

A case report of networking business essay



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During the last couple year entrepreneurship has become a popular field of study in the universities, but also in the society, according to Landström (2009). But if we go back in the history the research about entrepreneurship started already in the 1860s, and was by then rooted in the field of political science and administration. Richard Cantillon and Jean Baptiste Say are the ones who introduced the concept of entrepreneurship in the economic science (Landström, 2009). Since the study of entrepreneurship as phenomena is comparatively new, researchers have found it hard to agree on a generic definition of the essence in entrepreneurship (Campbell & Mitchell, 2012). Even though the definitions of entrepreneurship take on different perspectives and approaches, one common thought is that entrepreneurship is about the ability to identify and exploit opportunities (Cunningham & Lischerson, 1991; Petersen, 1985; Shane & Venkataraman, 2000).

Today, the entrepreneurship and the entrepreneurial activities in the world have grown according to Global Entrepreneurship Monitors (GEM) national report for 2012. The study includes 54 different nations and 140 000 individuals in the age of 18-64. From 2010 to 2011 there was an increase of entrepreneurial activities with 22 percent, which can be explained by a more positive attitude towards entrepreneurship and an upturn in the economy (Braunerhjelm et al, 2012).

The entrepreneurial process explains the different stages for an entrepreneur, from the identification of the opportunity to the implementation and growth of the idea. An important part of this process is the network (Bygrave, 2004). Lea, Yu, Maguluru and Nichols (2006) define a

network as a set of people that is connected by meaningful relationships. For an entrepreneur with a newly started business, a large network is highly valued and can be an important door opener. A network can be useful for an entrepreneur since it can provide resources such as new information, new employers and access to different distribution channels (Greve & Salaff, 2003). Therefore, an entrepreneur's network is always changing, since the business is required different resources during the entrepreneurial process (Klyver & Grant, 2010). The social network of an entrepreneur can also provide a great reputation of its business (Klyver, Hindle & Meyer, 2008). Because of the technological development the use of social network sites (SNS) have become a great use for marketing a business. The SNS main purpose is to maintain existing networks and connect strangers with similar interests or beliefs to each other (Boyd & Ellison, 2008). The most used social network sites today are LinkedIn and Facebook (Indrupati & Henari, 2003). Facebook has over one billion users worldwide in February 2012 (Witek & Grettano, 2012).

The purpose of this report is to explain how networking can be useful for an entrepreneur and how the network is influencing the entrepreneurial process. The report also aims to explain the development of networking over time.

2 Theory

In this part different definitions and theories will be presented, that are relevant for the subject of networking and entrepreneurship. There will also be a part that connects the subjects to each other.

Entrepreneurship

Entrepreneurship as a field of study is comparatively new in relation to other fields such as leadership and marketing (Campbell & Mitchell, 2012). As a result of this, there is no general agreement of what entrepreneurship is or what it does (Churchill & Lewis, 1986). The field of entrepreneurship is defined as “ the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (Shane & Venkataraman, 2000, p. 218). Gartner (1985) means that an entrepreneur is often linked to the founder of new business, while Peterson (1985) refers to an entrepreneur as a person who is able to identify and exploit an opportunity. Shane and Venkataraman (2000), on the other hand, argue that entrepreneurship include more than starting new organizations. Entrepreneurship can be viewed in a number of different perspectives and the term is used to define the activities that are related to entrepreneurship such as founding, creation, adapting and managing a venture (Cunningham & Lischeron, 1991). Bamoul (1990) consider that an entrepreneur is alert and active in the search for opportunities for self-gain. Much of the results of entrepreneurship increases the wealth in the society or gains the economy, which also enriches the entrepreneur. But entrepreneurship doesn't have to be beneficial for the society. Entrepreneurship can be destructive and just transfer wealth from one person to another (Campbell & Mitchell, 2012).

Smith (1967) did one of the earliest studies in the field of entrepreneurship where he made the assumption that a firm created by an entrepreneur is reflected by the type of the entrepreneur. He identified two types of

entrepreneurs; the craftsman entrepreneur and the opportunistic entrepreneur. The craftsman entrepreneur is a person with a lower education who prefers manual work. The main force for the craftsman entrepreneur is to be able to support the family. As a leader the craftsman entrepreneur tends to be paternalistic and follow a rigid business strategy. The opportunistic entrepreneur is described as a person with higher education and is more prone to be a leader and expand the business than the craftsman entrepreneur. The opportunistic entrepreneur is more proactive to market their firm and develop more innovative strategies (Smith, 1967).

Researchers have tried to distinguish the entrepreneur from the nonentrepreneur and have come up with three explanations; personality differences, cognitive differences and social network differences (Dyer, Gregersen & Christensen, 2009). Many researchers have tried to link the entrepreneur to different personality traits. One of these models is called the “great person” school of entrepreneurship. The focus in this viewpoint is that entrepreneurs are born with certain traits or qualities, which differentiates them from the crowd (Garfield, 1986). The entrepreneur is described as a person who is risk-taking, have a need for achievement and a high locus of control. This approach assumes that entrepreneurs are a homogeneous group, which they are not since they tend to start business by a lot of different reasons (Carter & Jones-Evans, 2006). The “great person” theory has also been used in the field of leadership where researchers came to the conclusion that only traits are not enough to explain who will become a successful leader and who will not (Yukl, 2010). When it comes to the cognitive differences, entrepreneurs often seems to be more motivated to

persist in pursuing new opportunities and ideas than nonentrepreneurs (Busenitz & Barney, 1997). Entrepreneurs are more able to discover opportunities since they are good at recognize trends and changes in the society (Baron, 2006). Research about the entrepreneurs' social networks has come to the conclusion that social networks will determine the quantity and quality of information that the entrepreneur will receive. It will also determine how fast the entrepreneur will get the information that is necessary to discover profitable opportunities (Uzzi & Spiro, 2005). Entrepreneurs tend to have a larger and more diverse network than nonentrepreneurs (Stuart & Ding, 2006). Gartner (1989, p. 57) have argued for the behavioural approach and claims that “ research on the entrepreneur should focus on what the entrepreneur does, not who the entrepreneur is”. Entrepreneurs behave in a specific way according to Dyer, Gregersen and Christensen (2009). They mean that the entrepreneurs have an active behaviour; they ask question, observe, experiment and network with other people to find the opportunities. After the discovery of an opportunity the entrepreneurs are able to quickly implement the idea in the market (Dyer et al., 2009).

The entrepreneurial process

The entrepreneurial process starts with an opportunity and the need for the entrepreneur to exploit the opportunity. What kind of opportunity the entrepreneur is able to recognize is specific to his/hers environment and earlier experiences. After the opportunity is discovered it is up to the entrepreneur to decide how to transform the opportunity into a business. The following steps in the entrepreneurial process will consist of seeking of

information, advice on how to proceed, reassurance that it will work and resources of equipment, space and money (Birley, 1985).

Many laypersons equate entrepreneurship as the act of creating or inventing an idea or concept that ultimately proves to satisfy the needs of multiple stakeholders (Brockner, Higgins & Low, 2004). However, a large number of ventures do not achieve success. One of the main reasons for the high mortality rate is the entrepreneurs' lack of ability to develop and manage their businesses (SEBRAE, 2005c). This underpins the importance of understanding and analyzing the entrepreneurial process. Based on Moore's model, Bygrave (2004) presents the entrepreneurial process as a set of stages and events that follow one another. These stages are: the idea or conception of the business, the event that triggers the operations, implementation and growth. In his model of the entrepreneurial process (Figure 1), Bygrave (2004) highlights the critical factors that drive the development of the business at each stage.

Figure 1. Model of the Entrepreneurial Process

Source: Bygrave, W. D. (2004). The entrepreneurial process. In W. D. Bygrave & A. Zacharakis (Eds.). *The portable MBA in entrepreneurship* (p. 3). Hoboken, NJ: John Wiley & Sons.

As can be seen above, every part of the process is necessary for an enterprise. The innovation is just the beginning of the process, exploiting the opportunity, triggering the event and put it into practice is the real body of growth. In looking to contribute to the identification and understanding of the behavior that may lead an entrepreneur to success. Studies by McClelland
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(1987) set forth the following entrepreneurial characteristics: seeking opportunities and initiative, identification of opportunities, ability to react to frustration and 'stressing' situations, demand for quality and efficiency, commitment, establishing goals, planning and systematic monitoring, persuasion and a network of contacts, and independence. Filion (1999) has stated that the literature often points out that entrepreneurs actively strive to achieve goals, and that they develop tenacity and creativity, as well as the ability to detect opportunities and that they are agents for change, which is they do new and different things. De Clerk and Arenius (2003) state that there is a relation between human capital, i. e., the experience and understanding of the entrepreneur, and the success of the entrepreneurial activity, so that those who are best educated and invest more resources in improving their abilities are more apt to reap the benefits through their entrepreneurial activities. Environmental factors also include sociological factors such as: role models, family responsibilities, the trade-off between the experience that comes with age and the optimism and energy of youth, and contacts (a network of personal relationships). Chay (1993) also identifies sociological factors as: family culture, network of personal relationships, past experiences, parents and role models. A majority of network-based research has noted the importance of both social and economic contexts of the new venture creation process, and within these contexts, trust has been consistently identified as an essential component to this process (Smith & Lohrke, 2008). In the succeeding stages of the business, from implementation to full organizational development in the growth stage, other personal attributes become important. These are: vision, leadership, entrepreneurial spirit, management ability and commitment

(Nassif, Ghobril & Silva, 2010). The model clearly analyzing the entrepreneurial process from part to part, describing the shifting importance given to personal, sociological and environmental attributes throughout the evolution of the business.

Network

A network can be defined in different ways, but in general it is defined as a set of people or organizations that is connected by on-going meaningful relationships (Lea, Yu, Maguluru & Nichols, 2006). Networking can be seen as advertising of an entrepreneur and its business and it is an easy and cheap method to reach target market (Indrupati & Henari, 2012). Networks do not need to be a specific size or heterogeneity to be considered a network (Lea, et al., 2006). Since an entrepreneur requires different resources during different phases in the entrepreneurial process, the network is something that is constantly changing (Klyver & Grant, 2010).

Entrepreneurs have a great use of their social network because it complements their resources by giving them support and providing new information and access to different distribution channels. An entrepreneur can use its social network to get crucial information, shorten path to knowledgeable people and create new relationships (Greve & Salaff, 2003). The social network of an entrepreneur can also provide new valuable resources such as important information, access to finance and skills and great reputation (Klyver, Hindle & Meyer, 2008).

With the technological development, the social networks sites (SNS) have become huge part of peoples lives (Boyd & Ellison, 2008). Network sites as

LinkedIn and Facebook has become the top media sites to use for entrepreneurial networking (Indrupati & Henari, 2003). Facebook was founded in February 2004 and has over on billion users worldwide only eight years later (Witek & Grettano, 2012). There are two main purposes of social networks sites; to maintenance pre-existing networks and to help people connect to each other. The SNS differ in two ways; in audience and in incorporate of new information (Boyd & Ellison, 2008). SNS is also useful for people to share knowledge, experience and interest (Lea, et al., 2006). It has also been shown that SNS can be important for the ability to be innovative (Magnier-Watanabe, Yoshida & Watanabe, 2010).

Social network influence the entrepreneurial process most when it comes to identify an opportunity and mobilize resources to exploit it (Stuart & Sorenson, 2001). When it comes to the “ opportunity” phases in the entrepreneurial process, social networks influence the ability to find and get access to new opportunities. The network can also motivate people to pursue an opportunity. When moving over to the organization creation, the social network affects the team formation, capital accumulation and employee recruitment (Martinez & Aldrich, 2011). (Something more about team, capital and employer). After the organization creation phase, the exchange stage begins, which means that the network changes because the company exchanges resources with suppliers, customers and other interests (Martinez & Aldrich, 2011).

Strong and weak ties

The “ strength” of an interpersonal tie can be defined as, a (probably linear) combination of the amount of time, the emotional intensity, the intimacy

(mutual confiding), and the reciprocal services, which characterize the tie (Granovetter, 1973). The relationship between people, according to the “strength”, can be divided into strong ties and weak ties. For example, a very close friend, colleagues who work together and often exchange ideas are strong ties. And people who only meet some times, high school classmates that have no contact for a long time, are weak ties.

Granovetter (1973) thought that weak ties are often more powerful than strong ties in social networks. Here, he proposed a concept of “ Bridge”; this is a line in a network, which provides the only path between two points (Harary, Norman, and Cartwright 1965, p. 198). No strong tie is a bridge. All bridges are weak ties (Granovetter, 1973).

The sense of “ Bridge” is that it can link two different social groups. Weak ties as a “ bridge”, the individual can come into contact with more people, as well as traverse the greater social distance which strong ties cannot be achieved. Strong ties exist generally in small groups, because individuals in small groups tend to have the same interests and knowledge, and easier to build strong ties between individuals. Strong ties ensure the exchange of information and knowledge between individuals. Therefore, in small groups, the knowledge and information of other individuals are not important value to another (because it is very easy to know, or already know). The stronger the tie connecting two individuals, the more similar they are, in various way (Berschied & Walster 1969, pp. 69-91; Bramel, 1969, pp. 9-10; Brown 1965, pp. 71-90; Laumann 1968; Newcomb 1961, chap. 5; Precker 1952). Weak ties often exist in different social groups. Weak ties make it possible for different groups to exchange information and knowledge. Those to whom are

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weakly tied are more likely to move in circles different from our own and will thus have access to information different from that which we receive (Granovetter, 1973). From this perspective, weak ties have more advantages to strong ties.

From management Perspective, enterprises should attach importance to the role of weak ties, because of the weak ties, on the one hand, they have access to the resources of heterogeneity, and heterogeneous resources is considered to be an important source of business innovation. On the other hand, by weak ties, enterprises can enter the larger social network, which helps enterprises get more valuable information and resources (not reference).

The network of an entrepreneur (summary)

Text

3 Methods

This exploratory study was conducted in three independent cases of small INVs. The case method facilitates a deeper understanding of the context (Yin, 2003) and is important for general core competence understanding (Eden & Ackermann, 2000). The main data sources of this paper were primary data and secondary data consist of a total of 65 personal interviews with 38 respondents. The selection of respondents was achieved through snowball sampling. Potter (1996) describes the snowball technique as one that begins with a purposive sample in which key informants who can provide important insights are selected. Snowball sampling can be placed within a wider set of link-tracing methodologies that seek to take advantage

of the social networks of identified respondents and provide a researcher with an ever-expanding set of potential contacts (Spreen, 1992). This process is based on the assumption that a “bond” or “link” exists between the initial sample and others in the same target population, allowing for a series of referrals within a circle of acquaintances (Berg, 1988). Besides the owner, managers, former employees, business partners, friends, family members, suppliers, and customers were interviewed. The interviews were informal and done in person, and the interview guide consisted of open-ended questions. Respondents were, for instance, asked to describe the firm’s business from both technology and market perspectives, and from entrepreneurial and competence perspectives. They were also asked to describe the firm’s most important competencies and resources, for instance how they had developed and where being used. The locations of the interviews depended on the respondents and were held in multiple countries. Each interview was between one and four hours, and were recorded, transcribed and set out to the respondents for correction and verification.

Secondary data were collected through annual reports, internal report, photographs, newspaper articles, memos, and contracts. If available, other academic studies (undergraduate and/or graduate) investigating the vase companies have been used as secondary data. This heterogeneous approach enhances multiple facets and facilitates comprehension and analysis, and has a twofold purpose: first, to enrich the empirical case with thick descriptions, which improves its trustworthiness and enhance content validity (Rouse & Daellenbach, 1999); and second, to enhance reliability by triangulating the data and method (Creswell, 1994).

3. 1 Analysis

The analysis of qualitative data consists of data reduction, data display and conclusion drawing/verification, according to three concurrent flows of activity (Miles and Huberman, 1994).

Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written field notes or transcriptions. The reduction of the empiric collected for this study began immediately after an interview. The data reduction at this stage is the process of identifying, coding and categorising the primary patterns in the data; in other words, analysing the content of interviews, documents and the observations. The analysis began by reading through all of the field notes from the interviews and the documents and then dividing them up. Since there are three vases with multiple respondents in each, it was important to synchronise and categorise their answers to maintain a logical flow. The structure and coding was done according to the outline of the theory. Data display is the second major flow of analysis activity. Generally, a display is an organised, compressed assembly of information that permits conclusion drawing. For qualitative researchers, the typical mode of display has been extended, unreduced text usually in the form of written field notes, which the analyst scans through, attaching codes and then extracting coded segment and drawing conclusions. The thirds stream of analysis activity is conclusion drawing and verification. It is at this stage that the researcher begins to decide what things mean by noting regularities, patterns, explanations, possible configurations, casual flows, and propositions.

Data analysis is widely recognised as the most difficult and least structured area of case study research (Eisenhardt, 1989). To overcome this weakness, two forms for analysis were used. Results of this study were analysed from a within-case perspective and a cross-case perspective. In the within-case analysis, the evidence from each of the three cases was analysed separately utilising the frame of reference as a basis. This frame, which is a combination of theories on the areas of entrepreneurship and strategic management, helps us understand the case. Any similarities or dissimilarities compared to the frame of reference and to the theoretical framework will be the findings of the within-case analysis. Once the within-case analysis is complete, a cross-case analysis will be initiated to uncover cross-case patterns. Consequently, the analysis will focus on issues and aspects that can only be understood by comparing the cases. For validity reasons, the findings were written in vase report of which the next section of this paper is an excerpt. Most of the respondents independently read through their transcripts and corrected this report before writing the final draft of the case. The findings were also verbally presented and discussed with colleagues.

4 Description of the initial competencies

This part consist a summary of three different cases; Polaris, Index and Liko. These summaries are based on case-materials handed out during a lecture in entrepreneurship. It is these three cases that will be analyzed with the theoretical findings in the field of networking.

4. 1 Case Polaris

Polaris, a privately-owned niche company that designs, forms, develops, manufactures and sells rimless eyewear. Staffan Preutz, the present owner

and president of the company, started the company together with an associate in northern Sweden in 1979. Staffan Preutz realized that he wanted to design and manufacture eyeglasses while he was working in his father's watchmakers and optic store during his teenager period. His experience and talent of design enable him to be the pioneer in the eyeglasses field. Polaris moves towards the world successfully. One of the factors is the strong network. In Staffan's opinion, one of the main reasons to internationalize his business was to travel and meet new people. When he was 15 years old, Staffan Preutz started a youth hostel for the hitchhikers from different parts of Europe. He enjoyed meeting and talking to new people. He established many connections during five years, which he still has today. Furthermore, besides improving his English, he learned about different cultures, customs and traditions and most important, how to deal with different nationalities. During 1960s and 1970s Staffan Preutz travelled frequently to some manufacturers in different parts of Europe. All the travelling made him able to develop a network with important players in the industry.

In the summer of 1979, during a tradeshow in Milano, Staffan bumped into an American which was acquainted with Staffan through Staffan's connections during his time as a designer in France. This person had 18 top-end French-American optical stores named " Blue Jeans" and he was interested in starting to sell Polaris's products. Polaris started successfully to sell eyewear to this chain in USA from late 1979. In 1981, he wrote to some friends in Washington and requested to visit them. There was a family from Boden, where the man was captain in the military and the women was a housewife, and they used to be customers while Staffan was working in his

father shop. During 1980 and 1981, this housewife had been an agent for the Polaris collection in USA without any success. But the party for Staffan arranged by the couple changed the situation for Polaris. Staffan met a girl who helped him to establish Polaris USA and it turned out to be very profitable. The request for Polaris's products had also increased enormously thanks to the Swedish King and Queen. Staffan wrote a letter to the King hoping the King and the Queen could wear Polaris's glasses during the visit to the Olympics in the United States and they agreed. Later, Royal Polaris appeared. In 2002, a Canadian named David Opie who bought a pair of eyewear of Polaris called Staffan and requested in becoming an agent for Polaris in the US. As he got back to North American, he started a new company. Soon, the company becomes a successful multimillion company in North America.

Fritz, an optician who Staffan had made connections with, entered the German market and requested to become partner with Staffan by establishing a manufacturing facility in Germany. Consequently, a joint venture was established. The business gave profits from the very beginning and the demand for Swedish rimless eyeglasses grows tremendously. In 1980, a French-American optician which had started to sell Polaris's collection in the US had a friend in France, Pierre Marly, which was also interested in start selling Polaris's products. Marly had 10 stores in the metropolitan Paris, and therefore, in 1981, Staffan started to also design glasses exclusively for his chain in Paris.

When Preutz was working at a British eyeglass manufacturer in 1971, he had established a friendship with Lengton who at that time still was in the

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eyewear industry. Staffan asked Lengton and his sister to work for him. In 1982, Staffan met another Englishman, Mr. Wilde, which was an acquaintance of Lengton. This person had a company that manufactured optical glasses. He had seen Polaris's product at a tradeshow and was now interested in start producing and marketing them in UK. Consequently, Lengton and his wife, Staffan's sister Ann-Marie, moved back to United Kingdom and started to sell Polaris eyeglasses on experimental bases together with Mr. Wilde. In 1983, Polaris started a joint venture, Polaris UK. The English market has been and still is one of the most profitable ones for Polaris.

In 1983, the owner of a major top-end Japanese optical chain contacted Polaris. This man, Mr. Iwaki, had seen Polaris's products in one of the "Blue Jeans" stores at Fifth Avenue in New York. Consequently, Staffan has a joint venture with Mr. Iwaki. Staffan has during his time in Japan learnt much about the Japanese culture. Staffan's experience in Japan also changed him as a manager and business owner. Today, the Japanese market is, together with the British, the two most significant markets for Polaris. The collection offered in Japan is different from the rest of the world.

In 1987, Staffan met a Swedish family during one vacation in Australia. This family had a small manufacturing facility outside Brisbane in Australia and as they talked more and more, Staffan became interested in investing in a subsidiary in Australia. After a marketing research, Polaris established a wholly owned subsidiary in Brisbane. Staffan uses his network to internationalize his company, whatever it is successful or failed and in network, weak ties are even more important to some extent.

4. 2 Case Index

Index Braille AB is a company which manufactures and sells high-technology and high quality Braille printers. The company is the world-leader within the segment of selling single and double-sided Braille embossers with high printing speed. It has 13 employees and a turnover of 36 MSEK in the year 2007 and 97 per cent of the firm's total sales are exported to around 80 countries in the world. The company was established in 1982 by the present owner and CEO Björn Löfstedt together with Torvald Lundqvist. Björn's father worked at steelworks, it helped Björn to be fascinated with mechanics. His mother was blind but was very social and interested in meeting new people and Björn became a good assistant of his mother. Therefore, when he found his mother was forced to have same procedure with each single copy because the Braille writers did not have any memory, he decided to make it easier for her. In 1982 Björn managed to register the company Index Braille Printer Company together with Torvald. In late 1983, the first product started to be finalized. But at this time, the two partners had two different opinions, and the co-operation between Index and the Norwegian firm became rather tense. Björn asked Rolf Åsterberg, who was a very famous manager, to be a minority partner and board member. With Rolf's assistance Björn managed to solve the problem with Norwegians.

In 1984, Björn started to look at opportunities for selling their printer abroad. He took one prototype to different tradeshows abroad. The following two years Index entered several markets. In the end of 1985, Björn's little brother, Sören, joined the company to help with the manufacturing and one of his closest friends, Staffan Syk started helping him with assembling the

printers. In 1986, the turnover had increased from almost nothing in 1984 to four MSEK. In May 1988 Index was split into two different firms, Index Braille Printer Company and Polar Print AB. In early 1990s, Björn was forced to open the doors for an investment company because Sweden entered a financial crisis with devalued currency. In late 1991, Björn felt that the “ new” printers were in acceptable condition to be sold. Until 1990, Björn changed the “ general-agent structure” and let others also have access to Index’s products. This new strategy has been very successful and Index has increased their sales from 9 MSEK in 1991 to 36 MSEK in 2001.

Björn was very skilled in mechanics but he needed Torvald to develop the electronics and the software in this new project. Björn managed to involve his colleague at the university, Torvald Lundqvist, in this project. In 1984, Björn started to look at opportunities for selling their printer abroad. He took prototypes to different tradeshows abroad. This became to be his first trip outside Nordic countries. The following two years Index entered several markets. The process of establishing distributors usually to