur's family, friends, and competitors and also with the firm's employees, suppliers and customers. These relations contribute to information exchange, encouragement and may also provide the entrepreneur with advice to develop the firm. Personal networks are according to us networks specific for each entrepreneur and firm, and consider the personal and specific relationships the entrepreneur has with colleagues, competitors, family and friends, customers and suppliers. All these relationships do not have to have the same meaning for all entrepreneurs or in the different stages of firm growth. Next chapter presents the literature review.

2. Theoretical framework

In this chapter theories about entrepreneurship and networks will be discussed, since the purpose of this study is to explore the impact of networks for entrepreneurial firms and if the meaning of networks has changed over different stages of firm growth. After discussing these two terms, entrepreneurs and their relation to networks will be discussed. Lastly our own developed preliminary research model will be discussed and explained.

2.1 Entrepreneurship

In this section, different theories about entrepreneurship are reviewed to gain an understanding about how the view of the term has changed over the years, and which different perspectives that exists in the area. Firstly the traits approach will be discussed; secondly the behavioural approach and lastly the opportunity identification approach.

2.1.1 The Traits approach

The Traits approach suggests that certain individuals are more likely to become entrepreneurs because of their personal traits. People can have access to the same information and the same skills, but it is their personal traits that decide if they will take the opportunity and succeed or not (Shane, 2007). The entrepreneur is supposed to be a particular personality and to have particular motives and incentives. The specific personal traits for entrepreneurs according to this approach are: need for achievement, locus of control and risk taking propensity. The need for achievement has been examined by comparing entrepreneurs to the “general population”. McClelland (1961) studied this trait. His results demonstrated that people with a high need for achievement more often take on an entrepreneurial position rather than a more managerial one, to attain more achievement satisfaction (Stewart, 2003). Collins (2002) and Stewart (1999) support McClelland’s work. Their analysis showed that the need for achievement actually differentiated entrepreneurs from the rest of the population. The argument is that people with a high personal achievement orientation are more likely to become entrepreneurs. Although empirical studies have supported the existence of a link between entrepreneurship and the need for achievement (Begley & Boyd, 1987; Perry et al, 1988; Stewart et al; 1999, Lau & Busenitz, 2001; Lee& Tsang, 2001), it can be argued that entrepreneurial success is not just a matter of wanting or needing to achieve. Individuals with a strong need for achievement might act entrepreneurially; nevertheless, there are problems with promoting the need for achievement in explaining entrepreneurial motivation (Kobia & Sikalieh, 2010).

Regarding the control trait, individuals believe that the outcomes of events are either within (Internal) or beyond (External) their personal control. An individual with the belief in internal locus of control believes that the outcome of an event depends on his or her own behaviour or characteristics. Such an individual believes that he or she can manipulate the environment by actions and being responsible for his or her own destiny (Kobia & Sikalieh, 2010). An individual with the belief in an external locus of control instead believes the outcome of events is not entirely dependent on his or her actions, instead on factors beyond their control such as fate, luck and chance. Research on this trait shows an association of the internal locus of control trait with entrepreneurship (Rotter, 1966; Hull et al, 1980; Ward, 1993; Boone et al, 1996; Boone et al, 2000; Low & Macmillan, 2001; Lee & Tsang, 2001; and Amit et al, 1993). This means that entrepreneurs believe in their capability and their own action. However, people may feel in control of one aspect but not the rest. Therefore, locus of control does not adequately explain why individuals may choose to behave entrepreneurially or not (Kobia & Sikalieh, 2010).

The high risk-taking propensity characteristic is also recognized with entrepreneurs. This attribute measures people's willingness to engage in risky activities (Shane, 2007). People with higher risk-taking propensity are more likely to exploit entrepreneurial opportunity since risk bearing is a large part of being an entrepreneur (Van Praag & Cramer, 2001). A review by Stewart and Roth (2001) showed that the risk-taking propensity of entrepreneurs was greater than that of managers. Evidence suggests that individuals have different cognitive styles when taking risks and there is a difference between the act of risk taking and actively seeking risky assignments. This suggests that there is a lack of agreement on the nature of entrepreneurial risk taking (Kobia & Sikalieh, 2010). Researchers still do not know which specific traits differentiate entrepreneurs and it is not clear at what stage in life the traits become visible. It has also been argued that traits can be learned from the environment; therefore there is a need for further research in this area (Kobia & Sikalieh, 2010). The next piece of discussion will focus on the behavioural approach.

2.1.2 The Behavioural approach

Entrepreneurship can also be viewed as a form of behaviour and then entrepreneurs are defined by what they do instead of who they are. According to this theory an entrepreneur is an individual who establishes and manages a business for the principal purpose of growth and is characterized by innovative behaviour and employs strategic management practices. This approach looks at entrepreneurship from the perspective of creating an organization

(Kobia & Sikalieh, 2010). In this approach the organization is the primary aspect of analysis and the individual is viewed in terms of activities undertaken to enable the organization to come into existence (Gartner, 1985). This approach investigates the role the entrepreneur play when creating a new organization and the process that involves obtaining equipment, establishing production processes, attracting employees and setting up legal entities (Shane, 2007). This process also involves planning, which helps the entrepreneur to express a clear vision, which in turn supports growth (Baum et al, 1998). Researchers must observe entrepreneurs in the process of creating new organizations because it may uncover or even create further business opportunity.

The other stream of research in this approach is the issue of the different types of organizations created by entrepreneurs. According to Wagner and Ziltener (2008) traditionalists, growth, lifestyle and status entrepreneurs differ in their motives as well as their entrepreneurial risk levels. Entrepreneurs can be distinguished from other owner or managers by their intention to manage and grow an organization for profit as opposed to maintaining a practical business as a means for achieving personal goals such as income, lifestyle and autonomy (Kobia & Sikalieh, 2010). It is important to establish and understand the intentions underlying the creation of entrepreneurial organizations. This will help in understanding why some of the organizations created do not end up as successful ones (Kobia & Sikalieh, 2010). Next follows a discussion of the opportunity identification approach.

2.1.3 The Opportunity identification approach

Venkataraman (1997) followed by Shane (2007) takes a different approach in defining entrepreneurship. They both argue that economists do not define economics by defining the resource allocator and, therefore, it would be a mistake for the researchers to define the field by defining the entrepreneur. In their regard entrepreneurial opportunity is a situation in which a person can create a new framework for combining resources that he/she believes will gain a profit. Venkataraman (1997) and Shane (2007) also argue that it is one thing for the opportunities to exist, but a different matter for them to be discovered and exploited. The question is why some individuals exploit opportunities while others do not (Kobia & Sikalieh, 2010). Answers to this question found by researchers include: family background and early socialization into business and economic factors (Gibb, 2001). Individuals who grow up under difficult circumstances, such as immigrants, minorities and those who get an early socialization in business have higher chances of becoming entrepreneurs. According to

the necessity driven opportunity perspective the situation one finds him/herself in compels the individual to seek a livelihood by creating a new venture; they will chose to become entrepreneurs for personal motivations (Kobia & Sikalieh, 2010). Entrepreneurs can therefore be defined as persons who are creative in finding ways to add their own wealth, power and prestige. This approach demonstrates that the individual combines both traits and behaviour to identify and exploit a business opportunity within the environment (Kobia & Sikalieh, 2010). To be able to fulfill the purpose of this study, different theories about networking must also be discussed. Next section, therefore, discusses networking theories.

2.2 The development of networks

Studies of networks can be traced back to early civilizations where people tried to understand the buying and selling of services and products in different markets. The research about networks did not actually start until the beginning of the 1900s (Wilkinson, 2001). It was most institutional economists that conducted research about business networks and they contributed with basic principles and concepts about networking. The economists wrote that relationships could help a firm forward in gaining more profit. Schumpeter showed that institutional change steam from the process of competition instead of the concept of price competition. He also showed that organizations and business networks adapt to changing conditions and new technologies in an attempt to make a place in the business system (Wilkinson, 2001).

In 1921 there was a pioneer named Macklin that understood the importance of working relations between farmers and middlemen. This relation would bring out successful and efficient business processes. At that time there was an understanding of the importance of relations between business people. Being involved in some kind of networking made business activities more efficient for firms. Later on these principles were the foundation of later research (Wilkinson, 2001). In the 1960s McCammon contributed to a deeper understanding of networks since he brought together behavioral sciences to examine networking in businesses (*Ibid*). Wilkinson (2001) also mentions that researchers in the 1980s tackled the problem that the perception of relationships varied between different informants in an organization. They did this because the problem could threaten earlier work, but it also suggested a new view of networks. This view saw networks as multiplex, involving both personal as well as business networks, which suggests that there is not one real network to be researched. Networks may look different for different people and in different stages in firm growth and also different for people in different businesses

(Wilkinson, 2001). Next section will discuss a newer perspective of networks called the network paradigm, which was founded in the 1990s.

2.2.1 The network paradigm

Iacobucci (1996) claims that researchers in the 1990s began to call network, paradigm because it describes an approach studying relational phenomena and doing a structural analysis of interconnected actors. It includes network logic, methodology, data structure and relational theory tests (*Ibid*). The goal for researchers, while working with the network paradigm is to create an understanding of structures of relations: who is connected to whom? Why is there a relation? How long has it lasted for? How do relations change over time? The Network paradigm allows studies about the relations; such studies show patterns of interconnections between relationships (See figure 2.1). To be able to explain networks there have to be connections to marketing and relationships as the figure 2.1 shows. The networks will create knowledge for the firm and the things that the firm does on the market will create attention around the firm. There are many relations in a network and that is why the two concepts are related. Networking is a concept that appears in marketing because to be able to market a product and sell it, people must know about the product (Iacobucci, 1996).

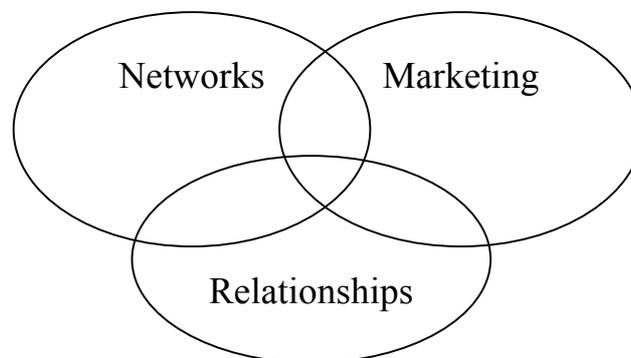


Figure 2.1 The interrelationships among marketing, networks and relationships
(Source: Iacobucci, 1996)

Iacobucci (1996) introduced network analysis methods but few researchers have used it. According to Wilkinson (2001) researchers in other disciplines have shown that such methods can lead to identification of important network dimensions that shapes network member behavior and performance. There is a need to gather data that is not just samples of independent dyadic relations since there are more relations. Wilkinson (2001) also suggests that there are opportunities to break new ground to explore Dynamic Network Level Theory

that will broaden the knowledge of networking (*Ibid*). Next section will discuss how networks are composed.

2.2.2 Structure of networks

According to Håkansson and Snehota (1995) the focus on networks has drawn away the attention from the firm and instead researchers look at the relations that the owner of the firm has with other firms and other people. Business relations have different structures and are called networks. A network consists of many relations that are interconnected with each other. These relations are connected with others and create a larger whole with many links to different actors in the network. Actors in networks can be family, friends, suppliers, customers, employees and competitors among others. The model 2.2 is created by Håkansson and Snehota (1995) and shows the complexity of networks and how different actors can be interconnected to each other (*Ibid*).

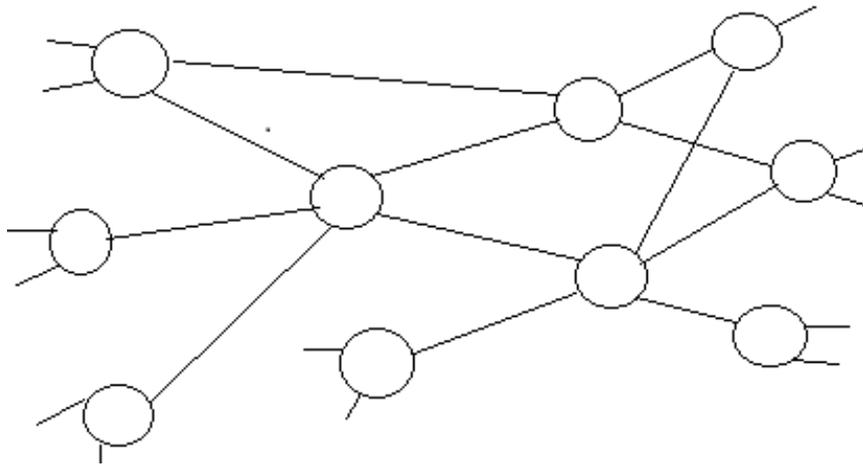


Figure 2.2 Business relationships as elements of a network structure

(Source: Håkansson & Snehota, 1995)

According to Carson, Gilmore and Rocks (2004) there is confusion about what networks really are and how they operate. There are researchers that accuse other researchers to pay too little attention to why networks look like they do and why they change and also why not (*Ibid*). Much of the literature shows how the structures of relations look at one time. Networks are vulnerable to change because the population is constantly changing and the relationships among the actors can also change. Therefore, to be able to analyze networks researchers have to see the big picture and try to understand how complex networks are (*Ibid*).

Carson, Gilmore and Rocks (2004) also state that it is evident to explore networking while the world is changing more rapidly than before. Sweden's market is always changing and there are more companies starting up today which results in greater competition for the already existing companies. Firms need to exceed excellence in quality, service levels, cycle times and other measures. These challenges require a manager that can rethink the way that the firm interacts with their suppliers and customers. Firms need to be more creative if they want to survive on the market (Payne, Christopher, Clark, & Pech, 1998). Many people say that: it is not what you know, but whom you know, but when it comes to networking the phrase have changed to: it's not whom you know, but who knows you (Dunn, 2013). The next section will discuss entrepreneurs and their relation to networks.

2.3 Entrepreneurs & Networking

It has been argued that networks are created from, and by large firms. However, there are several factors pushing smaller companies to also take part in networking today (Szerb, 2003). Information gathering and the response from the external environment, which derives from networking, can be of great help to the more vulnerable small firm, when trying to respond to changes in the business environment. A common problem small firms have is inadequate management because the entrepreneurs running the firms have a lack of knowledge of business skills. This increases the chance of failure and bankruptcy. Small companies are also more vulnerable because most often they produce just one or a few products in low quantity (*Ibid*). With the help from networking most of these problems can be diminished. However, networks can be vulnerable and their success depends on the partners' ability to communicate and share information in the network. If the trust is broken, the network may collapse (Szerb, 2003).

Social network theory has traditionally been applied to entrepreneurial firms to illustrate that an entrepreneur's social network gives access to resources that are not possessed internally, and to demonstrate that relational networks enhance economic exchange (Anderson & Jack, 2002). When a network relation directly impacts the entrepreneurs decision making process, the linkage is relationally embedded (Uzzi, 1996). Granovetter (1985) argues that all relations are socially embedded and that the degree of embeddedness has a direct and positive impact on economic actions and performance. Research by Down (2006), and Peltier et al (2009, 2012), has shown that entrepreneurs self-identity plays a role in the business decision-making (O'Donnell, 2004). According to Hite (2005), the way of solving problems will therefore differ between different entrepreneurs. Watson (2009) also suggests

that an entrepreneur's social identity will impact the degree and value of information seeking and sharing (MacDonald et al, 2007).

Granovetter (Saunders, Gray & Goregaokar, 2014) argues that regardless of the formal economic relations, which exist between individuals and firms, social relations can extend beyond economic relations and tie individuals and firms together in wider social networks (*Ibid*). The strength of these social ties depends on the combination of the amount of time, emotional intensity, the intimacy and the mutual services (O'Donnell, 2004). Johansson (1986) also added that the strength depends on the regularity of use of the relationship, its level of maturity and the degree of trust between the actors (*Ibid*). Dubini and Aldrich (1991) describe the strong ties as relations that the small firm owner/entrepreneur can count on, and weak ties as casual relations in which the entrepreneur has little emotional interest and investment (*Ibid*). These social ties may take the form of personal relationships with family, friends and acquaintances, which in turn may have different friends and acquaintances. Social ties can also arise from more formal business relations such as interlocking directorships and memberships of commercial and trade associations. These social networks are important in economic terms since knowledge can be distributed and accessed far beyond the economic relationships between individuals and firms. Social networks can therefore provide entrepreneurs with greater access to knowledge, which can reduce uncertainty in their environment and allow them to generate more profit opportunities. Networks can also result in more opportunities; an entrepreneur will never know when other will offer a partnership, request for the service or product/service that the entrepreneur is selling (Baron, 2006).

There is a debate going on about if small business owners are proactive or reactive in their networking. McGowan and Rocks (1995) found that small firm owners usually were unpractised in planning networking activities, and that the networking activities were unstructured (O'Donnell, 2004). On the other hand, McMillan (1983) and Shaw (1997) have found evidence of planned and structured networking activities. These contradictory findings indicates that the extent of proactive or reactive networking, depends on the owner/entrepreneur him or herself, and not on the other actors in the network (O'Donnell, 2004). Despite this, researchers (Aldrich & Zimmer, 1986) have found that the extent of proactive or reactive networking also can depend on the other actors (O'Donnell, 2004).

Aldrich and Zimmer (O'Donnell, 2004) believe that social relations can arise from unplanned activities and meetings, but also from planned interactions.

The personal contact networks are, according to O'Donnell (2004) and Hill, McGowan and Drummond (1999) important for entrepreneurs. These networks can be both formal and informal and include people who may become important in assisting the entrepreneur to progress the growth ambitions. These networks are intangible assets and the value is in the personalised way that the relationships that make it up are nurtured and developed (O'Donnell, 2004). The quality of these networks depends on the density, diversity and reachability. Other determinants of the quality are the cultural, geographical and psychological distance between the actors, the level of maturity, the degree of trust and the regularity of the relationships. These networks may vary from individual to individual (O'Donnell, 2004; Hill, McGowan & Drummond, 1999).

According to O'Donnell (2004) the entrepreneur mostly engages in extensive, proactive networking with customers and build strong links with them. This is mostly because the entrepreneur wants to generate positive word of mouth recommendations to potential customers through the already existing ones. Regarding the suppliers the entrepreneur engages in extensive, proactive networking with them because they need to have access to the suppliers market knowledge, technical expertise and brand name. With competitors O'Donnell (2004) means that the entrepreneur will engage in extensive and proactive networking with the competitors if they belong to a trade or professional association, then they can learn from them. It was found that if operating in an industry without any trade association the entrepreneur did not see the competitors as important (O'Donnell, 2004). The networking with friends and family is different from entrepreneur to entrepreneur, because sometimes the entrepreneur does not believe that friends and family have the knowledge needed. With employees the entrepreneur will network extensively and proactively because you need to discuss things with the employees for the firm's best and it is also important to try to keep the employees. It was found that most entrepreneurs talked to their employees before seeking help from other relations (O'Donnell, 2004). Next section discusses a model of network relations developed by Hill et al (1999).

2.4 A model of entrepreneurial marketing network evolution

Hill, McGowan & Drummond's (1999) model focuses on entrepreneurs that have started their own business (See figure 2.3). According to Hill et al (1999) the grey zone (inner zone)

demonstrates the relations that are important for the entrepreneur in the start up of the firm and in the beginning of the firm's life cycle. These relations may encourage the entrepreneur and help him or her forward in the development of the firm. According to the model these relations are with: neighbors, family, friends and colleagues.

The white zone (outer zone) demonstrates the formal relations and these are more important later on when the business has grown. These relations may assign the entrepreneur advice and knowledge about how to run the business (Hill et al, 1999). These relations are with: agency brokers, employees, suppliers, accountants and bank managers (*Ibid*). The black arrows demonstrate time and show that the inner zone relationships are most important in the beginning but later on in the firm life cycle the outer zone relationships become more important (Hill et al, 1999).

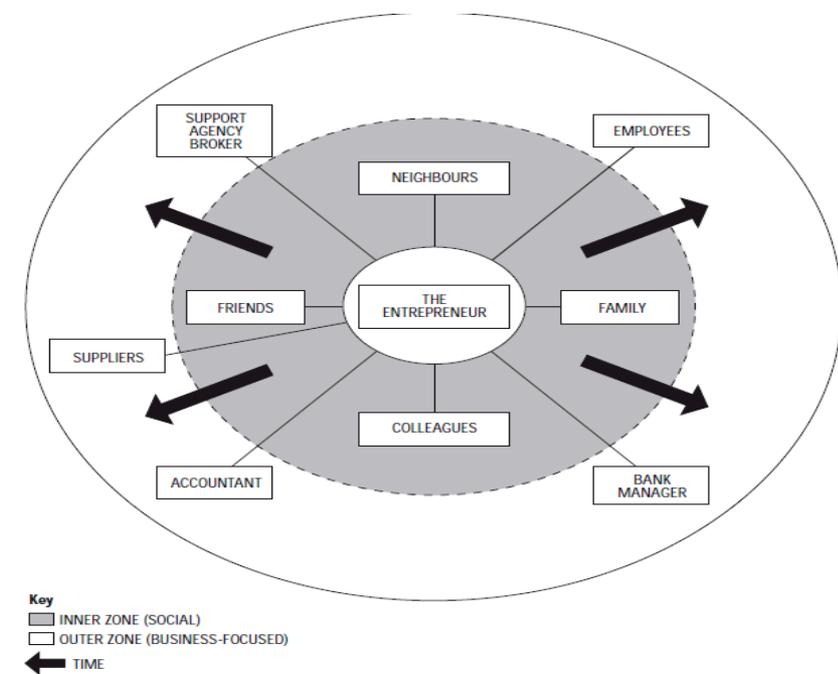


Figure 2.3 A model of entrepreneurial marketing network evolution (Source: Hill, McGowan & Drummond, 1999).

According to Hill et al (1999), a firm goes through different stages when growing and different relationships are more or less important in different stages. The different stages a firm goes through is often categorized as: Start-up, Growth, Maturity and Decline, and is called the business life cycle. A number of models have also been developed specific for small firms (Churchill & Lewis, 1983; Scott & Bruce, 1987). Even though they all have different numbers of stages they all want to describe a similar pattern of development. Larger models tend to break down general stages into much more specific time periods, and

shorter models tend to consolidate two or more development periods in an effort to present a more straightforward description of an organizations lifecycle.

A life cycle stage can be defined as a loose set of organizational activities and structures (Dodge et al, 1994; Hanks et al, 1993). Life cycle stages vary from model to model depending on how the researcher defines the stages (Hanks, 1990). In this study the different stages will not be discussed one by one. Instead the discussion and the analysis will discuss if there is a difference in the effect the network has on the firm in the start-up compared to later on in the firm's development. Next section discusses our own developed model that is based on the model made by Hill et al (1999).

2.5 A preliminary research model

The networks that Hill et al (1999) explain and illustrate in their model do not have to match the construct of all entrepreneurs' networks. The relations can be different between entrepreneurs since networks are specific for the entrepreneur and so is also the importance of networks (*Ibid*). Networks are personalized and it is the actors within the networks that build up the relationships. Our own preliminary research model have been created and is based on the model developed by Hill et al (1999), but redesigned to fit the purpose of this study (See figure 2.6). We have chosen to follow the structure of Hills et al (1999) model but have changed the relations within the model.

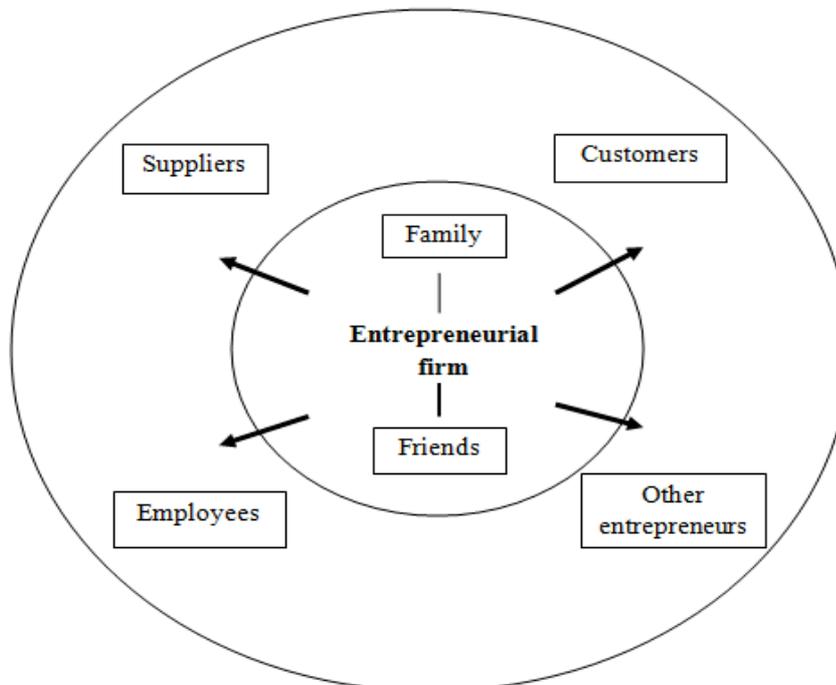


Figure 2.6 Relation between the entrepreneur's formal and informal networks (Modified from: Hill et al, 1999).

We have chosen to follow the structure of the model composed by Hill et al (1999) and place the entrepreneur and the firm in the middle of the circle. Then we have constructed two zones, one inner and one outer zone. The informal relations are placed in the inner zone and the formal relations are placed in the outer zone. The informal relations are the ones with friends and family and the formal relations are the ones with customers, suppliers, other entrepreneurs and employees. We have chosen to only use friends and family as informal relations in our study because according to Hill, McGowan and Drummond (1999) entrepreneurs use their social network in the early stage of the firm, which are the relationships with friends and family. These relations are most used in the beginning because the entrepreneur wants support and to be pushed forward (*Ibid*). Friends and family do not always have the right knowledge or expertise to provide the entrepreneur with advice or opinions; therefore, it is necessary to include other relations later on.

The formal relations become important as the firm grows and develops. The relations will start to change with the life cycle of the firm and when growing, it is no longer most important with relations with family and friends. It begins to be important for the firm to have formal relations. These relations can be with: suppliers, support agency broker, accountant, employees and bank manager. These relationships will push the firm forward and help the entrepreneur to gain more profit (Hill et al, 1999). The formal relations existing in our model are with: suppliers, customers, employees and other entrepreneurs. This study focuses on these four relations since we are studying small firms and most of them will probably not have their own accountant or visit their bank manager as often as larger firms due to costs.

O'Donnell (2004) mentions that small entrepreneurs are likely to have strong relations with their customers because they want to keep them. The entrepreneurs also hope for existing customers to generate positive word of mouth recommendations to potential customers (*Ibid*). Therefore, this relation is important. The customers must trust the firm to come back, and trust is gained by developing strong ties and relations with the customers (*Ibid*). One relation that we believe are getting more important is the one with other entrepreneurs/competitors, because people are more likely to learn from each other today. Suppliers are an important relation for the entrepreneur according to Hill et al (1999), because if having a strong relation it is easier to receive better prices. The employees are always important to a firm because they are the face of the firm. If the employees are not acting correctly you may lose your customers (*Ibid*).

Neighbors and colleagues are not included in the informal relations because we investigate smaller firms and they will probably not have any colleagues. There will be employees but since the entrepreneur is the owner of the firm he or she will not have any colleagues who are at the same level as the entrepreneur in the hierarchy. The entrepreneur is the boss and the coworkers are called employees. Colleagues may be other entrepreneurs, but we have placed other entrepreneurs in the formal zone, since we see them as competitors. In the formal zone we chose to exclude agency broker, accountant and bank manages since the entrepreneurs probably do most of the work by themselves due to costs, without any regular help from an accountant or a bank manager. The model that has been created shows how entrepreneurs are connected to networking. It can be important for entrepreneurs to have different relationships depending on which stage the firm is in, which will be explored. Next section will describe theory use in the analysis.

2.6 Use of theory in the analysis

All theories explained and discussed in the theory chapter will not be used in the analysis. Some of the theories are brought up to give the reader a pre-understanding of the terms used.

In the analysis the theories about entrepreneurship will not be used. They are mentioned to provide the reader with a pre-understanding of the term entrepreneur and are not relevant in the analysis. Since the aim of this study is to explore the meaning of networks for small entrepreneurial firms we will not analyze the entrepreneurs themselves, but rather how they use networks in their firms. However, the reader needs to have a pre-understanding of the term because in the study we will connect the entrepreneur to networks. The section called development of networking will not either be used in the analysis. The development of networking is mentioned to give the reader a pre-understanding of the term network and what it is and how it has developed over time. To be able to understand the study the reader has to have knowledge about what networks are. Scott and Bruce's (1987) theory about the small firms' business life cycle will not either be a part of the analysis. However, we will discuss if the firms are in the start up or later on in the life cycle in the analysis. The model of the business cycle is mentioned in the study to show which different stages that exists.

The next section will discuss how this dissertation has been created and how empirical findings have been found.

3. Research Method

In this chapter the different choices of methodology are presented. This chapter gives an outline of the method used in this dissertation. It consists of research philosophy, research strategy, site selection, participant selection, and role of researcher, information collection, information analysis and reflections upon credibility, transferability and conformability.

3.1 Research philosophy

Research philosophy is the approach to understand and write about the knowledge that is gained from the research (Bryman & Bell, 2007). According to Bryman and Bell (2007) there are four types of research philosophies: Positivism, Pragmatism, Interpretivism and Objectivism. **Positivism** is a philosophy based on the view that information derived from logical and mathematical treatments is the exclusive source of all trustworthy knowledge and that there is valid knowledge only in scientific information. This view holds that the society operates according to general laws (*Ibid*). **Pragmatism** is a philosophy that rejects the idea that the function of thought is to describe, represent or mirror reality. Instead pragmatists' idea is that the function of thought is a tool for prediction, action and problem solving. Most philosophical topics are according to pragmatism best viewed in terms of their practical uses and successes (*Ibid*). **Objectivism** is a philosophical system with the thoughts that reality exists independent of consciousness, that human beings have direct contact with reality through sense perception and that one can attain objective knowledge from perception through the process of concept formation and inductive logic (*Ibid*). **Interpretivism** is a qualitative construction. It is a term that is critical to the application of the scientific model to the study of the social world and has been influenced by different intellectual traditions. This philosophy argues that the studied phenomena in the social sciences are fundamentally different from that of the natural sciences. The study of the social world therefore requires a different logic of research procedure, one that reflects the distinctiveness of humans as against the natural order (Bryman & Bell, 2007).

In this dissertation we focus on interpretivism. We have chosen to interview eight individuals that talk about their own experiences and their own thoughts about the phenomena discussed in this thesis. Interpretivism also aims to get a deeper understanding about human behaviour and is useful to our research question since we want to explore if personal networks are important for entrepreneurial firms or not, and in what ways.

3.2 Research strategy

When doing a study one can choose to do a qualitative or a quantitative study. A qualitative study focuses on finding meanings instead of answering hypothesis. It is interpretive research and the point is not that the researcher shall understand the phenomena; instead it is to contribute to a more general understanding of the researched phenomena (Alvehus, 2013). Qualitative research emphasises words instead of numbers in the collection and analysis of data (Bryman & Bell, 2007). There is also the quantitative method, which means that you form hypothesis, which you then test to theories. The objective of quantitative research is to develop theories and hypotheses regarding a specific phenomenon. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. The quantitative researcher asks a specific question and collects a sample of numerical data from participants to answer the question. The researcher analyzes the data with the help of statistics (Bryman & Bell, 2007).

We have chosen a qualitative approach in our study since most research done in the subject of networking has used quantitative methods (O'Donnell & Cummins, 1999). The qualitative method will be preeminent for our study since we want to investigate the impact of networks on entrepreneurial firms; therefore, we need to explore the relationships an entrepreneur has and how the entrepreneur values these relationships which cannot be statistically measured. Instead we need to explore the entrepreneur's feelings and thoughts about networks. The qualitative method has some guiding principles; it is important that the analysis comes from a thorough reading of the data and that the results derive from the data that have been collected, or else it will affect the trustworthiness of the study (Denscombe, 2012). It is also important to not interpret too much because it can affect the validity of the study.

3.2.1 Research design

There are three different research designs: **Exploratory**, **Descriptive** and **Explanatory** (Saunders, Lewis & Thornhill, 2007). The **Exploratory** research design seeks new insights into a problem and is suitable if the researcher wants to better understand a phenomenon. It is flexible which makes it useful when investigating a new area of research. The **Descriptive** research design requires the researcher to have a clear understanding of the subject before collecting data, since the purpose is to give an accurate picture of the studied subject. It is often used when accurately describing a situation, event or person. The most used research design is the **Explanatory** approach, which is used when researching how variables are

connected to each other. It is used to compare and describe events with other (*Ibid*). This study uses the exploratory research design because we want to gain a better understanding of entrepreneurs and their use of networks and because we have researched about how entrepreneurs are connected to networks and how the relations in the networks will change over time.

3.3 Selections

The participants in this study were selected because of their location and we interviewed both female and male entrepreneurs (See Figure 3.2.2.1). The research was limited to Kristianstad and the nearby area, (Hässleholm was also included); therefore, only entrepreneurs located in this area were asked to participate in our study. Our approach was to visit different companies around the area and ask the owners if they wanted to participate in our study. If they agreed on an interview we decided a date and emailed themes of questions to them before the actual interview. We did not focus on one certain type of industry; instead we tried to get as many different as possible to get a more interesting result. We believed that if we choose people from many different types of companies we would receive many different angles of the phenomena (Denscombe, 2012). The industries the entrepreneurs interviewed in this study are active in are the following: Hotel, Skincare, Hairdressing, Construction, Restaurant and the Flower business (See figure 3.1).

Respondent	Firm
R1 Marie Assarsson	Ren Hud
R2 Roger Nilsson	Jaffa Blommor
R3Helena Schutzdeller	Hotell Göingehof
R4 Michael Lundquist	Hotell Sirius
R5 Jeanette Nilsson	Boutique Organique
R6 Dorina Glozer	Studio Millenium
R7 Jan Norberg	Njord Byggt teknik AB
R8 Jörgen Stolt	Korvkultur

Figure 3.1 Names of Respondents

We wanted to achieve about ten interviews because according to Denscombe (2012) a qualitative study often needs between ten and fifteen interviews. Denscombe (2012) mentions empirical saturation, which means more material, will not contribute to the analysis; instead it will only justify the results but no longer improve it. It is difficult to know when you have reached empirical saturation if the study has not yet begun; therefore, the number of interviews can decrease while the data are being collected. When the data will not contribute to the analysis there is no need for more information (*Ibid*). We wanted to achieve at least ten interviews but after eight interviews we noticed that we got a lot of data and the data we got was the same. The respondents started to tell us the same things and express the same feelings and thoughts regarding networks, and after the eighth interviews we decided not to do any more interviews. We believed that we had reached empirical saturation. . We chose to study entrepreneurs in one town in one country and the empirical saturation can only be linked to the entrepreneurs in this town. Maybe other entrepreneurs had given us other answers but the ones we chose to conduct our study on gave us these answers and they were quite alike each other, therefore, we decided that we had enough interviews.

3.3.2 Ethical considerations

The chosen method in this study was semi-structured interviews. Decisions on who should be asked to participate were made and then door knocking was chosen to get the entrepreneurs approval to participate in the study. The entrepreneurs could decline to participate and many of them did. Before the interviews began we let the respondents know if any question felt heavy there was no need for them to answer it, and if they did not want to answer more questions they could end the interview. Before the interviews we also asked if we could record the interviews and if we could use their names and firm names in our study. We also told them what was going to happen with the essay and which people that were going to read it and look at the information. No respondent had any rejections and they told us that we could use the material and their names. We believed that we could use the respondents' names because the questions we asked them were not about secret information.

3.4 Information collection

To collect the information needed for the research, semi-structured interviews were done. The interviews lasted for between thirty and forty minutes, depending on the need for follow up questions. Interviews are an effective tool to use in qualitative research since we as researchers can interact with the respondent and ask about feelings, motives and their view

on different concepts and phenomena. An interview is effective when we as researchers need to get access to opinions, feelings and experiences, which need to be researched in depth and in detail (Denscombe, 2012). To be able to fulfil this study's aim and research question we needed to explore the entrepreneurs' feelings and opinions and examine them deeper.

A semi-structured interview is based on a questionnaire that the researchers (we) follow, and it consists of a few broad open questions that the conversation concentrates on (Alvehus, 2013). In a semi-structured interview you let the respondent lead the discussion and you adjust your questions after the interviewee and let him or her develop the opinions (Denscombe, 2012). The most used form of semi-structured interviews is the personal interview, which is a meeting between the respondent and us as researchers. This is a popular method and also the method used in this study, because it is easy to arrange, since there are only two or three people involved and then it is easier to find a suitable time for the interview. Before the interview started we asked the respondents if we could record the interview and everyone agreed to that. Another positive aspect with personal interviews is that there is only one source per interview, which makes it easier for us to transcribe the interview and also to localize the ideas to the right person (Denscombe, 2012).

3.4.1 Interviewer effect

We have to be active as researchers when listening and use follow up questions, since the respondent has an opportunity to affect the content. It is important to think about what you ask and how you ask it to get what you want and need from the respondents. It is not just the prepared questions that are important, instead it is more about being able to ask follow up questions and motivate the respondent to keep on talking and let the interesting ideas come out. If you are a good listener you can follow up interesting leads you get when interviewing and get deeper in to certain subjects that may be important for the study (Alvehus, 2013). As researchers we also have to be careful so we do not influence the respondent too much. It is difficult to not influence the respondent at all since different people react differently to other people and also to the questions. What we as researchers can do in qualitative research to prevent this is to be polite and neutral and make the respondent feel comfortable and relaxed (Denscombe, 2012).

The interviews need to be transcribed. This was the first step in the analysis and this is when the spoken words are being transformed into text and are being reawakened. When transcribing the material we listened to the recording and tried to remember the situation and then we wrote everything done as a conversation. Problems that may occur when

transcribing are that it is not so easy to hear what is being said in the recording and the fact that it is difficult to capture pronunciation and accents when writing (Denscombe, 2012). Since we were two researchers one could ask the questions and the other one could write down the answers and then when listening to the recording it was easier to understand what was being said. After the transcriptions we needed to summarise each interview and then read these summaries and look for themes and categories.

3.4.2 Role of researcher

Our role as researchers is to interview the entrepreneurs and during the interviews it is to affect the respondents as little as possible, because the focus is on the opinions that the respondents have. According to Denscombe (2012) the researchers and the respondents' personal preferences may affect the possibilities to develop a positive and trusting relationship during the interview. The researchers' personal identity may also affect the respondents and therefore also the information collected (*Ibid*). As researchers we cannot change personal characteristics as gender, age or ethnical heritage that can affect the respondents; however, we can think about the way we act and our clothing (Denscombe, 2012). During the interviews one of us asked the questions meanwhile the other one observed and took notes. We tried to let the respondents talk as much and free as possible and only asked a new or a follow up question when it was needed. Sometimes we had to explain what we meant but we tried not to influence the interviewees when explaining.

3.5 Theory in use

Theory in use means that we have been consistent in our study and followed the theory when constructing our interview questions and research model. We started by reading different theories and then included them in our theory chapter. After reading different theories we chose to construct our own model, this model was based on the theories explained in this thesis. The model is based on several references and also upon an already existing model. After constructing the model we started to come up with relevant questions to the interview guide that matched the model and gave us the data we needed to be able to answer the research question. The questions that we formulated were constructed to fit the theory we included and our constructed model. The questions also illustrates if the constructed model has any connection to entrepreneurs and networking.

3.5.1 The interview guide

All questions were developed in accordance with the framework of this study. We developed questions that would cover the model and the relations in the model and at the same time help us fulfil our purpose and give an answer to our research question.

The interview guide has three sections (see appendix 2). The first section involves general questions about the company. These questions were supposed to be easy to answer and help the respondent to relax and feel comfortable. The second section brings up more sensitive questions about the company and the company's relations. These questions were asked to receive information about the formal and informal relations the companies had and how they affected the different companies and the meaning of them. We tried to receive data about different networks but we did not mention the term networks since we did not want to affect the respondents by using that term. Questions were also asked about the different relationships identified in the model and how they affected the company and also about the entrepreneurs' social habits. The last section consists of personal questions about the entrepreneur. These questions were brought up last because they were the most sensitive ones. These questions were important to ask to find out what type of person the respondent was and how this affected the company and also the investigated relations. This way of organizing the questions will also result in credibility in our study because they are in accordance with the theory used and the constructed model.

3.6 Information analysis

The analysis process involves seeking for things below the surface, pieces that explains why things are as they are and how it work. Here the role as researcher is to investigate the data in a way that helps to identify components that can be used to explain the studied phenomena. When doing a qualitative study the analysis is a process of five steps (Denscombe, 2012). The first step is preparation of data and here we had to transcribe the interviews and categorise the text and process the data. The second step is our familiarity with data, which means that we had to read the data over and over again to be able to know the data almost by heart. The third step is our ability to interpret data to code the data to categories and themes and compare the themes to look for certain terms important for the study. The fourth step is called verification of data and in this step we have to show that our findings are real and correct. We have to prove that our study is trustworthy and valid. The fifth step is how we present our data, which involves writing down the findings; illustrating the main points with

help from quotations and pictures and how we used models and figures to demonstrate our findings (*Ibid*).

3.7 Credibility, Transferability, Dependability and Confirmability

Qualitative studies are judged according to trustworthiness. Trustworthiness is made up of four criteria: Credibility, transferability, dependability and confirmability. **Credibility** is judged regarding if the research is carried out according to good practice and that the researchers have correctly understood the social world studied. This is represented in our study because we used measure instruments that were in accordance with the theory that we used since we constructed a model with terms from the theories. We also used the theory as a starting point of our study and worked from the theories to develop our research question and the questions for the interview guide. Our interview questions in the interview guide were connected to the theory in use since we used an already existing model even though we made some changes in it to make it fit our study. Furthermore, all interview questions were developed regarding the model and connected to the model.

Transferability measures if the findings of the research hold in the same context. We, therefore, tried to make a thorough job when describing the research context as well as the assumptions that we made in the analysis. Our questions were asked as neutrally as possible and we tried to keep the questions simple. We never mentioned the word network because we did not want the respondents to use that term because of us.

Confirmability is concerned with ensuring that the researcher can be shown to have acted in good faith, not allowed personal values to sway the conduct of the research and findings. We have thorough explained how we acted when we did this study. When doing interviews we tried to affect the interviewees as little as possible, although we know that it is impossible to not affect them at all. We also tried to ask the questions in a way that we did not affect the respondents to answer in one certain way. We also tried to have broad questions so that the respondents could interpret the questions in their own way and answer with their own thoughts and experiences. In the ethical considerations section we have also explained why this study is confirmable.

Dependability is concerned with if the data collected is dependable. It is always difficult to know if you can trust your data when doing interviews since you cannot be sure that the interviewees are telling the truth. Another aspect that makes the data trustworthy is to have open questions. Sometimes the interviewer can lead the respondent to a certain answer if he

asks in a specific way. We have tried to have open questions that make the interviewee to answer in a spontaneous way, the questions is not coloured in a certain way because we wanted honest answers. We tried to make our data trustworthy by asking the interviewees to give examples on things they said in the interviews. Another aspect making the data trustworthy is when the different interviewees say the same thing, which was the case with our study. Many interviewees answered alike on most of the questions and therefore you should be able to trust the data.

4. Analysis

This chapter demonstrates the collected data from the interviews and discusses the similarities and differences between the collected data and the theories used in this dissertation. The relations that were found during the interviews are discussed and then compared with the relations in the model we constructed. The relations from the model that will be discussed and compared are: Friends, Family, Suppliers, Customers, Employees and Other Entrepreneurs.

4.1 Empirical findings

After the interviews the data was transcribed and we searched for categories and themes in the respondents answers. The questions were reviewed one by one and the different answers were compared. After the reviews we summarized and interpreted the answers.

4.1.1 Friends and Family

Respondent 1, who works in the skincare business thought that friends and family are very important for her and her firm. She mentioned that as an entrepreneur you are a little odd because your firm is very important to you and close to your heart. She said that she looks forward to go to work every day because it is something that she has created by herself and it is something she likes working with. She can discuss problems and ideas with her family because they want to help her and support her. Respondent 2, the owner of Jaffa Flowers said that it is difficult to find time to meet your friends because you do not priorities them when you have our own business. He also mentioned that his family means a lot because they encourage him and support him. Similar answers came from respondent 3. She owns a family business in the hotel industry. She mentioned that her family has been very important for her. In the startup of her firm the family lived at the hotel and it could be a little difficult to manage, but at the same time she was never far away from her children.

Respondent 4 also operates in the hotel business. He said that he and his wife own the hotel together and they work closely together and support each other and discusses ideas. They only have each other, but they can trust and rely on each other and are a great support for each other. Respondent 5, at Boutique Organique responded that having an own business means a lot of work and that she works 50-70 hours per week, instead of the normal 40 hours. She also mentioned that she can prioritize to meet her friends but they meet in her store nowadays. Respondent 6, who works as a hairdresser mentioned similar things and said that without her daughter and the daughter's father it would have been very tough and difficult to have a company of her own. She said that if you have an understanding family it becomes easier to focus on the firm and you can receive help if needed. Respondent 7

mentioned that he could not have managed to run a firm of his own, or even start it up without the encouragement from his two sons. Their support means very much for him, especially in the start up because they believed in him and supported his ideas. If they had not showed interest in his firm it is not sure that he would be where he is today. The last respondent, said that his family help out a lot in the restaurant he owns and he is very dependent on their help since his business is new and he believes having employees cost too much right now. His mother or one of his daughters often helps him in the restaurant because he believes that they have the knowledge to be able to give him advice and support him.

All of the respondents said that they spent their free time with their families, because it is very important to not forget them even when you work hard. The answers from the interviews regarding the relationship to friends and family are similar to each other, they all said that they worked long days and often brought the work home. The respondents need support to keep going.

4.1.2 Suppliers

Respondent 1, from the skincare business said that the suppliers are of great importance to her and that they help her with suggestions about advertisements and on how to sell more products. She also stated that in the start-up of her firm the suppliers were very important because she was new in the business and they could help her with decisions. She felt that she could lean back on them and trust their expertise. Respondent 5, also in the skincare business agreed about that she could receive help from her suppliers regarding advertisements and product sales. She tries to keep a positive and trustful relationship with them because she needs to keep the same suppliers since her customers may come back and want the same products again. Respondent 2 from the flower business has an open and relaxed relationship with his suppliers. He believes it is very important to have a personal and trustworthy relationship with them because in a small town, and with a small firm, you need to trust each other to be able to negotiate the best prices and receive the best products. He said that if you have a good relationship with the suppliers everything becomes much easier and it is easier to talk about prices and products. Respondent 6 is a hairdresser and she was the only one who claimed to have a very important cooperation with her suppliers. She told us that she cooperates with one supplier in the hair industry and all products and tools that she uses and sell in her saloon are from this supplier. The supplier often helps her with advertisements and offerings that she can attract customers. The supplier she has today has been with her for

several years and she told us that she feel that she can trust them and ask them for help regarding ideas and also problems regarding the business.

According to respondent 3, who are in the hotel business, the suppliers can easily be switched out and do not mean much for the business. She said that the only contact she has with the suppliers is over phone when negotiating about prices. However, she also brought up that since she is in the hotel business, booking sites as Booking.com and Hotels.com can also be suppliers and these are very important for her business. Customers give positive and negative feedback on these sites and you do not want to be criticised here because then all potential customers will see the comments and probably not book a room. She also mentioned that she does not have regular contact with these sites but she can visit the sites and see what customers have written and then she can review the feedback and if it is negative she can do something about it. Respondent 4 is also in the hotel business and his answers were similar. He said that for him the contact with suppliers only was when discussing prices and he always chooses the supplier with the best price. He also mentioned that booking sites can be regarded as suppliers and he also thought it was very important to get positive feedback on them to be able to attract customers.

Respondent 7, from the constructing industry, told us that he always chooses the suppliers with the lowest prices and the best quality and fastest delivery time. However, if they misbehave he removes them and finds new suppliers easily because there are many of them in the market. Respondent 8 is in the Restaurant business. He has a small company and therefore he is not dependent on his suppliers. He often goes to the store and buys the products he needs by himself. When he shops he looks for quality and price.

4.1.3 Customers

The results show that all respondents agreed on that the customers are very important for the company. They all talked about the importance of having a personal and friendly relationship with the customers.

Respondent 1 likes when customers give her feedback, positive as negative. She told us that in the start up of her firm she thought it was difficult to be criticised but today she sees it as a possibility to change and do things better. If you want to develop your business and get more customers she believes that it is very important to listen to feed back. She also talked about her customers giving her business a great reputation because if they are pleased with the service they tell their children, relatives and friends and then you may receive more

customers. Respondent 2 believed the customers to be the most important resource for the company and that it is very important to have a personal relationship with all customers. He has worked in his shop for many years and told us that today people can buy flowers everywhere and therefore it becomes important for the little flower shop to stay personal and make every customer feel special and remembered. Respondent 3 from the hotel business said that she has an open dialogue with the customers because they have many returning customers who expect certain service. She said that it is important to be able to give the customers services outside the actual business. She often helps her customers with printing, making phone calls, book flights or train tickets and reservations for dinner. She told us that if you have regular customers and want to keep them it is important do these extra services because then the customers feel like you care about them and then they want to come back because of the great service. Respondent 4 also from the hotel business mentioned that the customers' opinions are extremely important because they rate the hotel on the different booking sites and getting a great rate can mean everything to a small hotel. To be able to get a good rate he told us that it is important to give the guests a personal and friendly meeting; you have to treat every guest as the most special one and be able to give extra services to help them out as much as possible.

Respondent 5 said that it is important to remember the customers and treat them personally. She treats the customers the way she wants to be treated and that she likes when people remember her and therefore she tries to give this to her customers. Respondent 6, a hairdresser thought that the customers control her because if she does not have them she has to close her studio. She also mentioned that she wants to be personal with her customers to make them feel comfortable and welcomed to make them come back again. Now she has begun to study for a few days per week and therefore she is not available every day for the customers, but all her regular customers have been prepared to adapt after her schedule. This shows that her customers are loyal to her and she thought that depended on the fact that she is very personal and friendly with her customers and always tries to give them a very special approach to make them feel comfortable and relaxed and wanting to come back. Respondent 7 said that the most important relationship for his firm is the one with the customers. He has many regular customers who always hire him and he wants to keep a strong and positive relationship with these customers.

Respondent 8 added that he wants his customers to give him both positive and negative feedback to be able to develop the restaurant. He also mentioned one thing that no one of the

other respondents talked about. He said that sometimes the customers comment on things that they clearly have no idea about and this is difficult for him to handle, but he said that he tries to brush it off.

4.1.4 Employees

The employees seem to be of great importance to the entrepreneurs. Many of the entrepreneurs told us that they work close with their employees and that they always listen to their thoughts and ideas about the business. They said that without great employees you cannot run a business. Without great employees the customers will not return and then the business cannot survive for a longer time. Since most of the entrepreneurs we interviewed were their own bosses we did not include colleagues in our model because we thought that they would mostly have employees working with them.

Respondent 1 told us that she talks to her employees every week, they sit down and eat and discusses special themes they have decided before and then they try to come up with new ideas. She values these moments highly and told us that her employees are very good and without them her business would not be as good as it is. Respondent 2 told us that his employees are a great resource and that they talk to each other every day about ideas and advertisements to get more customers and keep the store interesting. Respondent 3 talked to us about the importance of the employees, she called them the company's greatest resource because they are the ones meeting customers and if they are not doing their job the customers may not return. Respondent 4 told us that their employees are and have since the beginning meant a lot for the business. He and his wife did not know anything about the Hotel business when they bought the place and therefore they had to trust the employees because they had been there for many years and knew the place. Respondent 8 told us that he does not have any employees, but his family members are very important because they help out in the restaurant when he needs them without payment. His mother is at the restaurant every day to help him if he needs to run errands or attend a meeting and his two teenage daughters also help him out mostly in the weekends when there is more to do. He said that without their support he would not be able to have his business.

Four of the respondents, number 5, 6, 7 and 8 did not have any employees, they operate alone and therefore they could not talk about this relationship. However they told us that they often talk to people in the same business or with other personal friends who also own their own businesses to discuss ideas. They thought this was a great way of exchanging experiences and ideas when you do not have any employees to talk to every day.

4.1.5 Other Entrepreneurs

Respondent 1 believes that Kristianstad has a good climate, because people in similar businesses can ask each other. That is excellent because companies are not exactly alike and that is why she sees similar companies as colleagues instead of competitors. She also mentioned that she was a part of several different network groups but they all died out because people did not prioritize them. Nowadays she feels that she does not have the time to be a part of groups like these, and when she has free time she wants to spend it with her family instead. Respondent 2 also mentioned lack of time as a reason to why he does not attend meetings and events in town. He also mentioned that it is difficult for him to talk to other people in the same business because in this small town there is not many flower stores. The few stores that exist are not eager to give out information either. He told us that occasionally he attends events where he can meet other people in the same business and talk about new trends and ideas.

Respondent 3 told us that in her town (Hässleholm) there are three Hotels and that they use to talk to each other occasionally. However they do not share everything with each other. She sees her personal friends, who also own businesses as another source to turn to when needing to discuss things and she has friends in many different industries and can therefore receive many different perspectives and ideas. Another respondent had a different point of view; he said that since he is new in the industry he is the one turning to other people in the same industry when needing advice and help. He said that they always help him if he asks them and he is not afraid of asking. He also has personal friends with own businesses which he turns to and discusses ideas and problems. Respondent 5 have similar answers as the rest of the respondents, she mention that she has a lot of friends and other acquaints that also run their own businesses. She turns to them and asks questions when she needs help and this means a lot for Jeanette. She also goes to different events, not often but it happens. There she can meet other self-employed people and discuss.

Respondent 6 talked about how social people are in the hairdressing business. She has many friends that work in the same business and she calls them colleagues because they always help each other out. She is also going to different events that are specific for hairdressers and said that it is a fun exchange from the saloon. The physical connections and be able to talk. She also mentioned that this connection comes from both directions. Respondent 7 mentioned that events could be important for him because he can meet other entrepreneurs and exchange information, he has also colleagues that he can turn to when he need help.

Respondent 8 said that he has a lot of friends in different businesses and he turns to them if he needs help or advice.

The results demonstrate that the entrepreneurs look upon colleagues and friends with own businesses as important and feel that they can turn to them with questions and ask for advice.

4.1.6 Other relationships

We found that except the relations we mentioned in our model, there are other relations that are important for the respondents. We mentioned six different relationships that we believed were the most important ones for small entrepreneurial firms. It was friends, family, suppliers, customers, employees and other entrepreneurs. After doing eight interviews some respondents said that there was one more relationship that was important to them.

Respondent 1 mentioned having a close relationship with her accountant because she works pretty close with the accountant and often talk about the company and discusses ideas. Respondent 2 said the same thing, his relationship with his accountant is important. He can ask him/her financial questions but also about different ideas for the company. Respondent 3 said that her accountant is a great resource because she can discuss ideas with him/her. She trusts the accountant because she believes him/her to have the right knowledge. Respondent 4 has a different relationship to his accountant, he only asks about financial questions. He has a bachelor's degree in economics so he believes that he can manage most of the work alone, both regarding the product, which he manages along with his wife, and also the finances since he has his bachelor's degree. Respondent 5 said that she has a close relationship with her accountant. She believes that her accountant knows a lot because she/he has been around for many years and, therefore, has the right knowledge. Respondent 6 mentioned that she has an adviser at the bank that she can turn to when she has financial questions about her firm and respondent 7 said the same thing. They did not feel that they could talk to the accountant or the bank contact about their business; they only ask them financial questions. Respondent 8 did not mention any accountant.

4.2. Summary of Results

The figure 4.1 is a summary of important aspects the respondents mentioned. The figure is divided in six categories: friends & family, suppliers, customers, employees, other entrepreneurs and (other relations). These categories are the ones mentioned in our preliminary research model (See figure 2.6), based on the model by Hill et al model (1999) (See figure 2.3). The category other relations is not a part of the preliminary research model,

but was added since we found relations not included that seemed to be important for the respondents. The most important aspects of the answers from the respondents are then put into each category as keywords.

Relationship Company	Friends & Family	Suppliers	Customers	Employees	Other entrepreneurs	Other relationships
Ren Hud	Important to exchange ideas with them and receive help from them.	Not dependent on them today, but was in the beginning because they had expertise.	Important relationship. Needs to have a personal relationship with them. Feedback is great.	Most important resource. Exchange ideas with them. The customer service is important.	Colleagues in the same business can be a great support.	The accountant is a great resource. Helps out with financial question but also with ideas regarding the business.
Jaffa Blommor	Need encouragement from them.	Dependent of them. Has a personal relationship with them to receive best prices and expertise.	Most important resource. Important to have a personal relationship with every customer.	Great resource. They help out with ideas and treat the customers well.	Business events are great for inspiration. Do not talk with the competitors from the same city.	The accountant is important. Help with financial questions but also with business questions.
Hotell Göinge Hof	Important since it is a Family business. Also have many friends with businesses that can help out.	Not an important relation. However, price is important. Booking sites are important because of the feedback from customers.	Most important resource, dependent on their feedback. Has a personal relation with them and offers extra services.	Very important. They treat the customers well and offer extra services. Greta to discuss ideas with.	A little contact with the other Hotels in town. Personal friends with businesses are the best help.	The accountant is important. Can talk to hi/her about the finances but also about ideas.
Hotell Sirius	Discusses with the wife who is the co-owner and they are dependent on	Not dependent of them, but price is important. Booking sites are important because of the feedback from	Most important resource, dependent on their feedback.	Very important resource. They now the business better than	Often talks to competitors since he does not know so much about	Turn to the accountant with financial questions.

Hotell Sirius	Discusses with the wife who is the co-owner and they are dependent on each other.	Not dependent of them, but price is important. Booking sites are important because of the feedback from customers.	Most important resource, dependent on their feedback.	Very important resource. They now the business better than the owners.	Often talks to competitors since he does not know so much about the industry. Personal friends with businesses are important.	Turn to the accountant with financial questions.
Boutique Organique	Important with help from the family. Have friends with businesses who can support.	Quite important since she needs the same products if customers ask about them.	Most important resource. Important with a personal relation with them,	No employees.	Visits a few events both in the industry and other. She has personal friends with firms who she relies on.	Turn to the accountant with financial questions and also bounce ideas with him/her.
Studio Millennium	Help from friends in the same business or business owners in other businesses are important. The family always gives support, which is important.	Dependent on them. Cooperates with the suppliers regarding products for sale, advertisements and other business activities. They have the expertise and can help out a lot.	Most important resource. Has a personal relation with them. All customers are interested in the social bit of the service.	No employees.	Often attend business events. She often has after-work with colleagues in the same business but also with personal friends who run businesses.	Turns to the accountant with financial questions.
Njord byggservice	The positive feedbacks from his sons are important and they also encourage him.	They were important in the start up. Today they are not that important but prices & behavior is important	Most important resource. Have to treat them well.	No employees.	Attend a few business events per year.	Turns to the accountant with financial questions.

Figure 4.1 Summary of results
(Based on preliminary research model, figure 2.6).

4.3 Discussion

In the discussion the respondents' answers are compared to the theories and discussed. The discussion consists of six sections and every section is one category from the research model. One category (Other relations) is added since we found relationships not mentioned in our model that seemed to be important for the respondents.

4.3.1 Friends and Family

All of the respondents said that the relationship with friends and family were important, which is stated by Hill et al (1999). Friends and family encourages and supports the entrepreneurs and that was something that all of the respondents felt. Respondent 7 said that if he had not had the support from his sons he would not be where he is today. According to O'Donnell (2004) it is important to have the support and trust of your family and friends in the beginning of the firm's life cycle because they can decrease your uncertainty and push you forward. This was confirmed by the respondents, they all had someone that they trusted and could talk to about their company. Some of the respondents even said that this was the most important relation in the start-up of the firm, because they felt uncertain and they needed their friends and families encouragement to keep going and develop the company. According to Granovetter (Saunders, Gray & Goregaokar, 2014) social relationships can extend beyond economic relationships and tie different individuals together. These social ties can be of different strength depending on intimacy and mutual services. Johansson (1996) also mentions that the strength depends on the usage of the relationships and the trust between.

Some of the respondents only had their friends and family as support, but respondent 1, 3, 4, 5, 6 and 8 said that they could use these relations to exchange ideas and receive help with their firm. These respondents had friends with own businesses, which means that they have experience about business and also knowledge. Therefore, the respondents trust them and it exists a strong tie between them. According to Hill et al (1999), the entrepreneur knows if the family and friends have the ability to help the firm. Some of the respondents did know that their family and friends could help and here the theories and empirical findings are in accordance.

4.3.2 Suppliers

Respondent 1 talked about the importance the suppliers played in the beginning of her firm's life cycle and that she still had an important relationship with them when it comes to advertisements and product sales. Respondent 5 also stated that she also receives help from her suppliers regarding advertisements and product sales. Respondent 2 also has a good

relationship with his suppliers because he believes it is easier to receive better prices and products if you are close to them. These thoughts are in accordance with O'Donnell (2004) who claims that the entrepreneur engages in extensive networking with the suppliers because he or she wants to gain access to the suppliers' market knowledge and expertise regarding the business area, and also to the famous brand name the suppliers often have. Hill et al (1999) also state that the suppliers can assign the entrepreneur advice and knowledge about how to run the business. According to Iacobucci (1996) a network relation creates knowledge for the firm and the activities the firm engages in on the market will create attention around the firm. The relation with the suppliers may be a suggestion of this since the entrepreneurs talk about gaining knowledge from their suppliers and this knowledge often revolves around the marketing activities, which may improve the sales for the firm.

Respondent 3 and 4 are in the hotel business and they said that the only contact they have with their suppliers is over phone when negotiating about prices. O'Donnell (2004) states that the importance of personal relations in general depends on how you nurture and develop these relations and also upon distance, both: geographical and psychological. Therefore, it is not sure that all entrepreneurs feel the same way about their suppliers. If you are far away from your suppliers or if you do not receive deliveries very often you may not feel the same connection with your suppliers. Respondent 3 and 4 talked about that their suppliers were mostly suppliers of groceries for breakfast and maybe these groceries are not that important to the entrepreneurs and they do not feel that they have to nurture the relationship since you can buy these groceries everywhere. This is not in accordance with the theories because according to O'Donnell a small entrepreneur should be dependent of the suppliers. However, O'Donnell (2004) also states that the importance of a relationship depends on the trust you have for the actor and on how often you meet and talk to the actor. Respondent 3 and 4 said that the only contact they have with the suppliers is over phone when negotiating about prices and when ordering, therefore, this relation may not be trustful. When talking about the other kind of suppliers that respondent 3 and 4 had, the booking sites, they talked about the need of having a good relationship to them because customers judge them on these sites. These suppliers may be an important relationship for the respondents' to nurture since they are so dependent on them. Respondent 7 and 8 do most of their purchases by themselves and therefore they may not either have a trustful or regular relation with suppliers, because they always choose supplier after prices. Respondent 4 and 8 have not had their firms for more than one year and according to Hill et al (1999) relationships with suppliers will not become

important until later on in the firms life cycle and this may be why they do not feel close to their suppliers.

Most respondents told us that they believed that when being a small entrepreneur you need to have a close relationship with your suppliers as stated by O'Donnell (2004). Then you can get the best prices and the best service and you are often dependent on each other. When listening to the respondents it seemed as they wanted to have a close relationship with their suppliers but they were not dependent on their suppliers, most of them told us that you can always find new suppliers but at the same time they talked about it being important to have a close connection with the suppliers because you can be dependent on each other when it comes to prices and advertisements and other business related procedures. Baron (2006) mentions that networks give entrepreneurs more access to knowledge and may allow them to generate more profit. He also states that networks can result in more opportunities.

4.3.3 Customers

Respondent 1 told us that her customers give her firm a great reputation and if they are pleased they tell their friends, family and acquaintances about it and then the firm may receive more customers. This is according to O'Donnell (2004) called word of mouth and it is something every entrepreneur wants the customers to engage in since they want the positive feedback to be spread. Håkansson and Snehota (1995) state that all relations in a network is interconnected with each other and create a larger whole with many links to different actors. This is what happens when customers recommends a firm to others in their network. Then the firms' network becomes larger and the firm may receive new customers.

Respondent 2 believes it is important to have a personal relationship with all customers. He said that today when customers can buy flowers everywhere it becomes important to stay personal and make every customer feel special. O'Donnell (2004) mentioned that it is important for entrepreneurs to build strong relationships with their customers because you want and need them to come back again.

Respondent 3 mentioned that for her it is important to have a personal and close relationship with her customers because her hotel is a small business and they are dependent on regular customers. She often gives her customers extra services to make them feel special and that you care about them. Respondent 4, also in the hotel business told us that he also believes it to be important to have a personal relationship with the customers. His hotel is also small and they also rely on regular customers. This can be seen as engaging in and building strong

relationships with the customers and O'Donnell (2004) states that this is important for entrepreneurs.

Respondent 5 treats her customers, as she wants to be treated. She told us that she always tries to remember the customers. Respondent 6 said that her customers are loyal to her and that they adapt after her schedule. She believed that they are so loyal because she always tries to give them a special approach and tries to make them feel comfortable and relaxed. Respondent 7 also said that it is important to have a personal and strong relationship with your customers, since you are dependent on them, and especially with your regular customers. O'Donnell (2004) claims that it is important to build strong relationships with the customers because then they will return but also spread the word to friends and acquaintances and give the firm more customers.

Respondent 8 told us that his customers give him both positive and negative feedback. He also said that sometimes customers give him negative feedback and he has problems dealing with negative feedback. This is not in accordance with O'Donnell, 2004, because according to him you have to keep a strong relationship with your customers. However, Hite (2005) states that the way of solving problems will differ between entrepreneurs because of personality. All entrepreneurs may not solve all problems alike. This can depend on how strong the relation with the other actor is (O'Donnell, 2004). Since respondent 8s firm has only been active for a few months he may not have started to have personal and strong relationships with his customers and therefore, he does not feel the need to listen to everything they say. Hill et al (1999) do not mention customers in their model; they do not believe that the entrepreneur will engage in networking with them. However, our results have showed that the customers are of great importance to the entrepreneurs and that they feel a need to have a close relationship with them.

4.3.4 Employees

According to respondent 1 her employees are very important because she discusses ideas with them and they are the ones meeting customers. She also said that if you do not have great employees your customers would not return. According to respondent 2 the employees are a great resource and he discusses the business with them every day. Respondent 3 told us that the employees are the greatest resource since they meet the customers and it is important that they are polite and give the service they shall. Respondent 4 has a strong relationship with his employees because when he bought the hotel he kept the old staff, and therefore he relied a lot on them. Respondent 8 does not have any employees. Instead he relies on his

family to help him out in the restaurant. O'Donnell (2004) states that it is very important to have a strong extensive relationship with your employees and being able to nurture and develop it. He also states that the quality of the relations depends on density, diversity; reach ability, degree of trust and how often you meet. Since the respondents meet their employees every day and are dependent on them this relation are probably strong. Hill et al (1999) mentions that the employees are important because they can give the entrepreneur advice about how to run the business.

Four of the respondents, number 5, 6, 7 and 8, did not have any employees. However, when discussing employees they brought up their friends and other employees. They said that if they need help they often turn to their personal friends who own businesses or to other entrepreneurs in the same business. Szerb (2003) states that it is important to engage in networking because you can receive more knowledge, but depending on the partners' ability to communicate. Therefore, it is good to talk to friends since you probably communicate easily with them. These personal friends and other entrepreneurs can be seen as colleagues and Hill et al (1999) mean that colleagues are an internal relation and important for the entrepreneur especially in the early life of the firm because they assign the entrepreneur advice and knowledge.

4.3.5 Other entrepreneurs

According to theories discussed the relationship to other entrepreneurs can be very important. Saunders, Gray and Goregaokar, (2014), state that knowledge is distributed through networks and knowledge contributes to firm growth, new opportunities and economic profit. People in the surroundings with similar experiences may, therefore, be of help to each other. These relationships can be different for entrepreneurs. For some it can be colleagues, acquaintances or people they meet on different events. All of the respondents except respondent 2 had some kind of relationship to other entrepreneurs. The model made by Hill et al (1999) shows that colleagues are placed in the inner zone of the model and is therefore an informal relationship. According to Hill et al (1999) it can be important for the entrepreneur with colleagues but most in the start-up of the firm. Our preliminary research model is based on the model made by Hill et al (1999) and shows that relationships with other entrepreneurs are always important. Some of the respondents mentioned that they always have contact with other entrepreneurs; through events, acquaintances or colleagues.

According to Szerb (2003) Information gathering and the response from the external environment can be of great help to small firms, when trying to respond to changes in the

business environment. Common problems small firms have are the lack of business skills. It increases the chance of failure and bankruptcy. Therefore, with the help from networking most of these problems can be diminished. Many of the respondents said that they have acquaintances that can help them with questions about the company. It felt good for the respondents to have someone to talk to and who had similar experiences. However, networks are vulnerable and the success of the relationships may be depending on the ability to communicate and share information within the network (Szerb, 2003). The term other entrepreneurs also includes competitors and respondent 2 did not have contact with his competitors. The other respondent called the other entrepreneurs, colleagues instead. Most of the respondents had contact with others in the same business. O'Donnell (2004) means that entrepreneurs will create networks with competitors and learn from them but only if the entrepreneur sees any trade association, or else it will decrease the importance of this relationship. All of the respondents said that the relationship to other entrepreneurs were important, it was a way to learn about how doing business. Many of the respondents did not know how to run a business in the beginning and the help from others was very important. Respondent 2, 4, 5, 6 and 7 also went to different events sometimes were they could meet other people, Aldrich and Zimmer (O'Donnell, 2004) believe that social relations can come from unplanned activities and meetings. Entrepreneurs will never know when they get a chance to learn something. Respondent 6 said that events are a great way to meet people with similar businesses and discuss things about the firm.

4.3.6 Other relationships

When interviewing the respondents we found out that there is one more relation most of them believe to be very important for them. Respondent 1 talked about her accountant and mentioned that she often discusses her business with him/her. Respondent 2 also said that his accountant often helps him out with financial questions but also with other business related questions. Respondent 3 also mentioned her accountant. She believes he/she is someone she can discuss her business with. Respondent 5 also mentioned having a close relationship with her accountant. She believes that the accountant is a great source of knowledge since he/she has been in the business for many years. Respondent 4 does not have such a close relation with his accountant. He has a bachelor's degree in economics so he can do most of the work by himself regarding finances. Respondents 6 and 7 told us that they only turn to their accountant if they have financial questions, they do not believe that the accountant knows their businesses. Respondent 8 agreed with 6 and 7 and did not mention his accountant at all. Wilkinson (2001) mentions that networks are complex and may not look the same for

everyone. They can look different in the firm's different stages and also in different businesses. Baron (2006) also states that networks can be distributed and accessed far beyond the economic relations in the network and provide the entrepreneur with greater access to knowledge. Hite (2005) also mentions that the way of solving problems will differ between different entrepreneurs due to the entrepreneur's social identity. Hill et al (1999) mentioned the accountant in their model and stated that the entrepreneurs turn to the accountant with questions about other business activities than the financial. We did not believe that this relation would be important for the entrepreneurs explored in our study since they have small firms. We believed they would do most of the work by themselves due to costs and time issues. Szerb (2003) argues that external environment networking can be of help to the more vulnerable firms. Common problems in small firms can be that the entrepreneur lack knowledge about how to run a company and it can result in failure. Therefore, the respondents may have a close relationship to their accountant because of his/her knowledge about businesses. In the next section we will describe which conclusions we draw after the analysis and the discussion.

5. Conclusions

The final chapter begins with conclusions of the findings. The critical review, practical and ethical implications and recommendations for further research are also discussed in this chapter.

5.1 Conclusion of findings

The conclusions of the findings are that all relations mentioned in the preliminary research model are important for the entrepreneurial firm. However, all relations are not of equal importance to all entrepreneurial firms. The importance depends on the entrepreneur's capability to nurture the relations and also on how much importance the entrepreneur lays on the different people involved in the relations.

Firstly, the most important personal relation we found is the one with friends and family. The respondents needed someone that could listen to their thoughts about the company that they trust. This results in support and encouragement from friends and family. It was very important with support from family and friends for the respondents, because they felt that the support helped them to keep going. We interpret our findings as that the entrepreneurs rely on their families and that without their families support they would not have had their own firms. They all spend much time working and this is something their families accept and support. If they did not have this support they would probably not keep their firms. All entrepreneurs stated that they had friends who also run their own businesses. We interpret this as entrepreneurs are very social and they like to talk to other people and that is why they have so many friends in the same situation. Because of their social abilities it is easy for them to discuss their businesses with their friends and also with people from the same business. Another interpretation from the collected data is that people want to share. The entrepreneurs told us that they always feel that they can talk to both their friends and their competitors. Today firms' share more and the entrepreneurs are not afraid of asking for help and advice from others that they believe has more knowledge.

Secondly we draw the conclusion that suppliers are important for small firms. Some of the respondents said that they easily can switch out the suppliers and this may not indicate that they are an important relation. Nevertheless, half of the respondents told us that the suppliers are very important and that they depend a lot on them. The interpretation we make is that it depends on which industry you operate in and what you sell. In the skincare business, hairdressing business and the flower business we found that the suppliers were important. However, in the hotel, restaurant and constructing business we found that they were not. It

may also depend on if you talk to and meet your suppliers often or not. They who did not have a strong relationship with their suppliers told us that the only contact they have with them is over phone when negotiating prices. They who believed the relation to be important meet their suppliers more often. Since they also sell products from the suppliers in their firms the relation has to be stronger because the customers buy the products and then you as an owner need to be able to talk about the products, recommend them and trust them.

Another conclusion of this study is that customers are very important for entrepreneurial firms. The study has shown that the entrepreneurs in our study wanted to have personal relationships with the customers because they wanted to satisfy them. We interpret the respondents' thoughts as for small firms, located in a small town it is important to be personal with your customers because the competition is hard and you need regular customers to survive. Regular customers like when you remember them and therefore it is important for the firms to have personal relations.

All entrepreneurs we interviewed did not have employees. Therefore, it is difficult to draw a conclusion about this relation. However, the respondents with employees told us that they believe the employees to be very important. The conclusions we draw about employees are that they are very important. The entrepreneurs want to keep great employees since it also affects the customers. It is also comfortable for the entrepreneur to have employees he or she can trust and rely on and discuss different ideas with. We believe that the entrepreneurs trust their employees and feel that they have the knowledge needed to support them in decision-making processes.

Another conclusion of this study is that the need to talk to other entrepreneurs has grown. Business owners do not always see other companies as competitors; instead they see them as someone they can exchange information with and rather call them colleagues. The respondents in this study said that it is an important relationship because there is a need for help sometimes and sometimes you just need someone to talk to who understands your situation. One interpretation of this is that it feels safer to talk to people you know has experience and knowledge about the same things as you. Then you can discuss and talk about your firms.

We also draw the conclusion that small entrepreneurs do not engage in networks much. The respondents we interviewed talked about events and business networks in town that they did not attend because they did not have the time to do it and they did not believe that it would

give their firm anything. Our interpretation of this is that small entrepreneurs in small towns do not see networking as a natural business activity, and do not believe it to be useful for their firms, since they do not have the ambition to grow and become a much bigger company. They do not want to put the extra time on these things. Instead going to events they often chose time with their family and friends. Many of them felt that they did not have the time for planned events and activities with other business owners in town. However, they often mentioned aspects similar to networking but then they did not reflect upon it as networking activities. They do network without knowing it, so the unplanned networking exists. It is planned and organised networking that many of the entrepreneurs ignore because of the amount of time it takes. All of the entrepreneurs had specific networks that consisted of different relationships that they used consistent in the firm without knowing it. We also interpret their answers as if there were opportunities to engage in networking activities most of them would be interested in trying it.

Lastly, we discovered that we did not mention one important relationship in our model, the accountant. We did not believe that the accountant would be of importance for small entrepreneurs because we assumed that the entrepreneurs/owners would do most of the work themselves due to costs and time issues. However, most of the respondents told us that their accountant is important in not just financial questions; many of them told us that they use to discuss business ideas and other business activities with the accountant. We draw the conclusion that most of the entrepreneurs in our study believed that they lacked knowledge, therefore, they chose to hire an accountant. Many of the respondents also believed that they could talk to the accountant about other business related aspects since they believed that they accountant has knowledge about it after being active in the business for often a long time.

5.2 Practical and Ethical implications

The aim of this thesis was to fill up the academic gap in the research field of personal networks and entrepreneurial firms. Previous researchers have focused on collecting data about entrepreneurial networks and present it quantitatively. Also little research has been done in the personal network sector regarding entrepreneurial firms. Therefore, this research has some academic importance. This study suggests that entrepreneurs engage in networks, even if they do not call it networking and even though they do not believe that networks are of importance for their firms. This study can show small entrepreneurs that they should use their different relationships more because there is much to learn from others and much help to receive. This study can also show the entrepreneurs that they do engage in networking,

although they do not believe they do. Mostly they engage in unplanned networking activities and they can learn that it is positive to also engage in planned ones. It does not hurt to try it out and see what it may give them to engage in planned networks.

5.3 Critical Review

The purpose of this thesis was to get a deeper understanding of personal networks and in what ways they create meaning for entrepreneurs and their firms and if this changes over the firms' development. The findings from this study show that networks are of different value from entrepreneur to entrepreneur. They do not all value the same relations the most and they do not think about the same relations as important to their firm. However, due to the selection of participants in only one area it is not possible to draw conclusions about the meaning of networks for small entrepreneurs. The Participants all lived in the same small town in the South Sweden and they may not represent the whole Swedish population, and not either the whole small entrepreneurial firm owner population around the world. The findings were not either statistically measured and can therefore not be generalised.

5.4 Suggestions for Further Research

In this study only entrepreneurs from Kristianstad and the nearby area were interviewed, therefore, it would be interesting to carry out this study on a larger scale with participants from different regions and towns in Sweden. It would also be interesting to compare entrepreneurs from different countries and to have participants from different backgrounds. Conducting a research with people from different countries and backgrounds would acquire more time but would probably provide a deeper understanding of the behaviour of entrepreneurial firms and how the entrepreneurs feel about and use their personal networks.

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Appendix 1 List of interviewed entrepreneurs

Name of the entrepreneur	Name of the company	Date of interview
Marie Assarsson	Ren Hud	2014-04-21
Roger Nilsson	Jaffa blommor	2014-04-25
Helena Schutzdeller	Hotell Göinge Hof	2014-04-27
Michael Lundquist	Hotell Sirius	2014-04-29
Jeanette Nilsson	Boutique Organique	2014-04-30
Dorina Glazer	Studio Millenium	2014-05-12
Jan Norberg	Njord Byggteknik AB	2014-05-13
Jörgen Stolt	Korvkultur	2014-05-15

Appendix 2 Interview guide (Swedish)

Med denna intervju guide vill vi få fram hur entreprenörens nätverk ser ut och vilka som ingår i dessa nätverk. Vi vill även få fram hur man använder sina nätverk och om vissa är viktigare än andra. Vi vill även diskutera om nätverken har varit olika viktiga under olika perioder.

Introduktionsfrågor

1. När startade du ditt företag?
2. Varför valde du att starta eget?
3. Hur gick du tillväga för att starta ditt företag?
4. Hur många anställda har du idag?
5. Har du fler företag?
6. Har du haft företag tidigare?

Huvudfrågor

7. Hur går det för ditt företag?
8. Var I livscykeln är ditt företag just nu och varför tror du det är så?
9. Har du lagt märke till stora förändringar I omgivningen de senaste åren?
10. Vem vänder du dig till med frågor/tips och idéer om företaget?
11. Vänder du dig till olika relationer/personer beroende på vad det gäller?1
12. Hur träffar du de människor som du oftast vänder dig till vid frågor?
13. Hur spelar dina vänner/familj för roll i ditt företagande och hur har det förändrats med tiden?
14. Kommer andra företag/ konkurrenser till dig med frågor och problem? Hur upplever du detta?
15. Ser du någon skillnad i hur social du har varit under ditt företags livstid och i hur stor roll olika relationer/personer har spelat under företaget livstid??
16. Använder du dig av sociala medier? Mer eller mindre med tiden?
17. Går du på event och träffar andra företagare? Om ja, hur ofta? Om nej, varför inte?
18. Är dina kunders åsikter viktiga för dig och företaget? Tar du till dig av deras synpunkter och kommer de med synpunkter?
19. Är dina leverantörer (om du har några) viktiga för företaget? Tar du till dig av deras synpunkter och kommer de med synpunkter?
20. Kommer dina anställda ofta med synpunkter? (Om du har några) Lyssnar du på dem? Hat ni möten där ni diskuterar företaget?

21. Vilka relationer anser du vara viktigast för ditt företag? Har det förändrats över tiden?
22. Vilka relationer var viktigast i starten av företaget och varför?
23. Vilken betydelse har personliga relationer för din verksamhet?

Slutfrågor

24. Hur gammal är du?
25. Vad har du för utbildning?
26. Bor du ihop med någon? Hur ser din familj ut?
27. Vad gör du på din fritid?
28. Hur många timmar per vecka jobbar du?
29. Har du lagt ner olika mycket tid på jobbet beroende på vart i livscykeln företaget har befunnit sig?
30. Har du något mer du skulle vilja tillägga?

Appendix 3 Interview Guide (English)

With this Interview Guide we want to receive information about how entrepreneurs' networks are structured and used. We also want to know if the entrepreneurs consider certain networks more important than others, and if the importance of the different networks has shifted depending on the firm's stage.

Introduction questions

1. When did you start your business?
2. Why did you choose to start your own business?
3. How did you proceed to start your business?
4. How many employees do you have?
5. Do you have more businesses?
6. Have you had a business before?

Main Body questions

7. How is it going for your business?
8. At which stage in the firm's life cycle do you want to put your firm in?
9. Have you noticed large changes in the environment in the recent years?
10. Who do you turn to with questions about how to run your business?
11. Do you turn to different persons depending on what the problem is?
12. How do you meet the people you turn to with questions?
13. What role plays your friends and family in your business?
14. Do your competitors come to you if they have any questions about their businesses?
How do you experience this?
15. Do you see any difference in how social you have been during your businesses lifetime? And in how big role the different relations have played?
16. Do you use social medias? More or less with time?
17. Do you visit events and meet other entrepreneurs? Why or why not?
18. Are your customers' feedback important for your business?
19. Are your suppliers important for your business? Is their feedback important for the business?
20. Do your employees give feedback? Do you listen to them? Do you have meetings where you discuss the company with them?

21. Which relations do you see as most important for your company? Has it changed during the firm's lifetime?
22. Which relations were most important in the start up of the business? And why?
23. Does personal relations have any meaning for your business?

Ending questions

24. How old are you?
25. What education do you have?
26. Do you have any family?
27. What do you do on your spare time?
28. How many hours per week do you work?
29. Have you worked more or less depending on where in the life cycle your business was?
30. Do you have anything more to add?