BUSINESS NETWORKING

How Entrepreneurs in San Diego Can Make Use of Networking to Accelerate Growth in Small Businesses

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Abstract

Networking is commonly used in many business clusters such as in San Diego, California. The strong collaborative and networking culture spurs entrepreneurial activities and is crucial for entrepreneurial success in the region. Networking is a fascinating phenomenon much discussed in literature. Sociologists have tried to map the patterns of networks and describe its existence and function in society. Relationship marketing theorists have taken to the discussion from a business perspective and explained the relationships between the individuals in the business network. The purpose of this research is to analyze social networking and network organizations in San Diego in order to investigate what entrepreneurs can gain from networking which can accelerate growth in small businesses.

The empirical study consists of a qualitative case study in San Diego. Data has been collected through semi-structured interviews with entrepreneurs, business service providers, investor, network organizations representatives, consultants and well-experienced professionals with knowledge from a variety of organizations in different industries.

The theoretical study on networks, business networking, relationship marketing and entrepreneurship has led to the construction of the Entrepreneurial Relational Capital Model. The model is constructed on theories embraced in the thesis and is meant to work as a tool to evaluate entrepreneurs’ relational capital; or the entrepreneurs’ network of relationships and their construction. The model has been used to analyze empirical data and the results show the importance of evaluating business relationships for the entrepreneur to become more time efficient in networking, and to find the individual with the desired expertise. The research has shown that entrepreneurs need to establish strong relationships to key individuals in the industry of their focus. The entrepreneurs’ social networking with key individuals accelerate the start-up process because the high level of trust in the relationship results in valuable referrals.

Key Words: Networking, Business Networking, Social Networking, Network Organizations, Business Relationships, Relationship Marketing, Relational Capital, Small Business, Entrepreneurial Activities, San Diego
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1. Introduction

The introduction provides the reader with a background of the research topic along with the problems and aspects it embraces. The description and discussion of the research topic and problem concludes in the research question. Finally the purpose of the thesis is presented.

1.1 Research Background

Your social network enables access to everyone in the world through six degrees of separation (Duncan, 2004). An entrepreneur has the opportunity to make use of networking to connect with others who can assist in growing the small business. There are thousands of people who have experience of entrepreneurial activities. Every person encountered opens doors to new worlds and every relationship enables an opportunity. The importance of networks and being well connected is very valuable in the business world.

The authors of this thesis spend six month as interns at the Swedish American Chamber of Commerce in San Diego, an organization which promote commercial exchange and networking. San Diego’s strong business culture of collaboration was discovered where networking was acknowledged as an essential tool when conducting business in the region. The unique networking culture caught our interest and came to color our work and daily life in San Diego. We were told that in order to accelerate establishment on the San Diego market, networking is crucial. The entrepreneurial perspective on how to make use of the wide networking opportunities which San Diego supplies was fascinating.

A unique project which will provide a soft landing for Swedish companies with the goal to establish on the U.S. market started 2009 in San Diego. Accelerat.us will have a function as a Swedish business incubator where small Swedish companies will be coached in how to develop their business and guided to useful networks to accelerate the process. One of the core objectives was to utilize networks in order to enable better establishment for the small companies on the market (Hagenfeldt, 2009). Accelerat.us has a close relationship with the Swedish American Chamber of Commerce in San and the positions as Marketing Managers at SACC got us involved in the Accelerat.us project. The founders of Accelerat.us requested an evaluation of the project and the Swedish companies’ success in establishing on the San Diego market. This request caught our interest and inspired the topic of our thesis. Because of the initial stage of the project and our limited time of a six month internship in San Diego, an evaluation of the project was not within our capabilities. The early observations of the importance of networking within the San Diego business community and one of Accelerat.us’s core objectives to utilize networks made us approach the request from a networking perspective. Networking and building relationships in the business community will be essential for the Swedish companies wanting to establish on the San Diego market (Hagenfeldt, 2009).

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1 Definition according to entreprenuer.com (2009, Aug 5th) “An organization design to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and network connections.”

2 The Swedish American Chamber of Commerce
San Diego is one of North America’s fastest growing high tech regions (San Diego Regional EDC, 2008). The Milken Institute (2003,2004) ranked San Diego number five on their list of best performing cities in North America measured on job creations, growth of economy and thriving business (San Diego Regional EDC, 2008). In 2008, there were totally 299 new local technology start-ups in the San Diego region (CONNECT, 2009). The quality of life and the established business community attract entrepreneurs and researchers to San Diego (CONNECT, 2008). Teaching institutes and research facilities has attained a talented work force which thrive innovations and new high quality business (2008). This along with a well established business community and industry clusters make San Diego to an attractive place for capital investments. Similar assets can be found at many locations in the world but what makes San Diego special is the culture of collaboration (2008).

Universities, research institutes, community college, non-profit organizations and business community do all boast a spirit of collaboration (San Diego Regional EDC, 2008). Collaborative efforts to thrive innovations are made by world class research centers and universities along with the many professional networks (2008). Industry specific trade organizations have emerged in San Diego and offer assistance to start-up companies (CONNECT, 2008). These networks connect research institutions, venture and institutional capital providers, R&D and business development corporations, leading professional services providers and trade organizations to accelerate the commercialization of innovations (2008).

1.2 Problem Analysis

Networks of social relationships are critical in the entrepreneurial process and “successful entrepreneurs are good network builders” (Smilor & Gill, 1986, p. 39). The networks facilitate the entrepreneurship through the linkage among entrepreneurs, resources, and opportunities (1986). Child (2005) et al. argue that networks mainly exist because the function each member provides to the network. This function is both complementary to and synergistic with the different functions of others members of the network (2005). “Networking is the mutual give and take that results in a winning situation for everyone involved in the transaction (Burg B., 1998). It is important to be a part of a complex business ecosystem in order to be successful in today’s intensely competitive world (Mukherji, 2001). Success comes from attracting resources of all sorts, drawing in capital, partners, suppliers, buyers, and capabilities to create cooperative networks (2001).

Adrian Payne (1991) et al. discuss the importance of relationship marketing and state that the only two resources which matters in today’s economy are knowledge and relationships. Relationship marketing involves relationships with several different organizations and individuals who are potential to contribute, indirect or direct, to a company’s effectiveness. The personal and social connections often determine the business networks and business can in some regions be solely conducted between friends and friends-of-friends (1991). However, making use of networks will not assure any benefits and it will cost the entrepreneur time and energy (Carolina Asia Center, 2006). It is uncertain whether the benefits of networking will exceed the invested time and energy spent on networking. The outcome of networking might not be recognized immediately which could result in difficulties to identify the relationships of highest value and where time should be invested.
Network organizations in San Diego embrace a large amount of different individuals and companies. The large range of companies with different expertise enable for the entrepreneur to find the specific business connection searched for. However, when the amount of possible connections is large the probability of finding one specific connection is rather unlikely and time consuming. Even though the entrepreneur finds a contact with the desired expertise, trust needed in order to establish a good business relationship might not yet be recognized. Social networking and recommendations from already existing contacts could create a higher level of trust and be more time efficient for the entrepreneur. Would making use of social networks therefore be more efficient compared to utilize network organizations and their services, in order for the entrepreneur to establish business relations? However, a social network might not embrace enough variety of contacts in a specific field compared to well-established network organizations. Making use of social networks could therefore result in not finding the specific expertise of interest.

This thesis will investigate what entrepreneurs in small companies in San Diego can gain from utilizing different kinds of networking in the region. The thesis aims to present previous research of the concept of networking and how it can contribute to acceleration of small business growth in San Diego. It will be analyzed what small companies can expect to gain from social networking and networking organizations in San Diego.

1.3 Research Question
The thesis aims to gain an understanding of entrepreneurial networking and how networking can contribute to growth of the small business. The aim is broken down into different objectives. The first objective is to define networking and its function in a social context. The study then examined the phenomenon of entrepreneurial networking and essential actors in the entrepreneurs’ network. Finally, the study aims to present how and to what extent networking contributes to small business growth.

In order to investigate how networking can accelerate growth in small businesses in San Diego, two research questions have been developed. The questions concern entrepreneurs in small businesses and examine two different perspectives; social networking and network organization.

**Question:** How can social networking conducted by the entrepreneur contribute to acceleration of growth in the small business?

**Question:** How can local network organizations utilized by the entrepreneur contribute to acceleration of growth in the small business?

1.4 Purpose
The purpose is to analyze social networking and network organizations in San Diego in order to investigate what an entrepreneur can gain from networking which can accelerate growth in small businesses.
2. Methodology

The methodology describes both the empirical and theoretical methodology used in the thesis. It explains how the research has been conducted and the reasons behind the choice of methodology. The purpose with the description of the methodology is to provide the reader with knowledge of how the research has been conducted in order to evaluate the outcome. For those interested in doing a similar research, this provides a framework of how the research was carried out.

2.1 Background

Our positions as Marketing Managers at the Swedish American Chamber of Commerce in San Diego consisted of promoting and increasing commerce between Swedish and American companies in the region. The work mainly involved to arrange network events, connect companies with potential business exchange, attract new members and maintain relations with existing members. This resulted in an expanded knowledge of networking in San Diego which has been critical to the empirical research. All the connections which have led to networks and interviews essential for this thesis had not been possible without the connections and experiences gain through SACC. As Marketing Managers we were involved in the business community and experienced the networking atmosphere in San Diego.

The Accelerat.us project was at an early stage supported by SACC - San Diego. As Accelerat.us is a platinum member in the organization, this is one of the most important projects SACC has been involved in this year. The early observations of the importance of networking within the San Diego business community made us realize the importance of networking for Accelerat.us. Networking and building connections in the business community becomes essential for the Swedish companies wanting to establish on the San Diego market. The purpose of establishing a Swedish incubator is its deeper understanding of the Swedish companies and which networks they are in need of. An opportunity of a more efficient start-up process for Swedish companies to establish on the U.S. market it therefore provided (Hagenfeldt, 2009).

The companies taking part in Accelerat.us program will not be studied in this thesis due to the initial stage of Accelerat.us. However, the art of these companies, has influenced the limitation of the characteristics of small businesses taken in consideration in this research. The small companies already have an existing product and initial funding and the main focus is to launch the product on the San Diego market. The companies come from different industries, mainly the high technology areas, bio technology and the green technology industry. Their products are therefore technologies directed towards other companies rather than consumer goods. A small business has a maximum of 100 employees according to the North American standard defined by SBA (U.S. Small Business Association, 2009). However, in Sweden, the European definition is used which include small business consisting of maximum 49 employees and which also embrace micro enterprise with a maximum of 9 employees (Europeiska kommissionen, 2006). These definitions will be used throughout the thesis.
Organizing and participating in network events for SACC expanded our knowledge and practical experience of networks impact on business. SACC are strategic partners with many of the largest network organizations in San Diego. This collaboration and attending network organizations’ events enabled a deeper understanding of network organizations and extended the comprehension of the networking phenomena in San Diego. The largest network organizations in embrace a various group of people with positions and experiences from the business community in San Diego. The network organizations enabled connections with experienced CEOs and consultant, investors, service providers along with serial and first time entrepreneurs.

Understanding what attracts business people to network events and the various purposes of attending these, is essential when arranging network events. We learned what different business people are seeking and what connections they are aiming for at networking events. We have observed how some individuals have developed a particular strategy of networking whereas some do not have a conscious plan. There are implied networking norms in San Diego which we have learned can harm your reputation if not carried out correctly. We have adapted to these norms in order to connect more efficiently with people within the San Diego business community.

2.1.1 Subjectivity
We are aware of the possibility that our involvement in different network organizations and working in the San Diego business community have given us a subjective view on networking. According to Bryman and Bell qualitative research has been criticized for being too subjective because of the personal relationship the researcher develop with the people studied (Bryman & Bell, 2003). Furthermore, what is to be valued as important for the study is based on the views of the researcher (2003). However, by being involved in the San Diego business network we have gained knowledge, which would not have been possible to collect as outsiders. The issue of subjectivity will not be discussed further, but is addressed in order for the reader to take it into consideration.

2.2 Methodology Choice
The subject of choice for the thesis arose from observations through involvement in the San Diego business community when working at SACC. A number of hypotheses were developed at an initial stage. The hypotheses served as a tool to concretize the content of the research question; what entrepreneurs can gain from networking. Initially, the hypotheses were to be tested through the empirical and theoretical study in order to facilitate answering the research question. After further consideration the hypotheses did not contribute to the research question and were excluded from the thesis. However, they supported the empirical and theoretical research by identifying the relevant issues to examine.

Our interest of writing about networking is based on empirical observations during our six month internship at SACC San Diego, which resulted in a methodology with inductive influences. A natural decision of methodology for a research with empirical emphasis is to apply an inductive study where theory is the outcome of research (Bryman & Bell, 2003). An inductive study includes generalizing

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3 The fourteen hypotheses are presented in Appendix 1
assumptions made from observations and forms its own theory. An inductive study often involves a long process of collecting data in order to derive a theory from this data. To investigate the developed theory, new data is collected and analyzed (2003). Due to limited time, a strict inductive strategy when studying networking and networks in San Diego was not in our capability. A study of this extent would have taken too much time. In order to gain extended perspectives on networking we choose to utilize theories to analyze the empirical study. Already existing theories were therefore a relevant contribution to the analysis of the empirical study. The theoretical studies served as a tool to evaluate and interpret observations made during the empirical studies.

Gains from networking for entrepreneurs in small business will be presented from different perspectives in the thesis. There are many actors valuable for the entrepreneur to interact with. However, the view of the Universities will not be presented even though they are an important part of the San Diego business community. Universities’ entrepreneurial activities are mainly focused on research and development which is not as relevant since the companies taken in consideration in the thesis already have an existing product. Banks is another actor in the network of the entrepreneur which we have chosen not to include in the research. Even if banks are source of finance for small businesses, bank representatives are much less common to encounter at networking events and are much less involved in networking activities.

2.3 Empirical Data Collection
The main source of empirical information in this thesis was collected through qualitative interviews. Interviews provide a deeper understanding of the topic in comparison with quantitative studies (Marschan-Piekkari & Welch, 2004). When choosing who to interview emphasis was on selecting people with different backgrounds and experience of entrepreneurship and networking and could thereby contribute with various perspectives to the thesis. Interviews were held with, small business entrepreneurs, investors, consultants and small business advisers, representatives from some of the larger network organizations in San Diego to capture their view on networking. Secondary data such as annual reports from network organizations and surveys conducted by these organizations also play an important part of understanding outcome of networking in San Diego.

2.3.1 Referrals and Networking Events Lead to Contact with Respondents
Our positions as marketing managers at the SACC enabled connections with key people within the San Diego business community. Well networked people in our own network, familiar with the business environment in San Diego, referred us to potential respondents. In conversations concerning networking, especially some names on individuals well known to have knowledge about networking, were repetitively mentioned and recommended, and therefore selected and contacted for an interview. We have experience the importance of who you know and who you get referred by. People took time to meet with us because they trust the person who referred us. According to Marschan-Piekkari and Welch, establishing a trusting relationship with the respondents will facilitate further cooperation with other contacts who can contribute to the study (Marschan-Piekkari & Welch, 2004).
The referrals gained can however have resulted in interviews with a small group of the San Diego Business Community. Therefore, attending networking events was an efficient way to connect with people of other networking groups to find respondents. After talking to people directly at network events and learning about their backgrounds, some were selected for an interview. People attending networking events typically have a positive attitude towards networking. Only talking with people already positive towards networking could result in a distorted picture of the general thought of networking. Furthermore, there is not enough time to talk to everyone at a networking event. Either, you will target a few people of your interest, or talk to people randomly. We mostly met people randomly at network events, but partly also intentionally because we were interested in their background and expertise. Therefore, people we meet might not be representative to the overall attendances at the events.

2.3.2 Selection and Categorization of Respondents
All respondents had a background from start-up, either as an entrepreneur or involved and assisted in entrepreneurial activities. They however represented different industries and different professions. This resulted in a suitable mix of experience from diverse parts of the San Diego business community. The process of finding suitable respondents was time consuming but crucial in order to collect different perspectives from different areas and levels within the San Diego business community. The respondents have been categorized into five different categorizations groups depending on their background. The categorization is for the reader to easier follow which perspective is presented. Only mentioning a name could be confusing for a reader who does not know the respondent. Someone with a reputational name in San Diego might not be known in other parts of the world. Views from people in the same profession or background are now divided into a group. The five different categories are described below.

| Consultant and Experienced business person | Includes people with high management or key positions at organizations. Are serial entrepreneurs or have been involved in many start-ups. Often advisors and have a wide network and experience of conducting business in San Diego. |
| Network organization representative | Includes people with key positions in the organization and their daily jobs consist of networking. They all have experience from positions at other firms and organizations. Have wide social networks and high involvement in the business community. |
| Entrepreneur | Include people from a wide variety of areas and have different expertise and represent different industries. Their focus on the company and the stage the start-up is in is very diverse. Some are second time entrepreneurs. |
| Service Provider | The service provider group consists of one lawyer and one individual with background from an insurance company. They both have long experience an involvement in start-ups and have a wide social network. |
| Investor | The investor is a business Angel who have helped funding many start-ups and is well networked in San Diego. |
All groups include around five individuals. However, we were only able to interview one angel investor\(^4\), which represent the investors view on networking in San Diego. It would have been preferable to meet with more investors from different investor networks in order to gain a wider perspective on the founding process of start-ups. We were supposed to meet with a venture capitalist but who backed out and no interview where carried through. It did not succeed getting in contact with another venture capitalist.

2.3.3 Qualitative Research Questions

Because the people interviewed had different fields of expertise and backgrounds, a survey research with standardized questions would not have been appropriate. Some questions suitable for people with a specific background were not possible to be applied on others. Standardized questions would therefore not have reflected the peoples’ experiences correctly. A quantitative research method would be very complex in this case. A quantitative research on a social structure, such as an organization or a network, would include a large survey collection which would be very time consuming. According to Bryman and Bell qualitative research allows less structured interviews and more flexibility (Bryman & Bell, 2003, p. 341). This was favorable because the questions could be adapted to the specific expertise of the person. A qualitative research also enables the order of the interview questions to be tailored depending on the answers received. Even though the interview questions where modified depending on the person, most of the questions were the same, only with slightly different approaches. The questions were prepared before the interviews and send out to the people interviewed upon request. However, only one person requested the questions before the interview. Schensul et al. (1999) State that the order of the questions is important for the interview. The questions were grouped into topics, starting with simpler topics and converting into more complicated ones. It is importance to warm up the respondent with non threatening questions (1999). Preparing the questions ahead was a way to make sure our questions were answered and keep the person interviewed within the thesis boundaries. This is what Bryman and Bell (2003) call semi-structured interviews which are preferred because they define boundaries for the research. However, qualitative research has been criticized because it is difficult to replicate and what one researcher considers important might not strike another as valuable to the same extent (2003).

2.3.4 How Interviews Were Preformed

20 interviews were carried out during three months. Every interview lasted between 45 minutes and 1.5 hours. Sometimes the time was not sufficient to answer all the questions. At these occasions and when some answers needed to be clarified complementary questions were sent to the interviewed person by e-mail after the interview. Research on the respondents was done before preparing the questions and before the interviews took place. After the first couple of interviews our interview skills improved. Time needed to collect sufficient information was used more efficiently which shortened the time of the interviews. According to Polonsky and Waller (2005) interviewing is an interactive method where practice will result in an effective and efficient interviewing style. In this case a 45 minutes interview resulted in the same quality of information as previous gathered in 1.5 hours. Towards the end of the interview round, we noticed how similar answers were received from

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\(^4\) An individual who invest with private wealth in start-ups (Hellman, 2000).
the same category of people. For this reason we did not consider it necessary to conduct more interviews even though we were referred to more people. The empirical research had at this point a sufficient level of data collection (Strauss & Corbin, 1998).

The locations of the interviews were chosen by the person interviewed, which was either at a café or at the respondent’s office. It is important to be at a private location for the respondents not have to be worried of being overheard (Bryman & Bell, 2003). Respondents who choose to be interviewed at cafés, where most interviews took place, were assumed not to worry about this concern. The atmosphere was very friendly and relaxed during each interview and the respondents showed interest in the research and were eager to share their knowledge. Every interview was performed face-to-face which made it easier to interpret the answers during the interviews. According to Bryman and Bell (2003) there are some advantages with conducting telephone interviews instead of face-to-face. The people interviewed will not be affected by the characteristics of the interviewer and telephone interviews are easier to supervise (2003). On the other side, when conducting an interview face-to-face, the interviewer can observe body language and respond to these by clarifying or restating the question (2003). A positive aspect of two people conducting all interviews is the ability to discuss the answers and clarify issues which were interpreted differently. Another positive aspect is that one person could focus on taking notes and there was no need for recording. Recording the interviews could have been good in order to save data and easily verify the information but the technology for recording interviews was not at hand. At the time good notes and clarifications were regarded sufficient at the time. However, in retrospect recording the interviews would have been favorable to be certain of the exact wording during the entire interview.

Some of the people interviewed where native Swedish speakers and due to this fact those interviews were made in Swedish. There was a positive outcome of this while explanations of questions and examples could be more precise. What can be discovered in an interview is determined by the coherence of the language the interviewer and respondents speak (Marschan-Piekkari & Welch, 2004). The interview questions were directly translated and could have caused slightly different meanings in Swedish compared to English. It has been the responsibility of the authors to avoid this when translating the Swedish interviews into English. There were no difficulties experienced due to languages issues during the interview. However, different people interpreted the questions differently and sometimes we had to define clearer what was meant.

The people interviewed have been informed of the purpose of the interview and the reasons they have been selected. Even if this might affect the answers it is ethical from a research perspective to inform people of their role (Blumberg, Boris, Cooper, Donald, & Schindler, 2005). During interviews, Accelerat.us was mentioned but it was noticed how it sometimes led to misunderstandings. Some of the people interviewed thought the companies in the Accelerat.us program was part of the empirical research or misunderstood the stage of the Accelerat.us project. In further interviews we therefore were made sure to present the purpose clearly when introducing the thesis.
2.3.5 Observations from Conducting Networking
Apart from interviews, observations are also a part of the empirical study as they provided a initial understanding of networking in San Diego and the different network organization operating in the area. When being a part of the San Diego business community, observations on networking were made every day. The observations served to obtain a deeper understanding on how networking was conducted in the business community and what different network organizations offer to the entrepreneur. San Diego is home to a broad spread of network organizations with a mutual goal to increase business in the area of San Diego. The network organizations are of different character and size. There are a variety of small local network organizations and chambers of commerce. These networks connect research institutions, private and institutional capital providers, sources for business development, leading professional services providers and trade organizations to accelerate the commercialization of innovations. They all aim to facilitate the process of start-up and to encourage entrepreneurship in San Diego. San Diego also holds non-profit volunteer organization, supported by the government, with successful chief executives who provide mentoring to entrepreneurs for free. The network organizations are either non profit or not for profit organizations and can be divided into industry networks and non industry networks. Due to the size and important influence in the business community, two of the largest industry specific network organizations and the largest none industry specific network organization in San Diego were chosen to focus on in the empirical study. These organizations had often been mentioned and observed as important in the business community. Some of these network organizations provide different programs for entrepreneurs and small businesses to help them reach the next step in the start-up process. The specific service program offered will be discussed further in the empirical study.

The network organizations arrange different types of network events and information forums. Participation on network events and interviews has been conducted with not only the network organization in focus, rather a wide variety of organizations in order to gain wide perspective on what the organizations have to offer. Some of the organizations were rather smaller, for example SACC and other local chambers of commerce. Both industry specific network organizations and non industry specific network organizations are included in the study as well as local chambers of global organizations. Specific empirical observations were made when attending events arranged by network organizations. The events have different specific topic or focus on a specific field in order to bring people with common interest together. The amount of attendants differs due to the topic or art of event. Most of the events have a register fee, but there are also some which are free of charge.

The Marketing Manager position at SACC included participation in certain networking events organized by us and other interns working at the organization. Due to our research, we took the opportunity to attend more networking events to gain experience from different kinds of events. In order to gain a wide spectrum of different organizations and events, the events chosen were in different organizations as described above. The sizes of the events differed, their focus was on different industries and topics. Some events had a specific topic, mostly an innovation or new released research data, which attracted a broad crowd from the industry in question. These events had guest speakers with great expertise and reputation in the industry. These events attracted larger crowds with a wide variety of backgrounds. These events had more attendants who possessed high management positioned and there were more people from rather larger firms. There were also educational network events with purpose to teach the attendees about important issues of the start-
up process. These events targeted entrepreneurs specifically and the majority of the attendees were entrepreneurs. However, there were always a few numbers of consultants and investors present. Some network events did not have any presentations or speakers and were purely focused on networking. These events also attract a lot of entrepreneurs and people on middle management positions. The majority of people attending these sorts of networking event have lot of experience from start-ups and entrepreneurial activities. Many of them work as consultants or advisors for start-ups and small firms. Individuals from high management positions within the business community were also invited to participate at these events to get a desired mix of people on different levels and positions. Every event, both small and large and at different organizations had scheduled time for networking.

Research was partly carried out by observing the event and the attendees. However, we were not able to study some issues essential for the research only by observing attendees. A large part of the research was to interact with individuals attending the network events, which is called participating observation or ethnography (Bryman & Bell, 2003). The reason of doing participating observations was to study the so called “social life” of those involved in networking at organized network events. Only observations would not have supported a sufficient data collection to the same extend as participating observations and would not allow us to fully understand the networking phenomena. Interacting with people is a key aspect of networking events. Therefore, a part of the empirical research has been to take part in the social life of people at networking events. Field notes were taken during these events.

Our position as Marketing Managers at SACC enabled a cover role when observing different network events. The advantages of this according to Bryman and Bell (2003) are how those studied maintain the same behavior and are not affected by an observant. Our presences at network events were not noticeable since we were representatives from a chamber of commerce. Another advantage of a cover role is how easy one can gain access to social settings when undertaking a cover role. As representatives of a chamber of commerce we were often invited to attend network events of different organizations. The problem with a cover role is how to avoid blowing your cover. This was a problem when searching for interview prospects and not possible to avoid when setting up an interview. However, only one person declined an interview due to this matter.

2.3.6 Secondary Data
Reports and studies made by network organizations in San Diego have been used as secondary data in this thesis to provide quantitative data on network organizations. These reports and studies are based on quantitative research such as survey studies on people attending network events. The network organizations use these surveys as a method to evaluate their performance of the different events they arrange and services they provide. The results of these reports are of great interest for this research because they examine what people expect and potentially gains of network organizations in San Diego.

Reports conducted by network organizations which describe the business climate in San Diego have been used in the background of the empirical research. These reports present a general picture

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5 Social life is defined as “The behavior of members in a social setting” (Bryman & Bell, 2003, p. 178)
involving macro economical aspects on small business growth in San Diego, and how network organizations have been a part of this evolvement.

2.5 Literature Analysis
The empirical findings have been interpreted and analyzed based on theories within the fields of networks and networking, relationship marketing, entrepreneurship and management for small business. In addition to several books many articles and journals which have been valuable resources. Articles embrace very specific areas and could target our field of interest.

Network theories are much based on sociology studies and involve theories of the linkage between individuals. Studies of networking and networks have included literature both from a sociological and business perspective. Networking is a sociological phenomenon and theories within this field are of great contribution to understand business networking. Understanding the sociological aspects of building relations between people is important when investigating how business relationships are established.

Relationship is a phenomenon between individuals but is often described as relationships between companies due to the entrepreneur’s central role in the small business. The entrepreneur mostly represent the whole company, he or she “is” the company. Literature on entrepreneurship and the start-up process is therefore embraced in the theory. Entrepreneurs and entrepreneurship is defined in order for the reader to understand the art of entrepreneurship in San Diego. There are various definitions on entrepreneurs discussed within different theories. Much entrepreneurship literature is handbooks written for individuals seeking advice for their start-up and how to develop a business idea into a company. Some of these have interesting opinions but did often not contribute to the research. Entrepreneurial literature also included much information about important individuals which the entrepreneurs have to include in their networks.

Much of the literature on business relationships are based on relationships between companies, especially to customers and suppliers. It is important to have a diverse network in San Diego, which is why we have collected information of all actors important for the entrepreneur, not only customer and suppliers. Theory regarding interorganizational networks is a part which is not included in the thesis. It is a subfield of organization theory rather than studies of relationships and networks between individuals. Strategic alliances and partnerships are often discussed in business network theories. However, this has not been included in this thesis, since the size of companies forming strategic alliances is often larger than the ones in our focus. The Six markets model includes six markets but only four markets in Adrian Payne’s model were of great contribution to the thesis. Two of the markets were not of importance for the thesis and were therefore only mentioned and not described further.

Silicon Valley has been mentioned several times as the typical networked region during interviews in the empirical research and many of the respondents have experience from the Silicon Valley region. Literature studies of entrepreneurship and start-ups often include Silicon Valley to exemplify a best practice case. Therefore, Silicon Valley has been included in the thesis as a point of reference.
3. Frame of Reference

The frame of reference serves as a support to examine the empirical research. Firstly, theories in the field of networks with emphasis on the structure of social networks are demonstrated. Network theories will be discussed through various perspectives. Secondly, the entrepreneur as a social actor in the network and important individuals in the entrepreneurial network are presented. Finally, discussed in the theoretical study is how business relations are built and how networking can be used to market the small business.

3.1 Networks – Pattern of Social Relations

Network studies derive from social and behavior study and relationships in social networks (Smelser & Baltes, 2001). Social network studies include the study of individual behavior, the so called micro level and the structures of these relationships, the macro level. An important part of social network studies is the linkage between the micro and the macro level. The linkage describes how the micro level of individual aspects is connected with the macro level of social phenomena (2001).

Granovetter (1973) argues that interpersonal networks provide the most rewarding micro-macro bridge. With the micro-macro bridge, he means that small scale interactions transform through networking into large scale patterns which return feedback into small groups.

A network differs from a market, a hierarchy, or organizational structure (Ford D. G., Håkansson, Lundgren, Turnbull, & Wilson, 1998). The network has no boundaries, the links within the network are not fixed, there are no transactions between the people in the network, and there is no one managing the network. The network is characterized of what happens in and between the relationships (1998). Networks compared to markets are more structured, produce more interaction among the network organizations, provides “thicker” information channels, demands more loyalty, exhibits more trust, prefers voice to exit, and puts less emphasis on price (Sydow & Windeler, 1997).

The social network perspective argues that the behavior of individuals both effect and get affected by the social network they are in according to Smelser & Baltes (2001) and Kilduff (2003). When individuals in a network create new, break up and maintain relationships the individuals form the network they are in. At the same time they are under constant influenced of the network and other individuals. Therefore the actions the individuals take, which change the network structure cannot be considered conscious (2001), (2003).

3.1.1 Network Definitions

From a social network perspective networks are often presented as a set of lines and dots where the dots represent individuals or other social actors e.g. organizations and the lines the relationship between the actors (Smelser & Baltes, 2001). A definition of a network from a social science perspective is “...a set of nodes or actors (persons or organizations) linked by social relationships or ties of a specified type” (Castilla, Hwang, Granovetter, & Granovetter, 2000, p. 219). The lines can represent any relationship between two separate actors which can consist of communication, friendship, exchange relationships, trust, influence and advice (Smelser & Baltes, 2001). The relationship between the two actors might however not be reciprocal (2001). Burg (1998) focuses on
interactions between actors in a network, with other words networking and describes networking as “the mutual give and take that results in a winning situation for everyone involved in the transaction” (p. 5). Burg focuses on collaboration and on the positive outcomes of networking, whereas Smelser & Baltes (2001) do not consider the relationship between two actors to necessarily be a give and take interaction. Grewal (1976) captures the co-operative aspect when he describes the network as “an interconnected group of people linked to one another in a way that makes them capable of beneficial cooperation, which can take various forms, including the exchange of goods and ideas” (p. 21). Edwards, Edwards and Benzel (2007) describe networking as a win-win option and summarize networking with the expression “You help me, and I’ll help you” (p. 39). Carson et al. (1995) have defined networking in a small firm context as “…an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings” (1995, p. 201).

The common perspective in the social exchange theory is that resources are exchanged between people in social exchange relationships (Cook K., 1977). Resources are exchanged voluntary and involve multiple actors (1977). The social exchange perspective on networks is based on dyadic relations6 and social exchange networks (Johanson & Blankenburg Holm, 1995). The social exchange theory expert Emerson describes exchange networks as when two different dyadic relations are connected to each other and the exchange between one of them can continue into the other (Cook & Emerson, 1987). For example if firm A has a dyadic relationship with firm B, this can affect the relationship firm A has with firm C (1987). Many authors (Achrol, Reve and Stern 1983; Anderson, Håkansson, and Johanson 1994, Baker 1990; Gadde and Mattsson 1987; Lacobucci and Hopkins 1992; Thorelli 1986; Webster 1993) share the view that dyadic relations are not isolated in the business markets. They all agree on that separate relationships between actors are connected to each other and can therefore be considered within a network context.

### 3.1.2 Network Structures

The basic characteristics to describe a network are according to Hamill and Gilbert (2009); size, density and the length of the paths between the nods. Size is the actual number of nods in a network. The density is the amount of links between the nods in the network compared to the total amount. The lengths of the paths between the nods are the minimum of links which connect the nods (2009). The number of connections which one actor has is described as the degree of connectivity (Newman, Barabasi, & Watts, 2006). In a network where people are well connected, the number of nodes with extended degree of connectivity will be high (2006). According to Hamill and Gilbert (2009), there is a cost associated with the number of connections one actor has. They argue that an individual cannot have too many people in their personal network because of the cost associated with maintaining the network (2009). Newman et al. (2006) points out that some individuals have much larger networks than others. These individuals are often connected to one another because their degree of connectivity is higher (2006).

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6 A dyadic relation is the relation between two separate actors (Johanson & Blankenburg Holm, 1995).
Granovetter (1988) has defined different levels of social connections depending on how closely people are linked. He states that networks with shorter ties between the nodes have a closer relationship and tend to give a more exchanging relationship. Krebs and Holley (2008) argue that a network is robust when there is more than one tie between any two nodes within the network. If one of the ties brake or a node is removed, information will find other paths to travel on (2008). The paths between any two nodes within a network where information, ideas and influence can travel are more unique the denser the network is (Granovetter M., 2004). Granovetter (2004) further shows the importance of the weak ties between relationships since the tie to another clique, even though it may be weak, can enable opportunities which our own clique of closer relationships might not. Krebs and Holley (2008) share this view by describing how dense and cohesive networks miss out on ideas and innovation due to lack of information entering the network. According to Burt (1992), the most suitable network structure for an organization trying to find creative solutions, consists of loose relationships which are none overlapping with the relationships of others in the network. The stronger the tie between two individuals, the larger is the amount of weak and strong ties among people in their network to which they will both be tied (Granovetter M., 1973). A tie can be strong, week or absent. The overlap of friendship networks is least when their tie is absent, most when it is strong and intermediate when it is weak (1973).

3.1.3 The Importance of Strong and Weak Ties in Networks
Ties are described as both strong and weak in the theory (Granovetter (1973), Varey (2002), Smelser & Baltes (2001) Krebs & Holley (2008)). The strength of a tie is defined differently among social network researchers. Granovetter (1973) defines it as a mix of the amount of time, emotional intensity, the intimacy and the characteristics of reciprocal services. Johannisson (1986) in his definition of strong ties, put emphasis on the degree of trust and experiences of previously
interaction, how often the relationship is actively, and the level of maturity. Strong ties are very valuable for the individual, not because they can lead to a high level of goal fulfillment but because of the person it involves (Granovetter M., 1973). Strong ties can be relationships between close friends and family. They create a sense of belonging to a group were the group needs are more important than the individual itself and sharing depends on these needs (1973). Weak ties are different compared to personal relationships (Varey, 2002). Weak ties are less clustered and better described as long term relationships, where the relationship is more instrumental than personal (Smelser & Baltes, 2001). The weak ties are more focused on goal fulfillment for both parties. Strong ties were once weak and the weak ties are therefore also important connections (2001). Day-to-day interactions between an individual and the company, which the individual makes business with, are typically a part of the individual’s network of weak ties (Varey, 2002).

In the article “The Strength of weak Ties” from 1973, Mark Granovetter discusses how labor markets are influenced by social activity. Granovetter (1973) argues that the overlap of friendship network between two individuals has a direct impact (varies) with the strength of their tie to one another. He has explored the impact of the weak ties on the flow of information and influence, mobility opportunity, and community organizations. The emphasis in the discussion of weak ties lays in the relation between groups and to analysis of segments of social structure. Most network models only deal with strong ties where as Granovetter (1973) explored the weak ties. In his work “The Strengths of Strong Ties” Krackhardt (1992) argues that Granovetter emphasizes the weak ties too much. According to Krachhardt (1992), the effect of strong ties cannot be ignored because an actor to which the individual have a strong tie can influence the actor more than an actor to which the individual has a weak tie. Strong ties are essential because they include a strong feeling of trust. This is important in situations where individuals face changed and uncertainty (1992).

### 3.1.4 Social Circles and Actor Centrality in Social Networks

The social circle model is an old concept which was examined as early as 1902 by Simmel (Hamill & Gilbert, 2009). In the social circle the actor is the center of the circle. Other actors who are a part of the circle are actors which the individual can reach. The area around the actor represents the personal network. The radius of the circle is described as the social reach. When the social reach is large, the actor is connected with more people. Research from Hamill and Gilbert (2009) shows that given that every actor has the same social reach, the density of a network will increase when the social reach increases. The more two social circles overlap, the higher degree of congruence (Scott J., 1991). When social circles entirely overlap each other, the actors of the different circles will know the same people. This is called clustering. The degree to which one actors’ connections in return are connected with each other is described as the clustering coefficient (1991). The left figure below, illustrates two social circles with different social reach and with no reciprocity. The right figure illustrates two social circles with the same social reach and including reciprocity.
How Entrepreneurs in San Diego Can Make Use of Networking to Accelerate Growth in Small Businesses

When all actors in a group are directly connected to one another and have no common connection to any other actor they form a clique (Wasserman & Faust, 1994). O’Hara (2004) states that people in the business world often are in need of a wider social circle which includes more acquaintances rather than clustering. Another sociologist, Luhmann (1979), also emphasizes the need of people in business to interact more and to widen their social circle. In the social network concept, this is described as when actors manage their social relations by establishing connections with diverse set of groups, rather than actors in the same group (Kilduff M., 2003). The actor hereby forms a bridge between cliques and clusters and eliminates structural-holes. An entrepreneur who is positioned as a bridge between actors gains control over the information flow between the gaps (2003). A nod which lies between many nodes can bridge clusters in the network and is highly valued (Wasserman & Faust, 1994).

A social network is according to Nan Lin (2002) derived from purposeful actions from individuals, based on two core motivational principles. These motivational principles are how to minimize loss, and how to maximize gain for both emotional and monetary purposes. The inner circle will primary be use to fulfill these principles and secondary weaker ties (2002). In the social network approach the position of the actor and how well the actor is connected to other actors have been described as Actor Centrality (Kilduff M., 2003). When taken the monetary value of social networks in consideration, central actors could have better opportunities to realize their goals than a more decentralize actor. There are different types of centrality and the aspect of what type of centrality is important for the goal fulfillment should be considered. Centrality can be categorized into degree-based, distance based and betweenness or rush. The degree-based centrality measures the number of actors which one actor is directly connected to and to which degree this actor communicate. The degree based centrality is to be considered as the centrality of in a local network. The distance based measures how fast one actor can communicate with other actors in the sense of how closely linked the actors are to one another. The shortest path should consist of as few actors as possible. The measure of centrality betweenness or rush is based on the assumption that information travels through the shortest path within the network (Smelser & Baltes, 2001). Betweenness measures how many people one actor is indirectly linked with through their direct connections (Wasserman & Faust, 1994).

A structural-hole is the gap between two actors or groups where there are no current connections (Burt R., 1992).
Faust, 1994). It focuses on how important the role of a specific actor is for the communication in the network (Smelser & Baltes, 2001). Every member of a network will not have the same degree of power, even though the formal membership is equal. It is the linkage between the members and their respective power over each other which will determine the outcome of the network. (Child, Faulkner, & Tallman, 2005).

3.1.5 The Asset of Social Capital Gained Through Networking
One of the greatest resources in a network is social capital. (Lin N., 2001). Social capital is described as how knowledge is transferred between individuals (Cortada & Hargraves, 1999). Social capital is described by Burt (1992) on an individual level as the relationship one have with others, for example friends, colleges and other more general contacts. The general concept on social capital is that individuals connect in social relationships and networking in order to produce profit (Burt 1992, Putnam 1993 and Lin 2001). However, the opinion whether the profit is for the individual or the group differs (Lin, 2001). Social capital is owned jointly by the parties in the relationship and it is critical because it can generate profit in other types of capital, such as financial or human capital (Cross, Parker, & Sasson, 2003). Social capital constantly has to be maintained, nurtured, and strengthened (Cortada & Hargraves, 1999).

In the communal perspective social capital refers to the social network and the norms of mutual benefit and the trustworthiness which arise from the connections among the individuals according to Putnam (2000), a leading social capitalist researcher on the micro level. Social capital is linked to the characteristics of social organizations, such as networks, norms and trust, which facilitate collaboration enhance and the exchange of mutual benefits between people (2000). According to O’Hara (2004), trust forms social capital. Social capital is described as an asset which can be invested and lead to valuable gains when invested wisely. Putnam (2000) has studied many American local clubs and societies and developed a theory that experienced people gain from social clubs where they can build trust and build social capital which later can be used in order to expand their social network in wider societies. Trust is an important part of building relationships and will be discussed further in chapter three. Social capital is associated with the so called “civic virtue”. When civic virtue is included in a high intellectual network of reciprocal social relations, it is at its highest degree of power. Putnam (2000) says that a group with many virtues but which are isolated does not have to include a high degree of social capital. Aldrich and Martines (2003) & Thornton and Flynn (2003) link social capital with entrepreneurship which will be further discussed in chapter 3.4 in context with entrepreneurship.

3.2 Business Networking within Network Organizations
It is important to be a part of a complex business ecosystem in order to be successful in today’s intensely competitive world (Mukherji, 2001). Thorelli (1986), Williamson (1991) and Sydow (1992) argues network organizations to be a form of organization between markets and companies of different size, while others (Powell 1990, Teubner 1992, Semlinger 1993) consider network organizations to be a form of economic coordination. J. Child, D. Faulkner and S. B. Tallman (2005) state six reasons for networks to arise; to reduce uncertainty, to provide flexibility, capacity, speed, information and access to resources and skills not owned by the company itself (2005). Business
success comes from attracting resources of all sorts, drawing in capital, partners, suppliers, buyers, and capabilities to create cooperative networks (Mukherji, 2001). Network organizations can have the function of a springboard to new relationships (Edwards, Edwards, & Benzel, 2007). Network organizations will open doors to new and interesting people and potential business partners. Networking within network organizations will enable the finding of new potential relationships which can lead to other relationships. New relationships can in turn result in knowledge of new project and lead to involvement in new projects. Relationships within a network among firms are complex and reciprocal, cooperative rather than competitive, and relatively stable (Sydow & Windeler, 1997).

Edwards et al. (2007) point out that not all networks work like teams and utter that many individuals do not wish to network in teams. Networking is according to the authors an additional activity outside the main business operations which lead to additionally benefit for the company (2007).

Child, Faulkner and Tallman (2005) argue in line with the resource-dependency theory that networks mainly exist because the function one member provides which is complementary to and synergistic with the different functions of others members of the network. Networks consist of people and a standard is the common convention to the members of the network (Grewal, 1976). According to Grewal, there is always a standard central to the existence of a network. A standard describes in which way people in a network are connected. The shared norm enables the access to one another in the network and facilitates cooperation among them. A sufficient degree of shared standard must exist within the network in order to obtain forms of reciprocity, exchange or collective effort. Grewal argues that the higher numbers of people using the standards, the more valuable are the standards. For example, the more people sharing the interest of bio technology, the higher value does bio technology network organization provide which will attract new members to the bio technology network organization. A network can also be attractive because of particular organized activities or because of the specific importance and characteristics of its members (1976).

Grewal (1976) discusses the fact that people have different interests. Grewal points out his concern about to what extent people realize their own interest and what they want out of the interaction with others. He is concerned that the reason of choosing to focus on some specific standards does not congregate with the choice of network. Though, he recognizes that the reason of networking is highly individual and depends on personal morality (1976).

3.2.1 The Perspective on Network Organizations Differs

Network organizations have different perspectives and focuses and the entrepreneur should focus on organizations matching the companies focus or need (Edwards, Edwards, & Benzel, 2007). Edwards, Edwards and Benzel (2007) mention five different kinds on network organizations; Business Organizations, Leads Clubs, Community-Service Clubs, Professional Associations, and On-Line Networking Groups. Typical Business Organizations include local chambers of commerce, women’s business associations or other small business organizations. These networks are non industry specific and their goals are to encourage information and business lead exchange among members along with business presentations with topics interesting to the whole group. Leads clubs exist to generate business leads and referrals for members. These clubs often have membership restriction and do only let one individual from one profession to enter the organization. Each club consist of one lawyer, one management consultant, one accountant ect. An example is Business Network...
International and *LeTip International* where members are required to bring referrals to every meeting and to carry around the other members’ business cards. *Community-Service* clubs include groups like rotary clubs, Lions, and Kiwanis and reflect the thought of giving back to the community. *Professional Associations* are network organizations where professionals within the same industry or field of interest meet. These groups are often valuable source of business leads, referrals, information and contacts. There are plenty on *on-line networking groups* where individuals can link and track potential partners and associates (2007).

### 3.3 The Entrepreneur Building Business Relations

Shaw (1997) argues that networks and networking are different constructs in the context of small business. It is not the existence of the network that will lead to benefit, rather how the entrepreneur make use of the network through networking and building business relations (1997). According to Granovetter (1973) it is essential not only to analyze the structure of the entrepreneurs network, but also how the entrepreneur interact with individuals compromised in the network. Relationships are the most valuable asset of businesses (Ford & Håkansson, 2006). According to Wallace (2006), business thrives from people and relationships and claims the need for interaction and obtaining good business relationships. Business marketer or their customers would not be able to trade without the relationship between them (Ford & Håkansson, 2006). Other assets within the company have little value without business relationships (2006). Wallace (2006) refers to the relation capital to explain the value and power of great business relationships. The interactions between the parties develop over time and form the relationship between them (Ford D. G., Håkansson, Lundgren, Turnbull, & Wilson, 1998). Interactions are seen as series of short term social interactions which are affected by the long term business relationships (Varey, 2002). Six different types of interactions are suggested: social, technological, knowledge, planning, legal, and economic (2002). According to Ford et al. (1998) interactions can include exchange of products, services, money, or social. Wallace (2006) defines relational capital as “*the value created by people in a business relationship*” (Wallace, 2006, p. 62) and considers relational capital to be the most important element in a business relationship.

Intangible assets are according to Wallace (2006) knowledge and skills, educational background, reputation, and personal and professional relationships. Intangible assets generate referrals and extended business contracts which enable business and career opportunities and will attract people and business to the company. Credibility, Integrity, and Authenticity are the three essential qualities of Relational Capital which enable great business relationships (2006). Credibility is defined as “*The quality, capability, or power to elicit belief*” (The American Heritage Dictionary, 2000). A relationship has to be based on reciprocity and not only generate benefits for one of the parties (Koch, 1998). Business relationships have to generate benefits repeatedly, consistently, and over a long period of time. It should be a natural instinct to help each other. The professional help you obtain from the relationship is equal to the help you provide (1998).

According to Prenkert and Hallén (2006), business networks do not consist of boundaries or of a center. The interaction process can occur in any direction (2006). However, the interactions result in mutual exchange for the parties involved (Smelser & Baltes, 2001). A business network can be identified by analyzing the central business unit and its most important business relationships (Prenkert & Hallén, 2006). The connection from the company and its relationships can thereafter be
traced (2006). Brown and Duguid (2000) argue that formal and informal links connect people, firms and communities in a network. The communities consist of people in similar business practices. A firm has formal connections which are made between various actors with different professional expertise needed by the firm. For example within the firm, lawyers and accountants are linked together by formal connections (2000). Constant (1987) describes these formal connections between the different actors as a vertical line. The actors also have connections to their specific branch of expertise. Schematically these actors can be seen as a horizontal line. This line represents an important route for information and knowledge to spread (1987).

![Figure 3 Vertical and horizontal connections (Brown & Duguid, 2000, p. 31)](image)

A network of important contacts can provide help and resources to the company (Wallace, 2006). Networking, collaborations, partnerships, or alliances will access the entrepreneur to other people’s contacts (Edwards, Edwards, & Benzel, 2007). This will lead to an expanded web of contacts which result in recognition of new opportunities and a larger network of clients and customers. Cooperation with other firms which already exist on a market can enable a faster entering to the market (2007). Entrepreneurship is a dynamic process and requires links and relationships to both individuals and institutions according to Smilor and Gill (1986). They further state that an entrepreneur with a strong, complex and diverse network of relationships is more likely to have access to more opportunities, the chance of solving problem faster is greater, and the chance of success of the start-up is greater. The Nordic school and the IMP group agree on the economic value which social and economic networks result in (Varey, 2002). The common perception according to Kleinaltenkamp and Ehret (2006) is that the social, economic or institutional networks are the ones which create value.

### 3.3.1 Norms within Business Networks

McNeil (1978) states the importance of norms in business relationship. Industry sectors, firms and individual business relationship do all have norms (Scherer, 1980). Emile Durkheim (1964) was one of the pioneers of sociology. He argued for the importance of social solidarity and the common values which people hold should exploit. The society needs to make sure the collective values to be such as they encourage congruence of moral and social norms between individuals (1964). Acting according to social norms typically includes expectations on mutual benefits such as personal affection, trust, gratitude, and economic return (Varey, 2002). Heide and John’s (1992) definition of norms is
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“expectations about behavior that are at least partially shared by a group of decision makers.” (p. 34). The norms have to be accepted and maintain from both parties of the relationship. Norms can also be a reference for the behavior an actor shows in a specific situation. Based on earlier experiences of the actor’s behavior, one can evaluate current or future actions of the other party (1992).

3.3.2 Evaluations of Business Relationship

The company’s relationships are an essential asset which is crucial for business operations and existence (Varey, 2002). Equity theory focuses of group process and an equitable distribution of benefits in relationship. The theory emphasizes the result from economic productivity objectives when evaluating the outcome of relationships. Equity theorists claim that parties in a relationship evaluate ratios of exchange in inputs and outcomes (2002). The general concept of network formation is that the current and future state of the network depends on the previous state (Breschi, 2005). If one has had a good experience with one connection the probability of utilizing this connection again is greater. This is the outcome of a joint experience with the partner which creates trust and shared cognitive space (2005). Each interaction is influenced by previous experiences in the relationship and from other relationships (Ford, Håkansson, Lundgren, Turnbull, & Wilson, 1998). These experiences will also influence the future of the relationship. Previously experienced relationships will also affect the trust of one another and to what extent the parties are committed to the relationship (1998). The exchange in relationship is a social mechanism where actions from one party evoke compensating actions by the other party (Varey, 2002). The goal of interpersonal relationships is to gain benefits which would not have been able on your own. Varey (2002) consider the evaluation of self-interest and the outcome of the relationship as essential of the maintenance and exploiting of relationships.

Entrepreneurial marketing is synonymous with networking (Zonsata and Andersen). According to Kleinaltenkamp and Ehret (2006), networks lead businesses to nurture their relationships which have become a widely accepted perception of networks. That networks emphasize the importance of relationship is nowadays an accepted theory (2006). Relationships are according to Varey (2002) synonymous with associations between two parties which share the same thought of power, knowledge, and resources. He defines a successful exchange relationship when there is:

- mutual trust of the other person’s reliability and integrity
- agreement on expectations of each other and the possibility to influence and decide goals
- commitment on the counterpart’s goals and values and agreement on the responsibility to maintenance of the relationship
- Satisfaction with rewards which compensate relational cost (Varey, 2002, p. 46).

Christensen (1993) found that great relationships can be damaged by networks which are competing. Strong relationships to suppliers in some cases forced an end to relationships with customers (1993). Business relationships should be examined with the rate of return on investment just as in a product (Ford D. G., Håkansson, Lundgren, Turnbull, & Wilson, 1998). However, it is difficult to measure relationships efficiency. The authors define the business market as a network of companies. Each company has relationships to their customer and suppliers which in turn has their own base of...
business relationships to other companies. All these companies affect each other through their relationships. The individual company should look at their business relationships as a part of a wider network and their links (Ford, Håkansson, Lundgren, Turnbull, & Wilson, 1998).

Parties need to evaluate each other before starting an exchange relation. Expectations are a crucial part when determining the potential exchange of the relationship. Each party has expectations on their own roll in the relationship as well as the roll of the counterpart. A behavior which is appropriate in an exchange relationship is learned by each party in the relationship according to role theory. This behavior increases the probability of achieving the goal of each one. Role ambiguity or role conflict can affect the long term relationship. That include if the expectations of the different roles in the relationship are unclear or if actual behaviors do not correlate with the expectations. Varey (2002) defines social norms as expectations on behavior.

The outcome of a positive trade relationship can be an indicator of the quality of the relationship (Varey, 2002). The indicators include trust, mutuality of control, commitment to the relationship, and satisfaction with the relationship and its outcomes. When the inputs and/or outcomes in an exchange relationship do not match the inputs and/or outcomes of the other person it is said to be an inequity in the relationship. If a party senses inequities in a relationship, it will result in feelings such as under rewarded or over rewarded, angry, or offended. This will affect behaviors in the relationship which can result in suspicion and mistrust of the counterpart. Equitable outcomes of a relationship will on the other hand stimulate the trust in the other party. It will lead to stronger confidence of a relationship where you do not take advantage of each other and where there exist a mutual concerned about each other’s benefits. The ratios of exchange in inputs and outcomes can be compared with the ones of the other party. They can also be compared with those of other persons who interact with their partner and to that exchange partner who would be their best alternative (2002).

3.3.3 Networking with the Right People
Koch (1998) states that a firm’s success mainly derives from professional relationships. One person cannot succeed on its own. He further claims that there is a trade-off between quality and quantity in business relationships and argues that the highest value is found in a small percentage of people in the personal network (1998). The right people are not only those who possess the expertise you are looking for rather business associates also have to match the personality of the entrepreneur. The right business relationships are those where a good mutual understanding arise (Edwards, Edwards, & Benzel, 2007). Ford et al. (1998) and Koch (1998) argue that it is important to identify the right business partners and build and maintain good relationships with them. These relationships, the right business contacts, are most valuable and should be target with the highest attention to maintain (Koch, 1998). Networking should be done with those people who can provide service for the company and where the entrepreneur can give something back (Edwards, Edwards, & Benzel, 2007). Your key allies will help you because of the strong relationship between you (Koch, 1998). Strong relationships consist of mutual enjoyment of each others’ company, respect, shared experience, reciprocity, and trust. Strong relationships have to be based on all of these attributes (1998).
3.4 The Small Business and its Entrepreneurs
A business is small if they have at least two of the four characteristics; an independent management which usually consists of the manager also being the company owner, capital supplied by the owner, operations in the local area, and the size is relatively small within the industry (Chaganti, Chaganti, & Malone, 1991). Actions, activities and processes which enhance start-ups and result in growth of a new enterprises can be described as entrepreneurship (Audretsch, Keilbach, & Lehmann, 2006). Scott (1979) also shares this view and describes the entrepreneur as “one who perceives or foresees a need and organizes an enterprise to supply this need, including the capital and the technical, marketing and management skills.” (p. 16). Scott (1979) seeks to identify the technical entrepreneur. According to Scott the innovation is the main focus for the technical entrepreneur. The innovation is defined as the whole process of a creation of a product or service which is new, better, or cheaper than previously.

3.4.1 Challenges of Entrepreneurship
High tech start-ups have different concerns in the first years of establishment on the market compared to new professional service ventures (Chaganti, Chaganti, & Malone, 1991). Positioning of the product on the market is the first priority. The second concern is the people aspect and finally the marketing and sales skills (1991). The entrepreneur differs markedly from the professional manager in the aspect that the entrepreneur recognizes the needs, hopes and dreams as an owner-manager (Cohen & Jones, 1983). According to Joseph R. Mancuso (1988), creativity and being smart is not enough for the entrepreneur to manage a start-up to success. Typically an entrepreneur is representing a closely held small business operating on a competitive market with limited resources. The financial market is rather skeptical towards these companies because their financial weakness. Except from difficulties finding capital and credit, the lack of staff and middle management is an important issue (1988). According to Jones and Cohen (1983) the major reason for failure of new businesses is the insufficient financial management. Even though the business idea is viable, the lack of adequate capitalization and financing can destroy the company (1983).

Graysley and Scott (1979) agree that it is unusual to find an entrepreneur who possesses all skills to start a new venture and manage the growth of the start-up. A series of people which can fill the different function is mostly necessary. The original entrepreneur often works as the leader and catalyst for his/her team. An outer circle of professionals is also needed for consulting advices (1979). The entrepreneur is described to have a central role in the small business which is described in figure 5. The entrepreneur has to fill both the finance, marketing and production side of the company but since it does not possesses all skills, assistance from outside is needed.
How Entrepreneurs in San Diego Can Make Use of Networking to Accelerate Growth in Small Businesses

Many inventors and innovators lack in experience in general business subjects even though highly skilled and specialized in a technological area (Graysley & Scott, 1979). They lack in knowledge of how to master marketing, finance, and management. The entrepreneur is partly managerial and partly creative (1979). Around 90% of all business failures are due to lack of managerial aptitude and experience (Cohen & Jones, 1983). Harvey C. Krentzman and John N. Samaras (1984) link this to the margins for errors in small business are much narrower and the management resources are much thinner.

Relationships require an ongoing investment of time and effort of both parties (Ford, Håkansson, Lundgren, Turnbull, & Wilson, 1998). However, building partnership can help the small business to save time and energy (Edwards, Edwards, & Benzel, 2007). Collaboration with other firms and individuals can lead to increased amount of new clients, access to new markets, and new distributors. The entrepreneurs’ time and energy is limited since most time is or should be spend on issues generation money. Partnerships and collaboration can therefore be a way to facilitate the findings of clients since clients are referred directly to the company (2007). Robert Ronstadt (1990) discusses how time is a critical resource for entrepreneurs. Mancuso (1988) mention a common thought of the entrepreneur as someone who spend 90 hours a week to work as his/her own boss instead of spending 40 hours a week to work for someone else (Boyd & Gumpert, 1984). Some
entrepreneurship researcher recognizes the importance of time in terms of the time it takes to start and establish a new enterprise (Ronstadt, 1990). Ronstadt also mentions another common thought which emphasize the impact that time scarcity has on opportunity recognition, investigation and development, both before and after the start of the venture (1990). Making use of networks will not assure any benefits and it will cost the entrepreneur time and energy (Carolina Asia Center, 2006). The article argues that entrepreneurs seek to maximize time efficiency when networking and seek to connect with potentially useful people. Entrepreneurs have extensive range of networks and will spend more time on networking compared to employees at a business (Birley, Cromie, & Myers, 1991). Curran et al. (1993) disagree and consider that the limited time prevent the entrepreneur to engage greatly in networking. Curran et al. (1993) and Devine (1989) state that the nature of entrepreneurs is to emphasize their independency which involves low likelihood that they will get involved in networking. Dollinger (1985) agrees with Birley and say that no entrepreneur would manage to overcome difficulties alone and that the picture of entrepreneurs as lonely in false. The entrepreneurial networking rather depends on with whom they network (1985).

3.5 Important Individuals in Entrepreneurs’ Network
Start-ups are often low on financial resources and hiring outside professionals are often expensive (Carayannis & Juneau, 2003). It is important to develop interpersonal relationships with the small business outside professionals (Cook, 1982). They will thereby remember you as a person instead of an account number. Silicon Valley is full of individuals who have a role of an advisor and many start-up companies in the region have its success to thank to them (Mckenna, 2000). These individual with many years of experience from start-ups can spot likely successful companies, identify problems, link companies across industries, encourage and build alliances, recognize potential managers. Each successful entrepreneur has a network to these investors, service providers, friends, or friends of friends (2000).

A small company is much more likely to succeed if the entrepreneurs make use of outside counsel and assistance. The counsel can come from both board of directors (formal) or be informal, such as friends (Christensen, 1979). Outsiders who are not a part in the day to day operation can see longer perspectives. The small business manager has limited management resources and has to focus on immediate operating issues. Outsiders will help the small business to see and act on issues of succession. The outsider can be regarded as disinterest in company affairs. Board of directors, advisors and counsels are all possible forms of outsiders valuable for the small business (1979). Tate et al. (1984) point out friends, a firms’ banker, lawyer, and accountant, the board of directors, advisory board to be of great help to small enterprises. Especially a well experienced board member or an advisory board member can be a precious asset for a small business (Krentzman & Samaras, 1984). The board of directors can be great suppliers of guidance for entrepreneurs (Fox, 1984). However they also mention that a firm’s banker, lawyer and accountant also have a lot to offer (Krentzmann & Samaras, 1984). According to Harold Fox (1984), the accountant or lawyer opinions mostly reflect their professional viewpoint and lack important advices in administrative and operational issues. A consultant can be of great help since it has a more varied background and experience and can represent a more practical source of assistance (Krentzman & Samaras, 1984). Consultants are great when the problem facing the entrepreneur is limited to a specific time or
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(assignment (Fox, 1984). Ongoing problems however need permanent condition with long time professionals, for example advisors and board of directors who can give guidance in strategic decisions. Each of these sources can be of great help and the potential gain which is especially emphasized is the help which comes from outside assistance (Krentzman & Samaras, 1984). Networks provide the entrepreneur with professional support from accountants, lawyers, and financiers, key individuals and consultants (Tate, Megginson, Scott, & Trueblood, 1984).

3.5.1 Directors on the Small Business Board of Directors

Jain (1984) argues that a usual problem facing small businesses is their lack of important staff and management personnel. Hiring experienced professionals for management positions is not only usually expensive but can also serve as a threat to the funders’ authority and create internal problems. Recruiting outside expert to serve on the boards of directors can make up for that lack of expertise and will not be as costly as hiring professionals. The outside experts should possess the expertise which the managers in the companies lack. The qualified outside director can have remarkably benefits for a small business. Potential outside directors can be managers, professors at Universities, institutional administrators, retired executives, and management consultant (1984).

The role of the director should be to represent the stockholders and guide the company toward desired goals in order to reach growth (Jain, 1984). A board member who is recruited from outside the company can help to identify appropriate and difficult issues, which most likely would not have been discovered by an inside manager. The outside chairman of the board can also serve with advice, criticism and make sure that the management focuses on the right things. An outside board member can because of their different perspective better evaluate the company and the management performance. Furthermore outside directors can assist small business in their relationships with non managers, public shareholders and the public at large. Jain further mentions the role of the outside director to aid in the areas of research, development, and technological growth. Jain argues that a carefully chosen outside director with suitable area of expertise can improve small business chances of long term growth. Gumpert (1984) mentions the issue of trust which becomes essential when including outsiders on the board. Information from the small business which previously only was known by insider has to be shared with the new outsider. Recruiting new board members from outside might also result in easing other longtime associates, which might cause bad atmosphere. Giving up authority and control is often entrepreneurs’ worst fear. However, having outsiders on the board does not have to include a huge decrease in power. Outsiders should be recruited and viewed upon due to their expertise rather than a source of conflict (1984).

3.5.2 Advisory boards in Small Businesses

Advisory boards have become a popular organizational form in small businesses (Fox, 1984). The advisory board has many similarities with the usual board of directors but not have legal power and accountability (1984). Advisors spend an average of 30 hours annually on duties for the company, compared to board directors who spend an average of 122 hours (Mace, 1976). Assistance from advisors will be based on their willingness and ability to contribute (Fox, 1984). The advisors do not participate on the day-to-day dilemmas and therefore see the company’s operations in broader perspective (Krentzman & Samaras, 1984). This will force the president of the company to act on a longer term basis and he must always defend his decisions (1984). The advisories can assist the
entrepreneur with suggestions of how to strengthen the company (Fox, 1984). The advisor will evaluate performances of CEOs and key executives and review the company’s corporate objectives, policies, budgets, and strategies. Since the advisor has no legal power, the entrepreneur does not have to feel anxious when sharing problems, worries and ideas (1984). According to Newman (1959), the critics and advice from an advisory board help the entrepreneur to maintain objectivity and prevent the development of the entrepreneur thinking that nothing can stop the company from succeeding. However, it is the president who chooses which advisors to be on the advisory board which will prevent objectivity on larger issues (Krentzman & Samaras, 1984). According to Krentzman and Samaras (1984), it is almost impossible for the advisor to fully identify the president or manager situation. Advice from advisors and their lack of responsibility to follow through on decisions may therefore result in even more pressure on the president.

One of the most valuable qualifications of advisors is their network of external resources and potential business partners or customers (Fox, 1984). Board of directors can be of great help to do the initial referral to an investor (Bodde, 2004). It is therefore important to select well networked board members.

3.5.3 Interlocking Connects Business People on High Management Positions
The interlocked network of board members is crucial for spreading expertise and experience among firms in the business community (Barabási, 2002). The knowledge applied on one board derives from experiences at other boards. The author states that most companies want their director to serve on other boards. The elite network of interlocked directors is very complex. Each director is a node which is linked to the other directors who serve on the same board which result in a huge web (2002). Affiliation network consist of affiliated individuals who are connected and meet at occasions such as organizations, clubs and board of directors (Wasserman & Faust, 1994). The occasion is associated with the people who attend the meeting and the actors are in the same way affiliated with the occasion. When meeting at different occasions the actors have a chance to interact. This will increase the probability of the actors establishing direct ties between each other. The participation of one or more actors on many occasions at different organizations will create links between the organizations. For example, when the same person is on two different boards of directors, this person establishes a bound between the two companies which is described as interlocking (1994).

A research between firms, their owners and board of directors shows how directors in different companies interlock firms they are involved in (Thompson, 2003). There are three types of interlocking. **Primary Interlocking** is when an executive director at company A also is a non-executive director at firm B. This is illustrated in the left panel in Figure 3. If the executive director of company A additionally also have the position in company C, a weak link is established between B and C. This type of interlocking is called the **Induced Interlocking** and is illustrated in the middle panel in figure 3. The **Secondary Interlock** is when one person from outside the company sits on two or more boards as an outside director. This creates a loose link between the company A and C. The connections which these board members possess can create a network which can influence commercial decisions (2003).
A study from the University of Michigan Business School, focused on the Fortune 1000 companies, showed that 7,682 directors held over ten thousand directorships (Barabási, 2002). 79 percent served on one board, 14 percent on two boards and only 7 percent of the director served on three boards or more. The director web resulted in a business network which consisted of five degrees. If everyone were to serve on only one board, the directors’ web would have consisted of many small and closed networks (2002).

Networks which consist of business people on high management positions are called elite networks by Windolf (2002). Directors in elite networks, involves strong ties between directors on small companies’ boards. Directors in elite networks who are connected with other directors maximum two paths apart, does not necessarily have to mean that they purse information exchange. Windolf points out how networks provide opportunities, but not actual behavior. Windolf suggests that there exists a window of opportunity for what he calls “the economic elite” to influence and connect with each other. Individuals who do not have access to the elite network are excluded from these opportunities.

3.5.4 Connecting with Consultants, Accountants, and Lawyers

Cohen and Jones (1983) mention the importance for start-ups to obtain outside professionals’ advice in context of legal, tax, accounting, and management. Entrepreneurs are often in need of the expertise provided by professional service providers such as consultants, attorneys, public relations, recruiters ect. (Carayannis & Juneau, 2003). Jones and Cohen (1983) consider the expertise of each outside professional service provider important for a start-up. However, advice from outside professionals has its price but the value gained through the outside professionals highly exceeds the fees for the professional advice.

The lawyer Johnson with many years of experience from start-ups in Silicon Valley, describes the role of a Silicon Valley lawyer who works for small ventures as being very different from the role of a corporate lawyer (Johnson, 2000). A lawyer is often seen as a coach who seeks the best for the company; whereas an accountant is consider being more of a referee. The access to all important parts of starting a company is the unique resource which most lawyers in Silicon Valley hold. They have valuable connections to several potential funders and know how financing and corporate partnership should be structured. Lawyers can provide business advice and contacts to start-ups, better than other professional service providers according to Johnson (2000). Lawyers and

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8 Lawyers hired at large, mature corporations have a more mechanical and restricted role (Johnson, 2000). In most cases they do not possess a position to participate in strategic decisions of the company. The role of a lawyer in a Silicon Valley start-up is described as being more divers and of higher importance (2000).
accountants work close together and investors of start-ups rely on them to make wise decisions on financial and legal issues (Atwell, 2000). Not taking advice from lawyers and accountants could lead to delayed or canceled funding.

Usually other professional service providers are not as connected to the business and the team and do not provide the same emotional support (Johnson, 2000). Headhunters, marketing firms, accountants, and public relation agencies all have their specific tasks which do not enable the same continuing and emotional relationship. The lawyer gets to experience the ups and downs of the business together with the entrepreneur. Lawyers mostly attend board meetings and stay closer to their clients and their business which enables them to see the company as a whole. Their deeper insight enables them to give better advice compared to accountants, marketing consultants, and headhunters who rarely attend board meetings (2000).

An experienced lawyer has seen hundreds of companies and has a broad perspective (Johnson, 2000). Successful business executives can also contribute with valuable experience to the start-up company but their experiences are usually limited to a fewer number of companies compared to lawyers. Business investors usually have experience from a large number of start-up companies and mostly also possess the operational background which the lawyer lacks (2000).

3.5.5 Connecting with Venture Capitalists and Angel Investors

Along with professional service providers, start-ups also need capital in order to turn good ideas into good companies (Dean, 2000). A salable product or service along with good marketing, management are important parts for a business to succeed, but the successful entrepreneur does also need to raise the initial capital necessary to start the business (Cohen & Jones, 1983). Carayannis and Juneau (2003) use the term intellectual venture capitalist to describe a professional who contributes to a start-up with both venture capital and professional expertise. The professional is a partner in the start-up which can contribute with expertise, wisdom and recourses (such as contacts) which can be critical to the success of the company. The authors define intellectual venture capital as “the specialized knowledge, expertise, know-how, networking, and goodwill that each of these stakeholders, including the entrepreneur, brings to the table.” (Carayannis & Juneau, 2003, p. 9).

Venture capital has become increasingly important to back up new technology (Banatao & Fong, 2000). Entrepreneurs earlier had to rely on family and friends, local merchants and some few rich individuals. Many venture capitalists are not technologists themselves but decide what start-up to invest in depending on the entrepreneurs. According to Tommy Davis, a prominent venture capitalist, the key element to create a successful investment was to “back the right people” (2000, p. 298). However, Banatao and Fong (2000) argue that experience from the industry is essential for venture capitalists in order to make investment decisions.

The relationship between venture capitalists and angel investors, private investors, is becoming more important (Hellman, 2000). Angel investors are individuals which invest their private wealth in start-ups. The entrepreneurs and their idea which the angel invests in are not directly related to them through family or friends (2000). However, most entrepreneurs get funding by angels through their business and personal contacts according to Van Osnabrugge and Robinson (2000). Angels, in
accordance with the venture capitalist, invest equity in order to obtain significant return, but often participate actively in the business operations (2000). A typical angel investor is the successful executive who left the company after succeeding turning a start-up to a highly profitable company (Hellman, 2000). These executive have valuable experience from the industry and are familiar to the entrepreneurial process which make them likely to invest in new entrepreneurs. Van Osnabrugge and Robinson (2000) point out that Angels are important for entrepreneurs since they are often well experienced and connected in the industry.

The chance that entrepreneurs receive angel founding compared to venture capital founding is greater, since angel investors tend to invest smaller sums in more ventures (Van Osnabrugge & Robinson, 2000). A study conducted by the Babson College and the London Business school shows that angel investors rather fill the need of smaller amounts of capital to support start-ups (Banatao & Fong, 2000). However, those small amounts add up to large sums and angel investors does more than one-third of the deals. The same study shows that venture capitalists tend to go for bigger deals. The past record of entrepreneurs and their success is of great importance to investors making a decision of which start-up to invest in. A successful record of past performances is often of higher value than the new idea. A failure at a previous venture is not necessarily perceived as negative, rather a learning experience. The Silicon Valley entrepreneur and co-founder of six companies, Kamran Elahian, was successful in his two first companies. His third start-up crashed but he still succeeded obtaining founding for three more companies (2000).

The majority of funding proposals are when entrepreneurs get recommended by venture capitalist, industry heavyweights, successful entrepreneurs, and lawyers (Banatao & Fong, 2000). Lawyers provide the entrepreneur with an objective view of financial possibilities and often connect them to an angel investor or a venture capital firm (2000). Angel Investors often meet informally and formal in national and local networks to discuss business opportunities and new deals (Inc, 2009).

Having an active venture capitalist in a start-up can bring a lot of advantages but does not exclude the possibilities of conflict (Hellman, 2000). The role of the founders is one area often stricken with trouble. Founders often have substantial talent for starting a company but do not necessarily boast managing skills when their companies grow larger (2000). Carayannis and Juneau (2003) mention conflict of interest to be one of the main challenges facing the entrepreneur and the outside professional when using equity as payment. The venture capitalist demand high control of the company due to the high risk (Hellman, 2000). Entrepreneurs often dislike the limited control which venture capital involves. They are often confronted with the difficulty to handle the trade-off between owning and controlling a small firm, and owning a significant stake in a large firm but without control. The control over strategic decisions can frequently be a turn-off for entrepreneurs. Entrepreneurs often find the strategically interference to outweigh the potential value added by venture capital (2000). It is a question how independent the service provider can be when he or she has an equity stake in the company (Carayannis & Juneau, 2003). The service provider can either work to maximize personal return or work for benefits which will gain all stakeholders.
3.6 Marketing Relationships between Buyer and Seller

Anderson et al. (1994), Hunt and Morgan (1994), and Moss-Kanter (1994) have all discussed how networks lead businesses to apply marketing based on relationships. Several researchers have examined how entrepreneurs make use of networking to market their goods and services (Shaw, 1997). Ford et al. (1998) describe the business markets as several interactions rather than actions and reactions. Sellers try to find and influence buyers for their products or services. Buyers however also have to find suppliers which can deliver the requested requirements. Arndt (1979) and McNeil (1978) have studied the social context of customer relationships and argue that customer relationships are an economic exchange which creates value for both customer and the company. Hunt and Morgan (1996) argue that relationships create an advantage in resources. They agree with the social studies from Arndt (1979) and MacNeil (1978) that relationships create positive exchange which will exploit the value for the customer and the company profit. Companies building strong relationship will improve their market position and their exchange on their market. The market process theory argues that the customer process is the source of value creation (Kirzner, 1973). Relationship to customers will enable the entrepreneur to identify the customer process and to take advantage of profit opportunities.

3.6.1 Marketing for the Small Businesses

Traditional marketing theories derived from researches at large companies and do therefore not suit the small business (O’Donnell, 2004). Small companies distinguish from larger companies in many ways which result in that traditional marketing efforts are not suitable for the small business. Small firms normally have a limited social network in the early stage and it is therefore a must for entrepreneurs to network at the early stage of the start-up (2004). Marketing in small firms differ from larger firms since they often lack in resources (Storey, 1994). Businesses are most vulnerable in the early stage when they are young and small (Wynarczyk, Watson, Storey, Short, & Keasey, 1993). At that stage, their power on the market is low and they only have a small customer base to rely on. The small business environment is therefore more difficult to control and much more uncertain than larger corporations (1993). Marketing is crucial in the early years of the start-up in order to visualize the business to the external environment (Zontanos & Anderson, 2004). Smallbone et al. (1993) claim that the ability to adjust is the key factor to success. Active market development, constant search for new market opportunities, and expansion of the customer base are the most essential adjustment for small businesses in order to survive and achieve growth. Marketing is a key factor to provide that link between the small business and its environment (1993). Carson et al. (1995) say that entrepreneurs seek to influence personal contact networks and in order to develop marketing activity within the small business.

Common characteristics of today’s market are turbulence, risk taking, and changes according to (Coviello, Brodie, & Munro, 2000). Today’s market does not allow a slow management and speed is essential for most new and emerging companies (Mckenna, 2000). Talents, capital, and expertise are necessary to be able to launch products on the market faster than potential competitors (2000). McNeil (1978) argues that many relationships consist of common goals and not contracts for joint actions. Many prefer common goal so that they can stay flexible and keep the ability to easy adapt to changes in the environment (1978). People with the same goals and values tend to communicate better (Edwards, Edwards, & Benzel, 2007). Successful relationships are often determined by the
ability to communicate (Edwards, Edwards, & Benzel, 2007). Grönroos (1994) favor a relationship management strategy and do not care highly of the traditional 4P marketing mix model of marketing. Relationship marketing is quintessential for entrepreneurs since it emphasizes the constant changing market and how the marketing therefore has to be able to adapt, be flexible, and responsive (Zontanos & Anderson, 2004).

3.6.2 Relationship Marketing in the Context of Business Networks
Gummesson (1994) discuss how the definitions of relationship marketing differ among theorists. Relationship marketing and relationship exchange is often used synonymously. A small business has an advantage in marketing compared to larger firms, since its size enables close relationships between the customers and the entrepreneur (Weinrauch, Man, Robinson, & Pharr, 1991). The close relationships often result in shorter lines of communications between the business and its customers which usually result in high level of customer loyalty and satisfaction (Carson, 1985). Another crucial benefit is also the higher level of flexibility which this shorter communication lines induce (Brooksbank, Kirby, & Wirght, 1992).

Ford et al. (1998) discuss the importance of relationship marketing and differentiate their theories from the traditionally marketing. Marketing to them is when the relationship of the business’ stockholder is emphasized. Relationship marketing includes creating mutual beneficial relationships to customers and suppliers and its importance is discussed by Christopher, Payne, and Ballantyne (2002). The aim of relationship marketing is “the accumulation of satisfactory trading and service encounters, leading to active participation based on mutual disclosure and trust” (Varey, 2002, p. 45). Relationship management plays a central part in the marketing process (Grönroos, 1994). According to Grönroos, marketing is an interactive process which takes place in social environment. The reason to manage marketing relationships is according to Varey (2002) “Communication adapts the relationship that is required for the committed trading that is necessary to produce mutual enrichment” (p. 47). Relationship marketing emphasizes the importance of maintaining personal relationship with each customer (2002). Already established relationships and relationships with key players on the market can be used to maintain and build contacts (Carson, Cromie, McGowan, & Hill, 1995).

Varey (2002) argues that people do not have relationships with a company, product, or technology interface, but rather relationships with other people. These relationships are usually voluntary. Buyers should not be handled as targets, but rather as partners according to relationship marketing theory. Buyers are considered as partners since they have created a value which they share with the company. The relationships between the buyer and seller will result in attribute of an offer to the buyer and differentiating the seller from competitors (2002). A common perception among managers working with business-to-business relations is that customers depend a lot on price (Ivens, 2006). However, studies made by Ivens (2006) indicate that satisfaction, trust, and commitment have strong impact on customers thought of the relationship to suppliers and their behavior.

Zontanos and Anderson (2004) consider relationship marketing and the entrepreneurial theories to be very close to each other. Zontanos and Anderson claim networking to be the link between entrepreneurial theory and relationship marketing theory. The authors define entrepreneurship and relationship marketing as processes. Anderson (2000) agrees and says it is an universal
understanding that entrepreneurship is a process. Zontanos and Anderson (2004) have researched companies which seemed to have used a relationship approach in their marketing efforts. The entrepreneurs in these cases tried to connect with external sources to match the areas where the small business lacked in resources. The authors call this relationship approach entrepreneurial networking.

### 3.6.3 Markets Essential for Relationship Marketing

Payne constructed the six market model where he identifies six markets central to relationship marketing; internal markets, supplier markets, recruitment markets, referral markets, influence markets, and customer markets (Payne, Christopher, Clark, & Peck, 1999). Influence Markets include entities, organizations and individuals in areas such as public affairs and public relations. These have the ability to influence the marketing environment of the company. These areas are not emphasized in this thesis and are not further discussed. Internal and recruitment market is neither emphasized in this thesis and the focus of the presentation of this model is on referral, customer and supplier markets.

**Figure 6 The Six Markets Model**  
(cubiccompass, 2009)

**Customer Markets** includes the network of existing and potential customers (Payne, Christopher, Clark, & Peck, 1999). It is essential for small business to build and maintain good business relationships to maintain loyal customers (1999) (1995).

**Supplier Markets** refers to the network of suppliers to which are argued to be important to obtain mutually beneficial relationships (Payne, Christopher, Clark, & Peck, 1999). Good relationships to suppliers have shown to give benefits such as improved quality, faster time-to-market, more innovative products and lower levels of inventory (1999).
Referral markets are where a company builds relationships to professional sources which will give the company word-of-mouth recommendations (Payne, Christopher, Clark, & Peck, 1999). Recommendations and referrals from professional sources such as from lawyers, bank managers and accountants or satisfied customers can be an effective way of recruiting new customers (1999). People tend to make decisions based on advice from advisors, experts, friends or a person with equal abilities or background (Silverman, 2001). Word-of-mouth and referrals is discussed further down in chapter 3.

The authors emphasize the importance of all markets. It is not enough for an organization to only recognize and evaluate the customer market (Payne, Christopher, Clark, & Peck, 1995). It is necessary to identify and other relevant markets and appropriate marketing strategies for them. There are four processes of high concern when applying the six market model.

1. Identification of key individuals or areas within each market.
2. Identification of expectations and needs of key individuals.
3. Evaluation of the existing and future level of emphasis in each market.

Many of the existing relationship marketing models assume that the markets are already developed but many markets are changing constantly (Wilson & Strokes, 2004). It is especially of great concern for entrepreneurs starting new ventures. Stakeholders are often not seen as members of more than one market according to relationship marketing models. Stakeholders in some cases however represent several of the markets in the six markets model. The ongoing change between networks and industries are not described in relationship marketing models. The organizational level is central in relationship marketing models whereas less emphasize is put on the entrepreneur and its role in the constantly changing environment (2004).

3.6.4 The Importance of word-of-mouth when Building Business Relationships

According to the word-of-mouth Marketing Association (2009), word-of-mouth is defined as “The act of consumers providing information to other consumers”. They further describe word-of-mouth marketing as “Giving people a reason to talk about your products and services, and making it easier for that conversation to take place”. Silverman (2001), a word-of-mouth speaker, author and consultant, has defined word-of-mouth as the communicational exchange on products and services between people who are independent of the company.

Peters (1987) argues in favor of word-of-mouth. He mentions the base of word-of-mouth which include that purchasers make their purchase decision mainly based on perceptions from people they trust and who already bought and tried the product or service. According to Silverman (2001), people are more likely to trust the independent third party than someone who represents the company or owner of the product. The power of word-of-mouth is much due to the unique credibility (2001). Since word-of-mouth marketing comes from people you know and trust, it is much more credible than the ordinary salesperson, even though you have a trustworthy relationship to the salesperson (McKenna, 1992). The recipient does not feel it is being persuaded to use or buy the product or
service when the relationship is based on trust (Silverman, 2001). Rogers (2003), professor at the university of New Mexico, earlier at University of Southern California, has done research on how new ideas and new products spread. Rogers agrees with McKenna and Silverman on the power of networks. His studies has shown that most people evaluate an innovation based on perceptions received from others who already has experience of the innovation and do not base their evaluation of scientific studies. People depend on the communication of previous experience from people within their personal network. Rogers’ studies reveal that innovations surge only after people starts spreading their personal evaluations to their interpersonal networks (2003).

According to Silverman (2001), word-of-mouth will get other people to work for your purpose. It is an excellent way for advisors and experts, who have a large work load, to reduce their workload but still letting their message being spread out. McKenna (1992) emphasizes the people backing a company instead of the amount of money supporting the company. According to McKenna, the people backing the company are excellent people to spread messages which the company wishes to propagate. McKenna does not only mention the financial community and backers of the company, the consultants are also important people which can carry your company’s message through word-of-mouth marketing.

Since word-of-mouth marketing comes from people you know and trust, it does also cause negative effects (Silverman, 2001). The message from the sender can also include negative marketing for a product or service. Negative experiences are three to ten times more common for people to share with others compared to positive experiences. A satisfied person is likely to tell three others, whereas a negative experience result in telling eleven people about it (2001). A study from 2006 conducted by the Jay H. Baker Retailing Initiative at Wharton and The Verde Group (a Toronto consulting company) showed that 6% of customers who experienced a problem with a retailer contacted the company whereas 31% told their personal network about the incident (Wharton School of the University of Pennsylvania, 2006). Of those, 6% told six or more people about what happened. The research also showed that the complaints had greater impact on customers who were not directly involved. Someone else’s negative experience resulted in that almost half of the ones who were questioned, answered they would avoid the store.

### 3.6.5 Business Referrals Is Efficient for Establishing New Relationships

It is very cost-efficient having existing clients to refer new business to you (Burg B., 1998). Recommendations from a third party promoting your work or the company, is a great source of creating credibility and a powerful sales tool. It is basically a referral which is free marketing for the company. One has to increase the credibility and report in the business relationship in order to increase referrals. Great relationships can create further referrals in order to get new clients efficiently (1998).

Most successful entrepreneurs get the majority of new business through word-of-mouth referrals (Edwards, Edwards, & Benzel, 2007). It is becoming more popular to develop mutual referral agreements where two or more people refer business to each other on a regular basis. Burg (1998) calls such mutual referral agreements Cross-promotions and states the benefits when professional, such as lawyers and accountants, send potential customers to one another. The ideal way to network
is when both parties find leads of how to assist the other (1998). These relationships exist both among colleagues working in the same field or among people in different professions but which come in regular contact with each other (Edwards, Edwards, & Benzel, 2007). Mutual referral relationship includes a high degree of trust and commitment. The two parties are creating a relationship based on mutually benefits, give-and-take, and win-win aspects (Burg B. , 1998). It is important to recognize who in your network can be helpful to the partner with whom you are networking. The two way cross promotions the ultimate networking since both parties benefit from one another, “I will hand out yours and you hand out mine” (1998). According to Koch (1998), a business relationship which lacks in respect would not lead to referrals or career advancements. Even though someone has recommended a trustworthy source to you, you must still feel the trust yourself before exchanging personal information (Peppers & Rogers, 2004).

3.7 The Importance of Trust when Building Business Relationships

The economic exchange of a relationship is based on the level of trust between the parties involved (Dibben, 2000). Trust is essential for entrepreneurs when building relationships to potential partners (Green, 2006). “Trust is the currency of all commerce” (p.83) and creating trust should be the basic step to build a long term relationship (Peppers & Rogers, 2004). Highly important for businesses according to Jeffery Smith is the value of a solid business relationship and the trust that exist as a result (Smith, 2008). Furthermore, he states that this trust together with the power of referrals can increase sales and the exchange of networking. O’Hara (2004) claims that trust has the important function to enable people to collaborate. Trust is what connects the parties of a relationship and lack of trust will destroy a relationship (Smith, 2008). A business relationship based on trust is more efficient and can save you time (Koch, 1998). Trusting someone can be illustrated as having a contract with somebody according to O’Hara (2004). Both parties are assumed to be trustworthy. However, trust is more flexible than contracts. The future is already set in contracts, where as it is not sure how trust will work in unforeseen situations. Contracts can cover all possible situations, but a trustworthy relationship will be able to find a mutual beneficial solution if something unexpected would occur (2004).

Relationships based on trust foster dedication according to Berry (1999). According to O’Hara (2004), Trust and solidarity described the relationships between individuals and between organizations. People and organizations need to interact in order to create trust. Organizations also have expectations to live up to just as individuals. There has to be a link between society values and the values that the society’s members hold for social solidarity and trust to establish (Durkenheim, 1964). According to Durkhein, trust is developed from shared commitments social norms of moral behavior (Wittgenstein, 1953). The main source of trust is repetitive maintenance in relationships. The personal knowledge of the people connected to you, the ones who are interlocked with you, develops trust (O’Hara, 2004). Durkheim (1964) argued for the importance of social solidarity and that people should hold common values to obtain trust. According to Weber (1968), trust is established on mutual interest and interdependence. Weber said that people cannot hope for the consensus which Durkenheim (1973) said was the base for trust. However, Weber (1968) agreed with Durkheim that the key to trust was shared values and norms of behavior. Thorelli (1986) consider
power and trust to be the dominant factors in business network relationships. The economic base, technologies, and range of expertise, along with the level of trust and legitimacy (that it evokes from its fellow members) are the five sources of network power for a member (1986). There are four principles according to Green (2006) which can be applied in order to develop trustworthy business relationships; a focus on the other, a collaborative approach to relationships, a medium to long term relationship perspective, and a habit of being transparent.

3.7.1 Different Views of Trust in a Business Relations Context
Sandro Castaldo (2007) has collected different perspectives of trust from various researchers within the field and found different concepts of trust. He declares that the most common used conceptualization types are: *expectation, belief, willingness, confidence, and attitude*. Castaldo argues that trusting someone include *expectations* on the other person’s behavior to be coordinated and cooperative. Castaldo demonstrate the expectation of favorable outcomes of a trustworthy relationship. A relationship built on trust also includes expectations of prevention of anything which could exploit the position of the one trusting someone else (2007). Luhmann (1979) says that saying less can result in more trust. Not saying things which are uncertain will increase the expectation of trust for a person (1979). Trust derives from the prediction of the other person’s future behavior (Castaldo, 2007). It falls back on how reliable the promises from the individual are and if the expected obligations can be guaranteed. You cannot control somebody else’s actions which is the critical point of building trust in a relationship (2007). Good (1989) defines trust as a “theory” developed regarding a person’s future behavior. O’Hara (2004) claims reputation to be the key factor to support trust. The negative side of reputation is that it easily turns into generalizations. O’Hara describes reputation as a “common, and socially held, understanding of a person’s standing with respect to trustworthiness” (p. 71). The reputations tell us how a person is likely to act and help our own thoughts of what will happen. The reputation therefore provides a guarantee for trust and enables the selection of trustworthy people. Bad reputation can be hard to get rid of (2004).

*Belief* is an important concept of trust (Castaldo, 2007). Belief is not linked to a special context or situation. It is the belief that the person you trust is assumed to be available and ready to act in your benefit. The conceptualization of trust as belief or expectation is generally agreed upon among rational choice theorist, psychologist and sociologist. However, the content of the belief or expectation strongly differs (2007).

Castaldo (2007) points out the common thought that expectation derives from the *willingness* a person shows to keep promises and fulfill obligations. Willingness as a concept of trust is defined as the risk faced in different situations. A relationship has trust when there are “willingness to risk and willingness to be vulnerable” (p. 146). When a person decides to trust a new person, he or she faces a risk and could be misled because of an opportunistic behavior of the counterpart. Willingness is also essential in trust relations considering the willingness to rely on someone else and the willingness to act on behalf of someone else (2007). A relationship of trust is characterized by a feeling of comfort from both parties (Berry, 1999). Both parties are comfortable to continue an interaction with each other and doing business with each other.
Confidence is described to be the reliability and integrity presented in a relationship (Castaldo, 2007). Confident is also presented as honesty shown by the counterpart along with its intentions and skills.

Trust has also been described as an Attitude which is a mix of knowledge, beliefs, feelings, and value orientations (Castaldo, 2007). It has been describes both as the attitude toward risks and as the attitude toward the other partner in the relationship. The later meaning that the attitude of trust in a relationship comes from perceptions and beliefs gained from past experiences with the counterpart.

In order to grow and develop trust in a relationship, the parties have to have information about each other. You cannot trust someone you do not know anything about. Lack of information on the other person will instead lead to a relationship of hope or faith. Such relationships do therefore also include a lot of risk (2007). Even though we are aware that trusting someone include taking a risk, by taking the risk of trusting somebody, simultaneously make us trust the person more just because we are aware that are taking the risk (Luhmann, 1979). A money transaction does also include taking a risk, but since we trust the monetary system, we stop worrying about the risk (1979).

Beliefs form the components of attitudes and consequently shape people’s willingness to act and how they are going to behave (Castaldo, 2007). Trust as a Behavior is the result of attitudes, willingness and beliefs (2007). Green (2004) has come up with what he calls the trust equation:

\[
\text{Trust} = \frac{\text{C} + \text{R} + \text{I}}{\text{S}}
\]

\(\text{C} = \text{Credibility} \): That you can trust the words of someone meaning somebody else in what he/she says. Synonyms would be believability and truthfulness.

\(\text{R} = \text{Reliability} \): That you trust the action of somebody else. You trust the other that he/she will do what they say they will do. Synonyms are predictability and familiarity.

\(\text{I} = \text{Intimacy} \): include the perceived safety which allows you to trust to talk to someone about something you would not to a stranger. Synonyms are security and integrity.

\(\text{S} = \text{Self-orientation} \): relates to the focus and that you can trust someone to be focused on yourself (you are caring attention). A high level of self-orientation destroy trust where as a low level would enhance trust. (Green, 2004)

Credibility and reliability are mainly rational where as intimacy and self-orientation are rather non rational (Green, 2004). Self-orientation includes more power than the other three components and is therefore dominant. The other three are also important and a low level can destroy the trust. A low level of credibility makes the other person sense empty words. A low level of reliability can result in an offer perceived as “flaky” by the counterpart. If someone senses a low level of intimacy, this could include a feeling that the company is technical. None of these three components are as destructive of trust as self-orientation. A high level of self-orientation equalizes a lack of caring and dishonesty. Trust is a major factor in customer satisfaction, customer loyalty, and firm profitability. However, your company will not be trustworthy if the focus on yourself is too high and the self-orientation is too high. The fastest way to destroy trust is to demonstrate you are only interested in the money you can gain for yourself. If your counterpart trusts you, you will be profitable (2004).

\(^9\) Derived from (Green, 2004, pp. 72-77)
Trust must be build up over time through continuously achieve each other expectations and investments in the relationship. Carayannis and Juneau (2003) call this the spiral of trust which is illustrated in Figure 8. Both Parties develop a relationship through socialization (S) and interaction (I) which result in a higher degree of trust (T). Each round is characterized by a reciprocated relationship of giving and taking. However you cannot expect to get immediate compensation. In the case of a relationship of a lawyer and an entrepreneur, the lawyer must be willing to give advice or expertise, where as the entrepreneur reciprocate by offering for example a stake in the company. The stake symbolize of the future expected profit and shows that the entrepreneur is willing to scarify some long term reward (2003).

![Figure 7 The Spiral of Trust (Carayannis & Juneau, 2003, p. 38)](image)

### 3.8 Knowledge Sharing through Networking

An enterprise’s ability to nurture, capture, leverage, and share knowledge can be critical in order to gain strategic advantages and create a successful business (Chatzkel, 2003). Knowledge capital has become increasingly valuable for the day to day operations in businesses (2003). Robert Lynd stated already in 1939 that organizations should be reconstructed in order to form flows of knowledge to create opportunities and better solve problems (Lynd, 1939). Knowledge is a part of the people, processes, and infrastructure of an organization and its network (Chatzkel, 2003). According to Koch (1998), shared experiences tend to link people close together.

Sharing knowledge can be the link between people and make a relationship stronger (Cortada & Hargraves, 1999). Already established relationships and relationships with key players on the market can be used to obtain information of market news (Carson, Cromie, McGowan, & Hill, 1995). Knowledge can spur collaboration and consistency if well managed (Cortada & Hargraves, 1999).
Knowledge, ideas, and innovations are spread with an enormously speed which include opportunities which companies should be aware of. A company has to learn to adapt to the constant and rapid changing environment (1999). Networking and collaboration with other firms and individuals helps the small business to more quickly and easily adapt to changes on the market (Edwards, Edwards, & Benzel, 2007). Today’s constant rapid change of demand in the economy requires the small business to quickly respond to customer and clients changing needs. Networking and collaboration can help the small business to shift and adapt to current trend (2007). Knowledge sharing allows the company to access knowledge which enables the company to cooperate and compete at the same time (Carayannis & Juneau, 2003). This will enable the company to improve the productivity. Networking and knowledge sharing cost time, but the investment is necessary if you want to maintain and strengthen the knowledge flow within the business (Cortada & Hargraves, 1999).

A major advantage for the small businesses is the easy accessible market information (Brooksbank, Kirby, & Wirght, 1992). It is especially important for entrepreneurs who work on their own to maintain personal contacts and keep up-to-date with information (Edwards, Edwards, & Benzel, 2007). It is essential to stay up-to-date with current trends and issues within your field, what direction the future is going towards, government regulations, and new technologies. Robert Hersey (1984) points out the importance of commercial intelligence for small business where it is essential to know the competitors. He mentions the significance to constantly talk to customers to keep updated with valuable information about competitors’ products and services (1984). Staying connected with others through networking or collaborations is therefore essential for the entrepreneur to obtain necessary knowledge (Edwards, Edwards, & Benzel, 2007).

Cortada and Hargraves (1999) mention the problem with information overload and the importance of not lose the ability to sort the important knowledge. The authors also mention the risk which knowledge sharing involves. It is not sure that the information received is true. There is also a risk that important information will leak out. Trust is therefore an important part of knowledge sharing. People will not share knowledge if they do not trust each other (1999). According to Burt (1992) there is only a certain amount of information which one actor can hold. For this reason networks are of great importance. The network consists of many actors which all hold different information and being a part of this network gives the actor access to other individuals’ information (1992). It is essential to evaluate which information is relevant to your business (Cortada & Hargraves, 1999). However, Burt (1992) points out that even if second hand information can be subjective it can still provide a hint on new opportunities or warn your business of disasters. Your personal network can provide information before the ordinary crowed and this is valuable (1992).

3.8.1 Face-to-Face communication to Increase Knowledge Sharing

The core of knowledge exchange is the face-to-face exchange (Cortada & Hargraves, 1999). Face-to-face communication is the most efficient way to share knowledge. The exchange of knowledge includes a higher intellectual, emotional, visceral, and sensory level. Face-to-face tend to make people share ideas, thoughts, and insights to a higher degree (1999). The face-to-face communication which occurs between the entrepreneur and the other party make it easier for the entrepreneur to access information (Brooksbank, Kirby, & Wirght, 1992). The gathering of market
information will occur more vital, more cost efficient and more inexpensive. The information gathered also assist making better decisions for marketing strategies (1992).

Wallace (2006) discusses the importance of real and in-person communication in business relationships. According to Wallace, true interactions with business partners result in learning and growth. Business opportunities and activities will be lost if business relationships are not maintained at a personal level. Wallace considers business relations to be managed as relationships to friends. Interpersonal relations are highly important in order for individuals to reach success (Putnam, 1993).
4. Empirical Findings

The empirical findings presented in this section will start with a background of San Diego and its industries and networking organizations in focus of the thesis. This general picture of San Diego is needed in order to provide a better understanding of the empirical study. Findings collected from interviews will present the perspective business people in the region have on networking and network organizations in San Diego. The empirical findings will show expectations on networking and experience of networking from business people with different backgrounds. The presentation of the findings of the interviews starts in section 4.3.

4.1 Understanding San Diego and its Industries

The Defense industry has been a key sector in San Diego for many years. The region therefore faced serious challenges twenty years ago, after the cold war, when major cuts were made in the defense spending. Banks had overextended their loan portfolios and companies were challenged by the increasing global competition. In 1985, representatives from different communities and institutions met to discuss how San Diego could become a part of the growing knowledge economy in order to stay competitive. They all realized the importance of entrepreneurship and new technology based companies. To support the commercialization of local research based innovations became a high priority as well as to spread expertise in the region. This was the start of the collaborative culture which is still ingrained in the San Diego community. (CONNECT, 2008)

Today, San Diego once again faces challenging times due to the worldwide financial turmoil. All regions in California decreased their number of new technology start-ups in the fourth quarter of 2008. However, San Diego submitted 300 new start-ups in 2008. The largest number of new created technology businesses in the fourth quarter of 2008 was the 23 software companies. Other industries with a high number of start-ups in San Diego were pharmaceutical, biotechnology, medical device industries, and communication companies. The largest decrease in start-ups was presented in the computer and electronic industry. The only industries which increased their number of start-ups were defense and transportation, partly due to federal spending. (CONNECT, 2009)

San Diego is one of North America’s fastest growing high tech regions (San Diego Regional EDC, 2008) and the core industry sectors have become leading centers for biotechnology, communications and software development (San Diego Regional EDC, 2008). There are over 500 biotech companies in the region (CONNECT, 2008) and the Milken institute ranked the biotech cluster in San Diego as the number one in North America (San Diego Regional EDC, 2008). The biotech cluster is important to the
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region because of its $9.2 billion annual impact of the local economy (San Diego Regional EDC, 2008). The Life Science has increased their significance in the last years and do now add up to 500 companies from which 20% where created last year. $3.2 billion was gained in venture capital and investments in the life science industry from 2004 through 2007 (CONNECT, 2008).

The Communication industry has many years of history in San Diego and employs over 25,000 people. The wireless employment is the highest concentration in North America. Infrastructure and satellite applications, voice and broadband coding, server software engineering devices and digital transmission are other areas within the communications industry of high importance in San Diego. (San Diego Regional EDC, 2009) 61 communications technology companies were launched last year and San Diego now has a total of over 1100 companies within the field (CONNECT, 2008). From 2004 to 2007, $440.9 million venture capital was funding firms in the communication technology industry (San Diego Regional EDC, 2009).

There are a total of 340 computer service companies in the region and 184 of these are new since this past year (CONNECT, 2008). Together with the software industry, the amount of companies adds up to 1,400 local companies. Both the computer cluster and software industry has an important impact on the San Diego economy. (San Diego Regional EDC, 2008) Other big industries are clean, Action sport and Defense (CONNECT, 2008).

The bad times on the national and international credit markets hit new companies hard since it is more difficult to find financing. The last years has shown a decrease in venture capital funding in San Diego. Venture capital investments were $1.2 billion spend in 126 companies in 2008, a decrease compared to 2007 when $1.9 billion was invested in 163 companies. However, there was a 5 percent increase in venture capital funding in San Diego the first quarter of 2009. (CONNECT, 2009) Total investments during this period were $87 million. There were 15 deals and the average amount invested for each deal was almost $6 millions. The largest part, 67.89%, was invested in the biotechnology industry. (PricewaterhouseCoopers, 2009) The investment in later stage companies decreased whereas the investments in start-up increased in 2008 (CONNECT, 2009).
4.2 Networks Organizations in San Diego

San Diego is home to a broad spread of network organizations with a mutual goal to increase business in the area of San Diego. The network organizations can be divided into industry networks and non industry networks and their specific service program offered will be discussed further below.

4.2.1 Non Industry Specific Network Organizations and Free Mentoring Services for Entrepreneurs

CONNECT is the largest non industry focused network organization, embracing all industry clusters to accelerate innovations in San Diego (CONNECT, 2008). CONNECT was funded over twenty years ago as an initiative to educate the San Diego area on how to efficiently launch innovations to the market. They have 26 programs providing coaching, financing, education, inspiration, clustering and networking. The past year their 300 events attracted 10 000 registrations and 1 200 volunteers at CONNECT helped over 1000 companies through mentoring, evaluating and coaching (2008).

One of CONNECT’s most successful program is the Springboard program (CONNECT, 2009). The Springboard program offers free advice to companies in any stage of development within the life sciences, clean-tech and high tech industry along with consumer product companies. An important group involved in the Springboard program is the Entrepreneurs in Residence (EIRs) which consists of volunteers from the business community with different field of expertise. The EIRs provide businesses, start-ups and entrepreneurs involved in the Springboard program with guidance in raising venture capital and growing businesses. The companies take part in the program for 3 to 5 months and the final step is presenting their business plan to a selected panel of venture capitalists, angel investors, service providers and experts from the specific industry. In 2008 75% of the 118 companies which took part in the Springboard program last year are still in business (2009).
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CONNECT collaborate with two other important investor networks; Venture Roundtable and Tech Coast Angels (CONNECT, 2009). These organizations provide entrepreneurs with opportunities to access to capital. The venture roundtable program offers selected entrepreneurs to pitch their business idea to a group of investors. The tech coast angels is a network of private investors who invest in smaller scale and offers advice to companies who pitch at their monthly screening sessions (2009). Tech Coast Angels has more than 200 investors which operates three regional networks in Los Angeles, Orange County, and San Diego (Inc, 2009). Each network holds a monthly dinner meeting and regular screening sessions to review promising investment opportunities. Since 1997, the group has invested more than $37 million in more than 40 companies. The Tech Coast Angels invest only in companies in southern California and mainly in early stage technology and life science companies. The average investment range goes from $250,000 to $2 million (2009).

CONNECT also offers more educational services for entrepreneurs, including the FrameWorks Workshops, a half day education on specific topics essential when starting a new business (CONNECT, 2009). Frontiers in Science & Technology are lectures from the leading science institutions on the latest innovations. At the CEO Strategy Forum, CEOs from emerging growth companies meet monthly at a breakfast presentation in order to share ideas and exchange experience in selected industries (2009).

4.2.2 Specific Industry Network

The industry specific network organizations have emerged in San Diego and offer assistance to start-up companies (CONNECT, 2008). The organizations are member supported and rely on the sponsorship and fees from companies within the industry and individuals from the community. The largest organizations are BIOCOM, CommNexus, Aea San Diego Council, San Diego Software Industry Council and CleanTECH San Diego (2008). Three industry specific organizations have been the focus of the thesis; BIOCOM, CommNexus, and NanoTecNexus.

**BIOCOM**

*BIOCOM* is a biotechnology network organization with a vision to:

“Be recognized by each of our members as the most valued organization in strengthening and enhancing their potential for success. *BIOCOM* is ultimately a place where the regional life sciences community can come together, make connections, and work together as a united force to ensure growth and viability.” (BIOCOM, 2009)

In southern California *BIOCOM* holds over 575 member companies, service providers and research institutions and are thereby the largest regional life science association in the world (BIOCOM, 2009). The organization tries to positively influence the region’s life science community by attracting investors and capital to the region. *BIOCOM* also focuses on providing the industry with favorable government policies on the local, state and federal levels and develop the labor force for the medical and biotech device community. Member companies can save money when buying commodity products and participate in educational courses held at BIOCOM. The organization also create opportunities to help build the members professional network through meetings and events. They
arrange over 100 educational and networking events a year and can provide a wide range of funding sources. This includes contacts to Venture Capitalists and Investment Bankers and opportunity to present at the BIOCOM investment Conference (2009).

CommNexus
CommNexus San Diego established in 1998 to connects communications companies (CommNexus, 2009). Their mission is

“To accelerate the formation, growth, and success of communications technology and service companies in the San Diego region”. (CommNexus, 2009)

The organization has during the years succeeded to establish a well seen and constantly growing communication community which embrace communication industry companies\textsuperscript{10}, defense industry companies, service providers, professional network organizations, and local government. CommNexus connects emerging local companies to national and international markets and have created a world center for innovation in communication technology. CommNexus arranges over 50 networking and technical events per year. Their core program and services connect small businesses with investors and assist business development to more than 100 companies annually (2009).

The CommNexus MarketLink program provides opportunities for business relationships to establish by introducing regional companies to multinational corporations (CommNexus, 2009). This is done through high-tech speed dates where selected companies present new products and innovations to executives in personalized session (2009).

CommNexus Nextstage is a two hour session of tailored coaching for a participating company (CommNexus, 2009). With a panel of experts in the field of the participating company, the entrepreneur of an emerging company will be advised on how to reach the next level of development of their business. CommNexus also regularly hosts special events and group meetings where key issues in the communications technology community are examined and discussed. Some of these events have committees to influence a positive change in the business environment (2009).

Finally there are two programs InterNexus and JobNexus which both serve to facilitate the connection between job applicants, students and employers (CommNexus, 2009).

NanoTecNexus
NanoTecNexus established in 2004 and focus is on the nanotechnology industry and providing expertise especially in the life science industry (NanoTecNexus, 2009). NanoTecNexus wish to facilitate the finding of the right resources and market opportunities in order to grow businesses in the field. Their mission is

“To catalyze collaboration and knowledge exchange in the nanotech field by connecting people, technology, investment and industry”. (NanoTecNexus, 2009)

\textsuperscript{10} Communication industry companies include companies with focus on wireless and telecommunication
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The organization provides a network of expertise in a broad range of nanotechnology and commercialization (NanoTecNexus, 2009). They frequently host forums focused in nanotechnology where the impact and opportunities for the industry is being discussed. At the educational events, attendants have the opportunity to learn about the latest developments in nanotechnology. Conferences with topics of key issues in the industry are arranged regularly. At these occasions it is possible to meet with organization’s representatives in person. Apart from educational events and forums, NanoTecNexus also arranges seminars, courses and conduct market research. Other services are access to market research and information on new developments in nanotechnology and a career center (2009).

4.3 Networking in San Diego and Expectations on its Efficiency

The network in San Diego has been described by the respondents as an ecosystem with “newcomers” at the bottom and well networked and successful business people with extended experience at the top. An entrepreneur who is new to the region has to start at the bottom and connect with people at the same level before being able to climb to the next level according to a well experienced business man and consultant. The information presented from now on is gathered through interviews with respondents.

4.3.1 The San Diego Atmosphere

The atmosphere in San Diego has been described by respondents from the different categories as collaborative and stimulating for business achievements. According to an entrepreneur who is running a new start-up San Diego has an inspiring atmosphere for conducting business. People want to move forward and encourage and help each other out. A consultant described the San Diego region as special. He explains how San Diego has a mixture of cultures, a lot of high technology and an enormous amount of start-ups which do business with larger companies and other businesses. The mentality in San Diego and the west coast is different to other areas, there is always something going on. As a part of the San Diego business community you learn something every day and meet enthusiastic people with interesting ideas. There is an entrepreneurial spirit in San Diego and people are willing to take risks. According to another experience business man and consultant it is valued to think differently and move fast in San Diego. Among companies and start-ups there is an entrepreneurial spirit which encourages innovation.

A consultant describes the culture in San Diego as pleasant and not intense. When people are less tense they become better listener which is important when networking, according to the consultant. Another consultant and well experienced business man also finds people in San Diego very friendly and receptive to networking. Some consultants point out how they perceive people who are judgmental and try too hard to connect with many people as negative. People who are really competitive and only seek own benefits from a relationship are not appreciated in San Diego. A network representative explains how she has observed how the ones who do not understand the networking culture get poor results when networking. She points out that you have to understand different regions and their culture when working in a global economy.
The San Diegans want to see entrepreneurs succeed and these entrepreneurs will later be the once helping other entrepreneur with less experience, according to a consultant and experiences business professional. A representative from the network organization also confirms this. He explains that it is fairly easy to get volunteers for the EIR program in San Diego. There are many experienced people who wish to give back to the community.

A representative from a network organization also explains how San Diego is structured and contains many start-ups and entrepreneurs with few big and almost no middle sized companies. The majority of people you meet in the business world in San Diego have been involved in small companies. People are open for new business ideas, networking and risk sharing. A consultant and former CEO of a big company in San Diego says the reason this big company succeeded in San Diego was that they had an entrepreneurial culture within the company. People in San Diego have the urge to influence and create something even when working at larger companies he continues. Working for a large company enables saving capital for a possible start-up later in the career. There is always the possibility to leave the company and start something on your own after 10 years of working and saving up money the consultant points out. A network representative who had previously worked at a big company said entrepreneurs in big companies cannot focus on their project because there are other tasks which must be taken care of. Big companies involve restrictions and have little flexibility. The network representative saw but confusion and success in start-ups and decided to leave the big company to contribute with his expertise and connections. He also mentions how people who get laid off by companies very often start their own business. The consultant argues that leaving a big company to start something new is encouraged by the society. People congratulate the ones who succeed. He says the business culture in San Diego, with the big market for innovations and also the tax reliefs are reasons for the many entrepreneurial activities in the area.

4.3.2 San Diego Compared to Other Areas

To network in San Diego you need to know the culture of how to conduct business in order to achieve your goals according to a network representative. A consultant also point out

“Networking is very important to get around in San Diego”

This is what most of the people interviewed said they have experienced when conducting business in San Diego. The culture of networking which exists in San Diego has inspired people to get involved in network organizations and start networking. A representative from a network organization argues of the perfect size of the San Diego region. Compared to many other cities in the U.S. you can easily reach the majority of the people in different industries in San Diego. Most industries and companies are located within a golden circle of a 20 miles radio. Almost every one of the people interviewed including entrepreneurs, consultants, service providers, and network organizational representatives have worked in other areas besides San Diego. The majority of the respondents are not from San Diego but have many years of experience of conducting business in the region. Many have compared San Diego to Silicon Valley since the regions have a lot in common. They are both well networked areas and are within driving distance of each other. However respondents have pointed out that Silicon Valley has a longer register of successful start-ups and innovations. The two regions also differ in sense of networking atmosphere. A network representative explains how the pace in Silicon Valley
is much faster and less personal than in San Diego. There is a higher focus on business and to get to the case faster in Silicon Valley.

“The technology is what drives the relation in Silicon Valley whereas the relation is what drives the technology in San Diego; relation is of higher importance than the technology itself in San Diego.”

A consultant with great expertise describes San Diego as more collaborative than Silicon Valley in the sense that companies and people help each other out. An example is how a firm helped their rival firm in a lawsuit because taking control of the marked due to a lawsuit was not considered fair. People share resources in San Diego and entrepreneurs get referrals if they have a good product and sometimes even if they do not, because the person to judge might not be an expert. An entrepreneur mentions how he perceives San Diego as a city where people make time to meet with you. There is an attitude were people try to network and meet up with you because the possibility in meeting with you exists.

San Diego does not have as long history of business compared to Silicon Valley according to one service provider. However, he believes San Diego has a lot of assets and is one of the US.'s most important tech-areas and it is accelerating fast. A consultant considers San Diego to be special because it has many academics and start-ups. The service providers think networking exists to a great extent in San Diego but there is more venture capital in the Bay Area11. This view is shared by a consultant, however he claims people in San Diego more willing to take risk compared to Silicon Valley. The service provider says that people in the Bay Area are more specialized; it is easier to get to them. More people are focused in a specific area, e.g. lawyers focusing in funding for clean tech companies.

4.3.3 Realizing How to Utilize Networking in San Diego

There is a culture in San Diego where people tend to operate different projects and work on all parts of the start-up at the same time according to a consultant. There is an urge to succeed and to succeed fast once you get started with your product or idea. An entrepreneur explains how he in the beginning only focused on his start-up because he did not want to make an insincere impression on others. After a while he realized that everyone else in San Diego were involved in many things parallel. They were working at a full or part time job and at the same interacting with people to build their company and find funding. An experienced business man and consultant did not understand the San Diego business atmosphere. He explained how he discovered how everything and everyone was connected to each other through networks and it is very hard to conduct business if you are not a part of network.

Interviews have shown how first time entrepreneurs in an early stage of business development are aware of the importance to connect with the business network and expose themselves to others. However they are unaware of how they can connect with the right people. They tend to utilize their friends and family in order to establish connections. Within their own personal network they might have a valuable contact to a person who can provide them with expertise in their business activities.

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11 The Bay Area is the metropolitan region surrounding San Francisco, known for its entrepreneurial clusters.
The problem they are facing is how to expand their group of connections in order to move to the next step.

Several of the consultant and experienced business men points out how many entrepreneurs are highly skilled but are not very social and not good networkers. They are often very focused on their idea and product. Therefore, they do not realize how essential it is to network in order to establish the right connections. Many researchers stay at research departments at academic positions because of their inexperience with networking and limited personal networks. According to an entrepreneur in the academic world he has connections within the University but is not a part of the business network in San Diego. He experience people in San Diego to be eager to conduct business and he wants to get enrolled more in the business network. However he is not sure of which approach to take in order to connect with the right people. An experienced entrepreneurs says it is hard to teach someone how to network, it something you need to learn by practicing. A network representative has observed how entrepreneurs have the instinct of networking, though the networking skills differs among the entrepreneurs.

4.3.4 Networking is Essential in the Beginning of the Start-up Process

Many of the respondents from different categorize considers networking to be most favorable for an entrepreneur in the beginning of the start-up process. According to a consultant it is always important to network for entrepreneurs, especially in the beginning of the start-up process in order to test the business idea. Another consultant says it is important to network in the beginning of the process to acquire information on who can help you when starting a business. A network organization representative says when the entrepreneurs have an idea and how to build this idea into a company it is important for the entrepreneur to network. According to another network organization representative who have observed and been involved in many start-ups entrepreneurs first need to develop the product. When they have a product or a semi-finished product they can focus on networking. When the organizations and company grows to about 20-24 employees the organizational aspect as maintaining the people in the organization is more crucial than networking.

An entrepreneur considers networking to be essential in the beginning of the startup process, when the product is finished, in order to connect with the first customers. If the product is good, the reputation of the product will spread after the first order is completed. He also believes networking to be beneficial in later stages to accelerate the growth and to find larger customers.

Another entrepreneur explains how his product is finished but not the business model. He is networking to figure out who is interested in his product, who his customers are and how he can reach out to them. His company is self financed from friends and family but he finds himself in a too early stage to seek venture capital. A consultant and experienced business man on the other hand points out that building a social network with business contacts is essential for entrepreneurs, especially at the initial stage of a start-up. The personal network should consist of people with different expertise and should include management teams, lawyers, insurance contacts and investors who can support the initial funding. Even though the entrepreneur does not need all contacts at the initial stage, it is still important as a long term strategy since the company will need the expertise at a later stage. It is an expensive investment in time and energy to build up a strong network but it is critical success factor in a longer perspective.
4.4 Expectations on Social Networking in San Diego

There is a split view on when which of the types of networking, social or organizational, are most efficient for entrepreneurs and start-ups and when they should be applied. Networking is a must in the sense of social networking and making use of your personal network according to a service provider. He considers network organizations to be able to provide help and be support, but is not as essential as the personal connections. The empirical research has found, that all the people interviewed agree that networking is of great importance when building and maintaining business connections. According to a consultant and experienced business man:

“If you want to get somewhere with your company, you need to have connections.”

4.4.1 Different Perspectives on Networking

The research has shown that many of the respondents were not too thrilled of networking at the beginning of their careers. They did consider it too time consuming and not important enough to make time for. The ones who had experience from larger companies mainly networked with people within the company. One mentioned that networking was not encouraged by the company. If you wanted to attend networking events, this was something you had to do outside of work. Many entrepreneurs said they were busy working with developing the product and business model at the initial phase of the start-up. They did therefore not consider they had time to network and attend networking events. An entrepreneur said he learned from experience how entrepreneurs need to build connections and make links to industry networks. It is not as working for a big company where networking is done within the organization. There is no time or reason to network outside the organization and people working at larger companies do not usually attend network events for business purposes.

Experiences made through the years changed the expectations on networking for the majority of people within the research. Some realized the importance of networks when they found themselves in the situation which demanded it. An entrepreneur says he did not consider networking important before he got involved in the San Diego business world and wanted to start his own company. Due to positive experience from networking and what it has lead to, he is from now on going to spend approximately one hour per day on networking. He thinks it is important to keep in contact with people because you never know when you need this connection. The network he is building now can help him and other people in the future. Another consultant points out that he encourages his clients to network and build up a strong personal network with business contacts.

The entrepreneurs, who had been involved in previous entrepreneurial activities, said they had been able to establish business connections. These connections had been gathered by starting a company themselves or through working with entrepreneurs who had. From being involved in start-up procedures, they had gained experience of how different people could help them. One person said how his work as a service provider had forced him to network. When he later started his own company he had built a valuable network and knew who to contact. Another person interviewed explained how he throughout his years at different employers in San Diego had gathered connections and established a list of valuable contacts for the future. These contacts had shown to be very valuable when starting his first company. He also mentioned that he would first and foremost utilize his network of business contact and people from the industry when starting new projects or start-
ups. This was exactly what a consultant and experienced business man pointed out. When connections are made and one has established a solid network in the San Diego business ecosystem, the second start-up process will be faster because the connections you need already exist.

The ones, who did not have the experiences of successful business connections through their personal network, explained the difficulty of not being part of a network where this important connection could be established. One entrepreneur expressed his frustration of not being able to connect with any buyers of his product. He explained how he had picked up the phone book and called ten companies to explaining his product. The result was only a 5 minute chat with one of the companies. In this case the entrepreneur was disappointed with the outcome he got from calling people he was interested meeting with. He says there are other people in his personal network who had lead him to more connections.

“It is much easier when you know someone in person or someone who can put in good word for you.”

Another entrepreneurs says he first turned to people he knew when staring a new business in order to get advice. However could not find what he was looking for in his own personal network, but were advised on where he should look to find what he was looking for. A consultant says that networking can be conducted for both social and business purposes the main reason for networking does not have to be business. He explains that if your personal network is broad enough, people in San Diego will know about you and this makes it easier in the business world.

4.5 Expectations on Network Organizations
Many of the consultants consider the network organizations to be able to bring the right people with the right background together. They enable people to connect and expand their network and are for this reason important to create networking opportunities. A representative from a network organizations state that the big companies’ growth is fueled by the smaller companies and network organizations can bring the two parties together.

Network organizations are a great way to enter the business community in San Diego for people who are not from the region according to a consultant and well experienced business man. Network organizations provide a broader spread of people and expertise which is hard to attain with a social network of a private entrepreneur. A great advantage with network organizations for entrepreneurs is the access to larger companies. A network organization embrace companies of different sizes and enables the meeting between them. Entrepreneurs need to meet, connect and show their business idea to larger companies to obtain potential partners, customers, or suppliers. For Example, researchers need contacts from the industry and business community. A network organization representative thinks entrepreneurs can benefit from the network organization because there is an opportunity to develop relationships. The network organization is a platform for entrepreneurs to meet big companies, new customers and partners. New technologies can be recognized through network events. There is an opportunity for the entrepreneurs to do pre-marketing by talking about their technology or product before it is finished and create excitement.
among people for them to be eager to see the product launched on the market. The Pre-marketing can catch the interest of people met.

The reason one entrepreneur joined a network organization was to be a part of a network where people have connections and can refer you to others. He says it is important to get in contact with other entrepreneurs, because they can share experience and give each other advice. It is also essential to connect with key people with expertise in specific areas. The entrepreneur says he is not targeting people specifically, instead he is hoping to meet someone who has connections in his specific industry. If you put yourself out there the chance of connecting with someone important to your future business is greater according to the entrepreneur. However, he has only joined one network organization but is planning to attend more events and believe there are many network organizations he is unfamiliar with.

A network organization representative explains how he network organizations contribute with "The wisdom of the crowd" He says that entrepreneurs will gain so much by networking, because it can get them perspective and teach them how to make better decisions. It is especially important if you are in need of funding. One entrepreneur mentioned that his reason for connecting with network organizations was mainly to get funding. Even if he did not receive funding at this time, the screening process when seeking funding was very helpful. Another entrepreneur who moved to San Diego decided to start a company and had to build up a team with different expertise which could contribute to the project. The problem was that she did not know anybody. She started to attend several network events and got to know a lot of people who referred her to others.

Many entrepreneurs say they expect to gain good connections through network organizations and the networking events, which is something the representative thinks is correct. However, the network representative points out how connections might not be made direct at the events. It is also very common that people get referred to other people they meet through the network organization. The network representative values smaller network events, where there is more time for the actual networking. He says it is very hard to find connections and get something out of networking at large events if you have not set up a meeting. Another network organization representative says they provide a platform for people to network and push networking and make introductions between people. It is the people working and involved in the network organization who engage themselves to link people together. A consultant claims that people at network organizations can advice entrepreneurs in who to talk to and how to move forward. He points out how many people involved in the network organizations are experience and can tell entrepreneurs if they have a good business idea or not. In his opinion this is a good learning process but he is aware that many people think it takes too much time. He does not believe being a part of a network organization is mandatory for entrepreneurs, but the chances of succeeding are greater when you are.

A consultant encourages the companies which he coaches to join network organization and attend network events. He is convinced that someone who says that they experienced no benefits from a network organization has not been active enough. Another consultant says the entrepreneur should find out what the network organizations can do and how they can help them. Entrepreneurs which are new in a region have to go through network organizations in order to get to know people and start to build a personal network according to network representative.
4.5.1 What Entrepreneur Can Gain from Network Organizations’ Services

According to a consultant, network organizations can guide entrepreneurs with information on how to build businesses. He considers the educational workshops to be valuable since it is easier to have someone explain a topic for you than read it in a book. An entrepreneur says some of the network organization provides good programs for connecting with investors. He has been enrolled in one of these programs and believes the program is well structured and recognized. He believes it is easier to get funding through an organization than investment banks because the organization match companies and investors together and filter the ones who are not suitable for founding yet.

A consultant involved in a free advisory program for entrepreneurs says he is often of the impression that the companies he is coaching are not aware of their problem. He explains how the entrepreneurs often do not understand the business part of their company and are therefore in need of guidance. A network representative and director of the Springboard program at CONNECT is of another opinion and claims the businesses are well aware they have a problem. However he does admit the reason why companies apply to the Springboard program is their desperate need of founding, not their lack of understanding business.

“It says, I need money on their forehead”

He continues by explaining how entrepreneurs by taking part in the program however learn far more i.e. essential business thinking and start-up knowledge provided by experienced people from the specific industry.

A consultant says his reason for enrolling as an EIR in the network organizations EIR program was partly to expand his own network. He wanted to get in contact with important people from the San Diego business community. An important reason was to get in contact with investors to examine who could be a potential investor for his own company. A representative from a network organization says that mentoring companies keep the EIRs stay sharp and know what is going on in the industry. With this knowledge obtained at workshops they can provide the entrepreneurs with better coaching. Many of the EIRs are also looking for more companies to coach and invest time and effort in. According to the network representative the network organizations has other services focuses on bringing different people from the industry together. One event is one hour where CEOs meet and exchange experience. The well experienced will share their expertise with those less experienced.

4.5.2 What Entrepreneurs Can Gain from Network Events

The main expectation which people have on attending networks events is to meet with others in the industry and to get different ideas and perspectives according to a network representative. A consultant says he advice small companies and entrepreneurs to attend the events within their specific industry or relevant topic. According to him everything that matters are the connections you have.

The primary reason for attending network events is, according to a consultant and experienced business men to be seen and show that you are still active in the business world. People tend to forget you very fast and the network events are important to relocate connections and explain your purpose for being there. This could be to invest, create partnership or obtain customers. He thinks it
is better to expose your product to people within the industry or the core part of the field you are working in instead of at networking events. However networking events is the place where you can obtain information on what is new on the market. He is a member of some network organizations and local networks to be connected with important people in the business world and companies he can advise. It is very important to keep up to date with what is happening on the market and if you are not part of a network this is hard, however no one will blame you if you are not. According to a network representative a negative aspect with networking events is to run into someone that you do not want to talk, but ultimately you are still networking which is important.

An entrepreneur says he attends workshops and networking events in order to connect with people and socialize. Olsson is a member of around 15 different network organizations, mainly virtual and with a focus on Biotechnology. His main reason for these memberships is to maintain relationships with people in his network. He says it is the especially important in the biotech industry, which is constantly changing and there are a lot of research projects going on which need funding.

Another entrepreneur is about to start his first company in San Diego and is at an initial stage in the start-up process. His reason for attending networking events is mainly to get in contact with a potential partner. He is looking to connect with someone with more experience in entrepreneurship and someone with a larger network in order to accelerate the start-up process. As a first time company owner he needs advice in order to progress which is what he is seeking at network events. Entrepreneurs can expect to gain potential business opportunities and meet people who compliment their background by networking according to a consultant. He advice clients to network because even if entrepreneurs are busy they need to network. Entrepreneurs can gain education from networking and attending networking events. They can get funding, learn how to deal with business problems and knowledge on what happens in the industry.

When attending networking events the attendees expect the topic which is presented to be in accordance with what has been promised, according to one network organization representative. Surveys made at these organizations shows how attendees appreciate the events, think they are valuable and therefore return frequently. According to the network organization representative people realize the how valuable the networking time is before the speaker presentation. A representative from another network organization says most of the people; around 75% attending events are new. What attracts many of them is often to be able to connect with key people in the organizations. The key people might represent a 10th of the people attending the events.

A third network organization representative says networking events are most efficient when the topic draws together people of the same kind. The theme of the event is most important to attract people and this is the primary reason people attend. The second most important part is the networking and socialization in order to attract people to attend. He says many technology engineers are not good at socialize or do not consider it important and would not attend a social networking event, however they will attend a networking event if the speaker is an expert in the field. His organization think people are attracted by the speaker and try to find an interesting topic with an expert speaker.

One entrepreneur says he believes the networking events in San Diego have a high standard. Even if he does not know who he is looking for to meet at network events but by talking to them face-to-
face he gets an impression on who is a good and trustworthy person. He also realize who has a mutual interest with him or if people are only looking for something that can benefit them. Some of the people attending network events have a specific tactic or a focus on what they want to gain according to a network representative. The most common case it that people meet someone who can refer them to another person in their network. The direct connections are less common according to the network representative. She has observed that there are not too many start-ups attending the network events. Mostly there are middle size companies with 15 to 40 employees attending the events. Their events attract a big audience because of its broad areas/topics.

A service provider says he does personally not attend too many networking events. It takes too much time and they do not lead to new clients. He choose some few and with deeper participations. He will attend those as a speaker and he is on the board on some of the network organizations. He does also prefer smaller events in order to better interact with the attendances. Many entrepreneurs spend too much time on attending networking events according to him. A network representative believes attending networking events only to listen to speakers and not participating in the social networking will not optimize the opportunities of network organizations. Conversations made at networking events lead to new business contacts and opportunities which you will otherwise miss out on.

### 4.5.3 Comparison between Social Networking and Network Organizations

Network organizations can help and be supportive but are not as essential as making use of your personal network according to service provider. An entrepreneur considers people to be more important than organizations in San Diego. Even if he belongs to many organizations the personal and informal contacts are the ones he values the most. He considers personal contacts safer than vague relationships gained through large organization. The reason, to why he is involved in many different organizations, is foremost to maintain his network. According to a consultant, being a member of a network organization can accelerate the start-up process for an entrepreneur. However, he also state that membership in a network organization is not necessary if the entrepreneur already has personal network with informal contacts which he can utilize.

According to a consultant, entrepreneurs should build up a strong social network before utilizing network organizations. According to another consultant and experienced business man the entrepreneur depends on random moments when networking through network organizations. Entrepreneurs can only hope to meet with the right people at network events and are not efficient. However he thinks network organizations can be very beneficial to entrepreneurs if they get enrolled in any of their programs, for example the CONNECT’s Spring Board program.
4.6 Gain the Right Business Connection through Networking in San Diego

Many entrepreneurs are highly skilled but are not very social and not good networkers according to a consultant. Many researchers stay at research departments at academic positions because of their inexperience with networking and limited personal networks. Having highly experienced and well networked individuals at the board of directors or at management position in the company can be very beneficial for these entrepreneurs. The entrepreneurs and the company will automatically have access to a very extensive network. In order to keep the company growing, good contacts are critical.

Throughout the empirical research it has been observed how the right contacts made it much easier to find and connect with a specific expertise searched for. The majority of the interviewed could give an example when social networking had led them to business connections which have had a great impact on their situation. Several persons mentioned how the use of personal contacts had accelerated the search for a specific expertise of an individual.

An entrepreneur mentioned that it required a lot of effort before the right team members were found to the company. The team members were found through networking at network organizations and the personal network of the entrepreneur. Even if one person from the entrepreneurs’ social network were not suitable for a position in the team, they would know of someone who was. People would refer her to people from their network or give her recommendations of suitable people to talk to. A CEO in San Diego said it would take at least one year for someone new in the region to get a network large enough to include the highly networked key people which would facilitate establishment of companies. People with long experience and with high positions in the region which are well networked would observe new comers for around a year until they would let them in to their network according to a network representative. Another network representative the network organization will help you meet the right person, because through the organization you can meet a person who directs you to the right person.

An entrepreneur points out the importance to have goals when networking in San Diego and also describes how connecting with the right person can get you far. This because most of the people you meet, maybe 70-90% are connections which will not lead anywhere A consultant says it is essential for entrepreneurs to have plans and purposes of what connections the start-up needs in order to be successful. The individuals who can help to distinctive the entrepreneur and its start-up have to be identified in order to succeed faster. A strong network will accelerate the timeframe of the start-up process.

According to a service provider entrepreneurs should choose to attend some few network events which focus on their interest. He encourages his clients to focus on networking events which are focused on what they are doing in their specific industry. He also believes that they should only attend those events angels also attend. Entrepreneurs should not network just to network, instead they should target specific persons who they know can help them. It is important to do researches before attending events to find out who can be there. Focus on the persons who you want to talk to and do not get stuck with the person who needs you and your expertise. A consultant says he used to attend many events but is now more selective. He goes only to meet people and is attracted to networks/events which have people outside his circle. He also research companies he is interested in connecting with to see if he knows someone within the company.
4.7 Build Business Relations through Networking

Networking is about interacting with people and building relations according to consultants interviewed in the research. Throughout the research, there are various important components to build strong business relationships which have been mentioned and will be presented below.

4.7.1 Giving and Taking

When you give something you will receive something else in return. This was a shared approach among the people interviewed. The empirical study also showed how the people interviewed consider people in San Diego to be more willing to help each other out. Many of the respondents mentioned how the down side of networking is when meeting someone who’s only goal is to gain something for him/her-self and is not concerned with mutual benefits when connecting with someone.

An entrepreneur stresses the critical aspect of being able to give back something to the person you connect with. A consultant explains how important it is that people understand that networking and collaborating is good for everyone. The overall benefits and gains are greater when you help your friends and colleagues out and create new connections for people. Many people in San Diego understand this.

According to a network representative every person has their own personal network with a core network consisting of the strongest contacts and business relationships. People from different core networks can benefit from each other’s network. The network organization representative states that it is a human instinct to help others. Another representative also states that networking is a two way exchange. There is someone at each side with different needs and you can help each other to fulfill them. Networking is about giving and taking and it is essential to see what you can do for the other. To offer a helping hand will come back to you. The exchange creates a business relation build on trust. It is essential to identify your own expertise and what you can offer others according to an entrepreneur. Even though you will not get anything back, you should try to help people from your network, they will sooner or later help you.

Networking is a relation of giving and taking according to a consultant. You have to be willing to give something in order to gain something from the relationship. He considers some people to be to judge mental and trying too hard to connect with many people. As representative and involved in a network organization, the interviewee himself always think what he can do for a company. It is his job when he meet companies to link them to people they need. He believes in finding out what he can do for someone else before he talks about himself or what he wants.

4.7.2 Accountability

Many of the people interviewed stress the importance of accountability and to follow through with your assignments. The success factor of building business relationships is to give trust, professionalism and to show others that you are devoted to your business idea according to a network representative. An entrepreneur has to be serious about its business and truly mean what you say you are going to do. It is critical for an entrepreneur to be true and honest with its purpose. No one will believe in an entrepreneur who does not fulfill what it says it is aiming for. It is crucial to be genuine and always follow through with things you say you are going to do according to the
network representative. A consultant also stresses the importance of being sincere and has a good product when connecting with others.

4.7.3 Trust
It is essential to have trust in a business relationship and through networking you learn about people, their limits and who to trust according to an experienced business man. A consultant thinks entrepreneurs should network relaxed because the more familiar you are with a person, the more they trust you and the more information they will share with you. It should be as friendship in the people you meet at the network events according to the consultant.

An experience business man it is hard for the entrepreneurs to access the network of important people in San Diego if they cannot show trustworthiness. People at the higher levels want to see actions of the entrepreneur and examine his or hers trustworthiness before giving access to their network. This view is shared by a network representative who says it is hard for entrepreneurs who are new in a region and do not have a large network to get recommended and referred since they have not built up the trust yet. Well networked key business people want to get to know the entrepreneur and observe if the entrepreneur is genuine. Entrepreneurs will be trusted and referred first after they have shown that they are trustworthy and follow through with their ideas.

Personal contact is more trustworthy than people meet randomly at network organizations according to an entrepreneur. According to a consultant, networking has to be fun as well, if you are too focused on business it will show and you will not be trusted.

According to a service provider, networking is important whenever there is a business relationship based on trust, e.g. entrepreneurs business relations with a lawyer or an accountant. When you sell intangible goods, trust is essential because it is more emotional and referrals are more important. The service providers who have more clients do more networking, according to the service provider. However, he points out that they are often not the best ones in their profession.

An entrepreneur explains how he lost confidence for an individual after this one referred a bad service provider to him. The service provider took advantage of the entrepreneur and the trust was broken with the individual who referred the service provider. The entrepreneur claims that finding the right person to suit your needs is something learned by experience.

4.7.4 Referrals and word-of-mouth
Of those people interviewed who have a long experience of networking and worked with clients, the majority expressed the significant meaning of word-of-mouth. Consultants and service providers said they receive the majority of their clients through word-of-mouth or when someone from their social network recommends them to someone else. Good business relations contain of a lot of trust. A person within the network who has forwarded important information which was meant to stay within the network is excluded from deep business relationships. The individual who forwarded the information will no longer get referrals, requests or have access to information about new and important projects. You will not be referred or recommended unless you meet personally with the
other person according to an experienced business man. In order to refer someone, you need a relationship build on trust.

Networking, recommendations, and collaborations are optional according to a network representative. Each individual has to decide for themselves to what extent he or she wants to make use of it. It is not a must to recommend or refer someone, it very much depend on the individual. Everybody has its own reputation to think about and you will not refer someone which you are not sure are genuine and devoted to it business. In order to conduct referrals, you have to trust the person in question to be genuine with his or hers purpose. Referring people who is not accountable will make you look bad and your reputational capital is an important asset. An entrepreneur says he would only refer someone to whom he has a good impression of. A consultant says San Diego is a small community where information is spread fast therefore you must be careful of what you say. Therefore you need trust before telling someone something or refer them to someone else.

According to a representative from a small local network organization, an individual from his network will examine a start-up or entrepreneur who he refers, only because the individual trust the referral to be good. The individual will make time to meet with the entrepreneur and its idea because he trusts the judgment from the network representative. Personal referrals are the best networking according to a service provider. They are more trustworthy than meeting people throw networking events. Meeting someone at a network event directly makes you wonder why you have not heard about the person before from someone else if he or she is as good as they tell you they are.

“If someone you trust recommends a contact your first impression is much better and you have higher trust in the person from the beginning.”

The service provider would refer clients to Venture Capitalists but is always careful that he does not recommend a bad entrepreneur which would hurt his reputation. He only recommend and refer entrepreneurs who he is confident is trustworthy.

4.7.5 Easier to Establish Business Relationships between People with Common Features

When entering a new business community, the empirical research has found how personal aspects and experience are of great importance. The people interviewed who held an important position or had a good reputation from other parts of the world where they conducted business has found acceptance in a new business network faster than those who are less experienced. One person with very few connections in San Diego applied to become an EIR at CONNECT and his resume helped him acquire the position, which expanded his network in many ways. Another said that his title as a Professor at UCSD helped him as an entrepreneur to get acceptance. A third person with major experience of marketing, connected with another of similar background when moving to San Diego and received referrals to exactly the people he needed through this contact. A representative from a network organization considers a person of similar kind to the best connection for an entrepreneur, for example a relationship between two engineers or two CEOs.

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An entrepreneur mentions his age to be in his advantage when building his network in San Diego. His age and experience helped him connect with many of the well networked people in the region and facilitated a more personal level of the relationship. A service provider who moved to San Diego said he had hardly any personal contacts but he needed to connect with possible customers. He looked for groups of people with whom he had something in common and through this he got accepted in an organization where he could establish contacts.

4.7.6 Networking Face-to-face
During many interviews, face-to-face contact has been mentioned as an important aspect when establishing business relations. When attending networking events people meet each other in person. A consultant and experienced business man with focus on entrepreneurial activities explained that when meeting someone in person a more personal connection is established. He points out how you do not get referred if you do not meet face-to-face and have personal relationship with the other person. A consultant mentions the importance of meeting face-to-face when building relationships. Because when you meet someone face-to-face you can interview them and be able to learn about the person. Meeting face-to-face will accelerate the establishment of the relationship according to the consultant. Another consultant believes personal networks are necessary because they enable face-to-face contacts.

Face-to-face contact is essential according to a network organization representative. It is harder to say no if someone asks you for a favor face-to-face compared to e-mail or phone contact. Meeting someone face-to-face creates more trust which helps to build business relationships. Business relationships based on trust is much more efficient compared to randomly look for people. A service provider consider meeting face-to-face to be essential because of the emotional part. According to the service provider people need personal connections in order to conduct business. The emotional part of a business relationship is especially important in the US because in the US you tell a story in a non tangible way in order to touch the people emotionally.

4.7.7 Maintaining Business Relationships
The more experienced and well networked the people interviewed were, the more they have stressed the issue of maintaining a personal network. They explain how easily you are forgotten in the business world and how they spend time every day on networking. Many of these people maintained a similar networking strategy with focus on whom to connect with rather than connecting with as many people as possible. Most of them said that networking takes time and by using a networking strategy which suits them they achieve better results. This group of people interviewed all possessed long experience from been active in the business community.

A consultant and experienced business man considers it highly important to maintain the network which one has worked hard to build. People within his network who stopped to network do not know about important changes in the industry and their network shrinks when not being maintained. An entrepreneur says he works on maintaining business relationship in order to create trust.
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Maintaining a good relation to business contact increases the chances of getting good referrals and free marketing according to the consultant. He constantly works on his business relationships to make people remember him and his product. According to an experienced business man networking should be used to a 100% and for the best outcome, you need to:

“Feed and maintain your network”

4.8 Connecting with External Experts through Networking.
A service provider states five essential parts to make your company succeed and a good company needs all five aspects. The entrepreneur needs funding, good management, good network, good market and a good idea or product. A good network can help you find funding and a good management, but will not make your market or product better. It is possible for entrepreneurs to meet and connect with investors but a good network facilitates the finding. According to the service provider:

“It is possible for one person to find a piece of gold but it is easier to find the goldmine if you have a network which can help you”.

Network organizations do consciously gather professionals to network events to provide opportunities for entrepreneurs to meet with them. A network representative mentions various examples of how entrepreneurs connected with lawyers and investors at their network events. However, connections between service providers and the entrepreneurs are more common than entrepreneurs connecting with investors at networking events. A lawyer states that the first thing he examine when evaluating potential clients is their funding situation. Without funding or potential to funding, the entrepreneurs will not be able to go through with their business idea or pay for his services. Another essential aspect to evaluate for new clients is they are potential and likely to get more funding. Finally, the company needs a good product and idea as well as the entrepreneurs has to be trustworthy and able to manage the company. A consultant says that the technology and the innovation have to be interesting for him to choose to get involved in the company. He only invest time and effort in companies which have a technology which he understand and where he feels that he can contribute with his expertise and personal network. According to the consultant, it is essential to understand the product or service which you get involve in since the involvement requires a lot of time and effort.

4.8.1 Important Business People in San Diego Create Elite Networks
Observations in San Diego have shown that the region holds plenty informal networks which consist of key people in high management positions in the business community. These people are all well networked and possess important contacts which can enable valuable business relationships for entrepreneurs. Key business people from the industry can connect the entrepreneur to the law firm or venture capitalist which matches the entrepreneur’s needs. In addition to a valuable network, these key people also hold great expertise in their field and the benefit of a connection to one of them is therefore of great value for entrepreneurs. Social networking has shown to be a great tool to connect and build relationship with these key people.
An experienced business man and consultant points out the importance to connect with the right people who possess a valuable network and can refer you to others. From his experience, the best way to connect with external experts is to target one of the key people within the specific industry of the company and establish a good relationship. A good relation to a key person enables referrals to external experts. This can get you in the loop of the San Diego business network faster than when starting at the bottom or with few connections. He explains how he made all the connections needed and knew people central in the San Diego business network within three years just because one very important person within his field helped him out with connections in the initial stage. The network representative says that entrepreneurs hope to connect with key people, as himself, at networking events. The entrepreneurs hope gain access to important contacts in a specific industry or the key people’s valuable experience of the business community in San Diego.

A founder of a network organization said she links people of mutual interests together. This involves researching the market and its players to find out how she can help entrepreneurs connect with companies and other important actors in the San Diego business community. Another network organization representative explained how his many connections can link people the right people in the organizations together, which can result in faster development of the business. People know about his broad network and therefore also target him at network events. The entrepreneurs he has helped in the past he met through the network organization.

4.8.2 What Experts Can Assist the Entrepreneurs’ Network
An entrepreneur explained the importance of knowing what individuals your business contacts have in their personal network. The access to another person’s network can be a very valuable resource. Choosing a service provider for example, you should evaluate not only the expertise but also the personal network which the service provider possesses and if it embrace valuable connections to your business in other areas. A consultant states the importance for entrepreneurs to build a network consisting of individuals with different expertise which potentially can provide help within different areas of the company.

A general opinion among consultants was that their network in San Diego was the most valuable assets for the entrepreneurs they consulted. The entrepreneurs get access to a larger network which can help them find valuable connections. The consultants considered their job to know how to find the right business contact, which function as a door opener to the companies which they coach and mentor. A general opinion among the consultants is that their wide network accelerates the start-up process for their clients by preventing a time consuming search for people. A consultant says he will introduce and refer the entrepreneurs and their ideas to people within his network, but will only make the introduction and the entrepreneurs are then responsible to pursue the connection. However, the first introduction is critical according to the consultant. People within his network trust him and his judgment and know he would not refer any entrepreneur or business to them unless they are of high quality. Another consultant who does not coach or mentor his clients in business issues look for companies where his background contributes to the once of the entrepreneurs. He
mentions his best asset as a consultant is his expertise within his field, the biotechnology. However his long experience from various start-ups is also of great value for his clients.

4.8.3 Expertise on the Board of Directors
One of the best ways for an entrepreneur to expand their networking is to have an executive manager director joining their board of directors, according to a consultant. A network organization representative also mentions the importance of having good people on the board of directors. The director can also be on other boards and thereby possesses a great network which can be very valuable to the entrepreneur. A representative from a small local network organization in San Diego also mentioned the value of having people with great contacts on the board of directors. The most important connections for an entrepreneur can be both those with expertise within the business and those with a technology background. A lawyer with several years of expertise from working with entrepreneurs also argues of the importance for start-ups to have a strong board of directors and advisory board. A board of directors with highly networked individuals with great expertise will automatically give the start-up an extensive network. The board should consist of individuals with different expertise, for example a venture capitalist and lawyer with a technology background. However, small companies should preferably keep the board of directors small. The board of directors will otherwise interfere too much with the work of the company. The lawyer mentioned how it is easier to ask a high experienced and well networked individual who have expertise valuable for the company to join the board or the advisory board rather than get them to invest in the start-up. Well networked people at the board of directors or at the advisory board will then find investors from their personal network to invest in the company. A service provider state that the process of finding funding will take less time with assistance from well networked board members than for the entrepreneurs them self which mostly are not as well networked.

The success of the business is 50 percent due to the skills of the funder and 50 percent due to the experience of the directors at the board and advisories, according to a service provider. If the funder is not good, the company will fail. If the funder is great but not well networked, it is even harder to succeed. It is more likely that your company will fail in the last scenario compared to the previous scenario if the entrepreneur has a good network. Entrepreneurs can get help with the weaknesses of the small business through a good network of individuals. It is important to trust the board of directors and learn from them. According to the service provider, it is not unusual that funders do not follow the advice from the advisors and only believed in their own way and try to educate themselves. Most of these cases result in failures.

4.8.4 Knowing your Investor Styles
It is important to know different investors and to know their style according to a consultant. The entrepreneur and the investor will work close together. Investors have different personalities and look for different things in companies they are interested investing in. The amount of funding varies among the investors and not all of them allow other investors to step in, in a second round of investment. It is the job of a consultant to know the investment limits of the investors to give good recommendations for the entrepreneurs which they are coaching. A network organization representative demonstrate the culture of the company and the abilities of the funders to be two essential parts which the investors at the Springboards are looking at in a company it is interested in. A service provider venture capitalist and angels evaluate their investment projects according to the
potential growth. Investors look at the market value or the book value of the company. However, that you are good at raising money does not necessarily mean that your company is good according to a service provider. According to a consultant, angels only invest in companies close to where they live in order to be more involved. Angels invest in many projects and do not expect to get high return on all of them. An angel said to forget investments since no one will remember it either way. A consultant also pointed out that angels are thankful if the company they invested in is a success but do not worry about the money they have already invested.

4.8.5 Referrals from Outside Experts which are Highly Valuable for Entrepreneurs
Whenever an interesting project or a charismatic entrepreneur is recognized, a consultant says he will converse with other experts in his network and exchange business contacts with each other. If the consultant does not feel he is the right one for a project, he will refer to other people within his network which would suit better. One of the consultants, who has long experience from the telecommunication industry has created a great reputation and he often gets phone calls from headhunters which offer him positions at the board of directors or advisory board of a company in need of his expertise and network. He also receives requests about knowledge of other people which could be suitable for a specific position and asked for referrals to people within his network. The consultant attends many industry fairs to meet young entrepreneurs with fresh ideas. Fairs are also great places to keep updated on things going on in the region and in the industry. Another consultant says he always find his clients through networking, both through network organizations and within his personal network. Most new clients come from referrals from people within his network or previous clients. Individuals within his network refer entrepreneurs to him because they know that he is well experienced and good at his field. A service provider says he gets most of his clients through his existing clients who are pleased with his service and have recommended him to others. The EIR program is where the EIRs meet the start-ups which they will coach. The EIRs evaluate entrepreneurs and their business ideas at a panel where the entrepreneurs get valuable feedback and critics. EIRs discover appealing companies with interesting business ideas and are matched together with entrepreneurs in need of their specific expertise.

4.8.6. Connecting with External Experts through Network Organizations
The majority of the interviewed are of the opinion that there are network organizations in San Diego which offers good programs for entrepreneurs to help them with the start-up process. Among the people interviewed the ones with great experience of conducting business in San Diego advice entrepreneurs to find out how network organizations can help them. If you are new in a region, you have to go through organizations in order to get to know people according to a network organization representative.

An entrepreneur, who recently started an organization in San Diego, connected with two highly experienced consultants through a network event. These contacts lead to another which resulted in the initiative to start his company in San Diego. An experienced networked entrepreneur answer that what you gain from networking events very much depend on your purpose. An entrepreneur has to know what he needs and how to achieve it. In order for an entrepreneur to connect with experienced experts at networking events, it is sometimes necessary to be rude and to go outside of
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the comfort zone. The entrepreneur has been in various awkward situations but has also gained a lot of great contact from his active networking. However, he mentions that it is important to identify the person who possesses the expertise you are looking for before approaching a stranger. The entrepreneur is the opinion that service providers always are around and therefore not essential to network with. They are constantly looking for clients and not as hard to connect with at networking events. It is easier to have your own personal network with business connections rather than having to walk up to strangers at networking events. Networking can also cause bad outcome, if your reputation do not do your favor according to an entrepreneur.

A representative from BIOCOM discusses the importance of network organizations’ entrepreneurial program, especially Springboard Programs and EIR Programs are very beneficial for entrepreneurs. The entrepreneur might not directly meet or connect with a venture capitalist, but the venture capitalist will notice the entrepreneurs who present their business idea. That chance that these investors eventually will invest in the idea is fairly high. BIOCOM do not have similar programs and their events might not directly connect the entrepreneur to an investor. However, there is often an initial meeting at BIOCOM networking events and later follow-up.

The Springboards at CommNexus where big companies and important business people listen to small companies’ business ideas during two days, is a great place for entrepreneurs to meet with investors and get feedback on their ideas from experts. There is also a jury in consisting of highly successful business people who analyze the business from which the entrepreneurs could get feedback and advice.

An EIR mention the network of important business people for entrepreneurs which he got access to through CONNECT. These people include investors, consultants, service providers and the other EIRs which also possess valuable expertise in starting and running a company. EIRs can attend the CONNECT networking events for free and therefore meet with other EIRs and Entrepreneurs regularly. The EIRs also takes part in the jury for the companies wanting to get involved in the EIR program and evaluate different companies. The companies who are presenting for the panel will receive valuable critique and feedback. The entrepreneurs will automatically get attention from the EIRs which can be a start of a valuable business relationship. An EIR at CONNECT said his reason to join the volunteer program was one way to give back to the community. Getting more connections and expanding his network especially those which could lead to new clients and jobs are another great gain through network organizations. Networking at networking events is also a way for him to advertise the company he is associated with. What he learned at CONNECT is also valuable knowledge and information which he can advise friends who wants to start their own business.

According to a representative from CommNexus, it is essential for entrepreneurs to network with people within the same industry as their business. Entrepreneurs can expect to meet people at CommNexus networking events which are in the same area of focus. That makes it more likely that you create business relationships and more likely that you will make business. Entrepreneurs should therefore identify and attend the networks organization and network events which match their businesses. The network organization representative would recommend new comers at a market in San Diego to attend at least one network event each week. According to the network representative
It is important for the entrepreneur to understand what capital it is going to take to make the company profitable. It is essential to estimate how long time it is going to take and what financial support it takes to get the company there. Even though your idea is good, your business is going to fail if you do not have enough money.

4.9 Time efficiency
A network representative says that some people argue that they have no time for networking. She explains that networking is a phenomenon which will probably not result in something straight away. It might therefore seem as an unimportant investment of time at first, but in the end, it is not. Networking is a long term strategy, where you might receive future benefits for helping someone out in the past. Her advise it that a start-up can use one person in the company to network in order to save time and not miss out on networking. She believes that even if networking might not be necessary, it will accelerate the process of start-ups. This view is shared by other people interviewed and a consultant points out that networking is time consuming but is worth spending time on. Many consultants believe entrepreneurs are too focused on their product and to naive to realize they need to network. You can learn from other peoples experience and the more people you know you develop deeper relationships which can lead to something.

4.9.1 How to Make Networking More Time Efficient
According to a service provider, entrepreneurs should network actively and connect with many people in order to improve the chances to receive something in return according to a network organizational representative. By doing this entrepreneurs will also learn how to utilize their network better. It is essential to know how to spend their time and choosing who to connect with to be most efficient when networking. According to a service provider networking can steal time, which is a valuable asset, when you meet a person who only sees their own benefits of a relationship. However, these people do in most cases not succeed.

An experienced business man and consultant, argues that entrepreneurs need to remember their core purpose when networking. You should not prioritize to collect the most business card or just know the name of important people. The networking itself should not be the goal instead it the reason behind networking should be in focus. Networking should not take too much time, a balance needs to exist between networking and time spent working within the company. A network representative says he would advise start-ups to spend around 50-60% of their time on networking. Because time is so critical, an entrepreneur explains how there is no time to socialize and network at social events. He considers the private life and the business life to be separate. A service provider explains how he believes time spend on things which are not a part of your core business is a waste of time. For example, the service provided by lawyers, accountant and insurance representatives is better to hand over to these people, who know them better. An entrepreneur says there is no limit of numbers network events, which one can attend, it is only the time which set the limit. A consultant says he tries to do some networking event every day. Having coffee with someone or attend networking event because networking makes things faster. Another consultant says networking takes time, but he has decided to spend 5-10% of his time on networking for the rest of
his life. A service provider says that it is common for entrepreneurs to get distracted and attend too many events and then you lose focus on what your real business is.

### 4.9.2 How Can Networking Accelerate the Start-up Process?

A network representative says networking is time efficient because when networking you build trust when interacting with people face-to-face. If you can create trust in a business relationship business will be conducted better and faster. A consultant is also of the opinion that face-to-face is important to create a business relationship in order to accelerate the business processes. If you connect with people and help them out, they will be more willing to help you in return. An entrepreneur believes networking will accelerate the start-up process because when more people know about you they will refer you to others. When someone else can talk about your idea or remembers you when talking to someone in their network, information about your product or service will reach people you are not connected with. When you have a reputation and connections, even if only in a smaller group, by word-of-mouth customers will be hooked up by others and approach you without you doing anything.

A consultant says it takes time for new comers to build a network in San Diego. However, he also mentions that some newcomers who he coaches already after a week made some great business connections through his referrals. It is essential to meet personal, the social aspect is necessary when building business relationships. An entrepreneur says attending networking events has taken a lot of time and he is not sure if it is the fastest way to connect with people, but his personal contact have not been able to help him out further. An entrepreneur said she succeeded to obtain a great team and funding for her company after only 7 month of networking. According to an experienced business man:

“The critical stage is when realizing networking is the most important thing, because it makes you faster”.

An entrepreneur with background as a salesman in a larger and middle sized American company, later in his career decided to start his own business. During his years as a salesman he had also been involved in small local networking organizations. His connections which he had build up through his earlier employment and the network organizations showed out to be valuable connections during the start-up process of his business. His network enabled a faster start-up process much due to that he knows who to call for certain support.
5. Analysis

The analysis examines the empirical and the theoretical research to investigate what entrepreneurs in San Diego can gain from networking. First, the theories presented in the frame of references are compiled in a constructed model which we have named “The Entrepreneurial Relational Capital Model”. The model will be explained in the first section 5.1. Afterwards the model will be used as a tool to analyze the empirical data.

5.1 The Entrepreneurial Relational Capital Model

The Entrepreneurial Relational Capital Model is a tool to analyze relationships in the entrepreneur’s network and factors influencing the relationships. Entrepreneurs should examine their own social circles to identify highly important relationships which can contribute to the acceleration of growth in the small business. The entrepreneur does not have the skills or time to manage every part of the small business and is therefore in need of relationships to assisting parties. Maintaining business relations is however time consuming. The entrepreneur has a limited resource in time and must therefore evaluate which relationships to focus on. It is essential to analyze the interaction with individuals in the entrepreneur’s network not only the individuals themselves.

The center of the model is the Entrepreneurial Relational Capital which represents the value and power of business relationships for the entrepreneur. It explains the assets of relationships which can be of different importance for the entrepreneur. The entrepreneurial relationship capital consists of the relationships to the actors connected to the entrepreneur and the outcomes and influences of the interactions within the relationships. Relationships consist of interactions between individuals. The entrepreneur’s network of individuals is presented in the large social circle. The service providers include consultants, accountants and lawyers. There are four factors which affect and are affected by relationships. These factors are presented as circles surrounding the entrepreneurial relationship capital. Networking is a tool to establish and maintain relationships. Social networking and network organizations are ways to obtain a higher degree of entrepreneurial relationship capital.

The model is based on the entrepreneur’s social circle which includes all connections in the entrepreneur’s network. The social circle defines the entrepreneur’s social capital. The social capital should be evaluated to investigate if ties between the entrepreneur and actors in the network are strong or weak. Both strong and weak ties can be important to the entrepreneur. Strong ties are very valuable for the entrepreneur because of the strong commitment to the other person it involves. You can influence your strong ties more than your weak ties. Most people have a small group of close personal connections and the expertise needed for the small business might not be a part of this group. Weak ties are therefore also important since they function as bridges to new connections which otherwise would be hard to access.
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Figure 12. The Entrepreneurial Relational Capital Model

Individuals within the entrepreneur’s network can be of different importance for the entrepreneur depending on the individual’s centrality in business networks. An individual with a higher degree of centrality can be more valuable to the entrepreneur since the individual’s network enables connections to a high number of people. A higher centrality enables a faster information flow because the information will travel on short ties through the center. However, a high degree of actor centrality does not have to mean that the actors are the right people for the entrepreneur. There is a trade-off between quality and quantity in business relations and it is important to identify the individuals which can provide high quality relationships. The right person does not only possess the specific expertise rather the person’s personality need to match the entrepreneur’s in order to establish a mutual understanding.

The social circle of the entrepreneur in the Entrepreneurial Relational Capital Model illustrates different kinds of individuals who the entrepreneur’s network consists of. The individuals can be seen as actors on different markets which are important for the entrepreneur. These markets are customer, supplier and referral markets and each market requires a different strategy to manage the relationships. The customer and supplier markets involve maintaining excising relationships and build relationships to potential customers and suppliers. The entrepreneur often “is” the company which enables personal relationships to customer and suppliers. Strong relationships can result in benefits
such as loyal customers or price and time advantages with suppliers. The referral market includes board of directors and advisors, investors and service providers such as accountants and lawyers. These individuals can in addition to their expertise provide the entrepreneur with valuable referrals. Members of the board of directors often sit on several boards. The members of these boards are interlocked which provide the entrepreneur with access to a wider network. Individuals in elite networks often have mutual referral agreements with each other where they repeatedly refer business projects to one another. Strong relationships to board of directors can therefore lead to referrals to valuable connections in the elite network.

In the same way, professionals such as consultants, lawyers and accountants can connect entrepreneurs to other companies. Professionals, in the same field of expertise, are connected to each other through horizontal lines. The horizontal lines run through vertical lines which represent different companies. The professional can thereby connect the entrepreneur to other companies. For example, a lawyer within the entrepreneur’s network can refer the entrepreneur to a potential business connection in another firm through the relation to a lawyer in this firm.

![The Social Circle in the Entrepreneurial Relational Capital Model](image)

*Figure 13. The Social Circle in the Entrepreneurial Relational Capital Model*
There are four different factors which affect or are affected by the relationships between the entrepreneur and the individuals in his or her network. The factors which have arrows directed **out** from the *entrepreneurial relational capital* are factors affected by the entrepreneurial relational capital. These two factors *Referrals* and *Knowledge*, are gains which can be generated through relationships. The two factors, *Norms* and *Trust*, which have arrows directed **towards** the entrepreneurial relational capital affect relationships and therefore the entrepreneurial relational capital. Trust is also a factor which can be gained and develops over time through interactions and therefore both affect and is affected by the entrepreneurial relational capital. This is illustrated with the two way arrow and shows the importance of trust in relationships. The higher level of trust in the relationship, the stronger is the relationship. Stronger relationships give a higher degree of entrepreneurial relational capital. Strong relationships in turn generate trust.

![Diagram of the entrepreneurial relational capital model](image)

*Figure 14. The four factors in the Entrepreneurial Relational Capital Model*
Trust is built over time through continuously interactions. Each interaction between the entrepreneur and the individual generate a higher or lower level of trust. Fulfillment of expectations in a relationship results in climbing higher in the so called spiral of trust which includes a higher level of trust. Trust depends on different concepts; Expectations, Willingness, Beliefs, Honesty and Self-orientation. Expectations include the attitude on previous interactions from both positive and negative experiences. A person who cannot fulfill the expectations of his or her part of the agreement will destroy the trust in the relationship. However, if the expectations are fulfilled the trust in the relationship will increase. The Willingness to rely on somebody else and act on behalf of this person includes a risk which shapes the trust in the relationship. Beliefs include that the person you trust is assumed to be available and ready to act in your favor. Honesty is explained by reliability, credibility, authentically and integrity which influence the expectation on trust in the relationship. Self-orientation is the dominant component of trust since a high level of self-orientation will destroy the level of trust in a relationship and the other party will exclude them from their network.

Norms is a reference for the behavior an actor shows in a specific situation which can evaluate current or future actions of the other party in a relationship. Norms are divided in standards and values. Shared standards and values must exist within the network in order to obtain reciprocity in a relationship. A standard describes in which way people in a network are connected and enables the access to one another in the network which facilitates cooperation among them. The higher number of people using a standard, the more valuable is the standard.

5.2 The Social Circle of the San Diego Entrepreneur
San Diego is an example of how the macro structure and the micro structure have influenced each other. The collaborative environment which was developed in the 1980ies inspires entrepreneurs to collaborate and spread expertise which thrive innovation since the individual behavior is influenced by the social phenomena on the macro level. The individual collaboration also forms the macro structure of business networks and the collaborative environment. It has been discovered that individuals in San Diego are affected by the networking environment and are very positive towards collaboration. It is considered a must to network in order to conduct business more efficiently. This shows how the culture of networking is very strong in San Diego. The entrepreneurial spirit in San Diego is noticeable and networking result in an increase in the entrepreneurs’ willingness to take risks, think differently and acting fast. There are many entrepreneurs in San Diego and networking enables the meeting of entrepreneurs in the same position. This boosts the confident of the entrepreneur to be willing to take risks, since they see others doing the same. Theory describes a skeptic attitude towards start-ups due to their lack of financial resources. The attitude in San Diego is however rather positive towards entrepreneurs’ willingness to take risks. Entrepreneurial activities are encouraged and people wish to see entrepreneurs succeed and therefore support them. Actors on the market, such as network representatives and professionals with entrepreneurial experience encourage entrepreneurship and are positive towards entrepreneurship. This could be explained with their involvement in entrepreneurial activities. However, they are engaged in entrepreneurial activities because they are positive towards it and enjoy seeing their knowledge be of high value for acceleration of start-ups. Their engagement and willingness to share their knowledge and experience is another reason for the entrepreneurs to establish relationships with network representatives and professionals with entrepreneurial experience. In San Diego, many individuals’ social circles overlap
which can be explained by the high density in the business community networks. This facilitates the opportunity for entrepreneurs to connect with others in San Diego. San Diego has also been described as being clustered with groups of people where everyone within the group is connected. The clusters enables individuals to have access to each others’ network and result in overlapping of social circles.

Many entrepreneurs in San Diego have social circles consisting of few people in other areas and professions. Many social circles mainly consist of people in the same industry or profession. Entrepreneurs in San Diego’s larger industries, often produce methods or products where the customer base can consists of companies and organizations in more than one industry. Therefore it is necessarily for the entrepreneur to have people of different industries in their social circle. A common occurrence for entrepreneurs in San Diego is the tendency to spend too much time on relationships which do not lead to business benefits. It is crucial for the entrepreneur to identify in which industry/ies the targeted customers are and thereafter target individuals in this/these industry/ies. Since there are many clusters in San Diego in which social circles overlap, even a small social circle in this cluster can lead to new connections. In clusters where social circles overlap, information tend to travel fast because there are more paths for information flow. However, the well connected cluster can be hard to enter for an outside individual. Having a weak tie to an individual connected to the cluster can in these cases be valuable because it gives the entrepreneur an opportunity to enter. A strong tie would however provide a more direct way and faster entry since it involves a stronger relationship. Strong ties are however more time consuming since the relationship includes a stronger commitment and more maintenance. Therefore, the number of strong ties in the entrepreneur’s social circle is limited. Weak ties are therefore also important to have in the social circle since they have shown to provide opportunities to establish new relationship. A weak tie to an individual with high actor centrality in a network can be more valuable than a strong tie with less actor centrality. The actor centrality would in this case enable more potential connections. However, an individual to whom the entrepreneur has a strong tie, knows the entrepreneur better and thereby has better understanding of who the entrepreneur needs to connect with. An individual who is connected to the entrepreneur through a strong tie is also more willing to spend time and effort to connect the entrepreneur with the right individual. The right individual is according to theory a person with the expertise which the entrepreneur in need of along with mutual understanding. However, in San Diego, the social network of an individual is rather emphasized as the quality of the right person for an entrepreneur.

5.2.1 Relationship Marketing for the Small Business

When marketing the small business, the entrepreneur has to identify both the right people and the right area within each of the three markets; customer, supplier, and referral. Stakeholders in each of the three markets can be represented in more than one of the markets. A customer can for example also be an individual who refers new customers to the entrepreneur. Entrepreneur often fail to recognize and evaluate the needed level of emphasis on each market and therefore lose focus. Entrepreneurs in San Diego often seem to recognize key individuals or companies in the customer and supplier markets. However, they often fail to recognize the importance of the referral market and the identification of key individuals. Key individual at the referral market can refer the entrepreneur to potential customers and suppliers because they possess valuable networks. This
shows the importance for the entrepreneur to build strong business relations to actors on all of the three markets, customer, supplier and referral. In the relationship marketing literature, the main focus is on relations between business and their customer and suppliers. However, throughout the empirical studies, emphasis has been on the importance of relationship to outside professionals. Entrepreneurs lack in identification of the expectations and needs of the key individuals. Their focus is too much of what they need and not on how to get there. They thereby fail to recognize how connections to key individuals can be obtained. A strategy of how to obtain the desired relationships needs to be developed in order for entrepreneurs to better target the right market and the right individuals.

Theory has shown that professionals market the small companies they are backing to other professionals in their network. Word-of-mouth is a common marketing method used by professionals to market small companies they have connections to. Since the message is coming from a person trusted by the addressee, the message is not perceived as marketing. The message is rather perceived as information and since it is coming from an independent third party it is more reliable. The third party in not thought of as having interest in the product and the information is therefore not perceived as exaggerated. Word-of-mouth is an inexpensive and efficient way of market the small business for the entrepreneur. It creates a reputation of the small business. The more people included in the entrepreneur’s social circle, the higher is the number of people who potentially can market the entrepreneur’s small business through word-of-mouth. However, word-of-mouth can also harm the small business since word-of-mouth can also be negative. Bad reputation travels much faster than good reputation therefore the entrepreneur must consider what information is shared and with whom. The entrepreneur should only share important information with individuals trusted in, in order to be sure word-of-mouth creates a positive reputation.

Networking is essential in the early years for San Diego start-ups, since they have to visualize their business. It is critical for the small business to network and market the product to create attention and interest for the product in order to be able to create sales opportunities. The marketing could however be done before the product is launched to create interest and curiosity. Even though the respondents’ opinions differ on when networking to market the product and small business is most efficient, it is agreed upon that it is an efficient tool to visualize the small business. Individuals in San Diego attend networking events and socialize in their personal network to market their businesses. This could be a sign of their lack of resources which includes not having the ability to market the product through expensive ads and commercials. Furthermore, advertisement and commercials might not be suitable marketing tools to target the desired customers of the small business. The customer is often another company where relationship marketing is a more efficient tool to target the customer. Entrepreneurs in small business in San Diego use networking as a tool to connect with individuals in order to market their businesses. The size of the small business enables closer relationships which lead to shorter lines of communication.

5.2.2 Important Individuals in the Entrepreneur’s Social Circle
Because entrepreneurs do not possess all skills and time required to manage and grow a small business they need to find outside assistance. It is important for entrepreneurs to have connections with people of different professions. Five aspects have been mentioned for a small business to
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succeed in San Diego; funding, good management, good networking, good market and a good idea or product. The entrepreneur cannot influence the market or the product by networking. However, a good network can assist the entrepreneur to find funding and good management.

Capital is crucial in order to turn good ideas into good companies. There are a lot of venture capital and angel investors in San Diego which can fund small business which often lack in financial resources. Entrepreneurs are most interested in receiving funding for the small business and do not realize the valuable expertise which investors possess. The low level of financial resources also results in the small business not being able to hire experienced professionals for management positions. Therefore, many entrepreneurs in San Diego should try to get experienced and successful individuals to join their board of directors or the advisory board which often accept equity as payment. An outside expert can contribute with expertise which the entrepreneur and the small business lack. Members of the board of directors and advisory boards which the San Diego entrepreneurs seek are often former entrepreneurs with great knowledge of start-up processes. Their experiences and knowledge from the industry and from various start-ups make them a valuable resource for entrepreneurs. These individuals also possess great networks to people within the industry and the business clusters in San Diego.

Service providers are important to include in the entrepreneur’s social circle because of their valuable expertise in advice in legal, tax, accounting, and management. San Diego embrace many service providers which do not only provide expertise in their profession, additionally they are often well networked. Most service providers in San Diego are however not hard to connect with since they have a monetary interest in getting involved in a small business. It is therefore not essential to spend too much time networking to find service providers. It is however essential to evaluate the network of the service provider before hiring them to the small business. Their horizontal relationships between service providers in other companies can be valuable for the entrepreneur to obtain new connections. The service provider can thereby refer the entrepreneur to potential customer and suppliers in these other companies. Other professionals; investors, board members and advisors in San Diego also possess connections to other companies, but rather through the various companies they are involved in. Service providers and investors often have more than one small business at the same time which they are backing. Board of directors and advisors are also often interlocked with members at other boards. Mutual referral agreement is commonly used among these people in San Diego. Professionals refer entrepreneurs to individuals, often in the same profession, and with whom they have strong relationships. It is therefore important for the entrepreneur to get well networked business people involved in the small business, either as board member or as service provider.

In San Diego, some individuals have larger networks and therefore a large social reach. These people have long list of personal connections in the business community and are often well experienced in conducting business in San Diego. The individuals are often connected to one another because they all have wide social circles and high actor centrality in business networks. In every industry in San Diego there are a number people who have been pointed out as particularly important, for example CEOs of larger companies or network organizations. They are all well networked in the industry and are interlocked with other well experienced business people. These individuals can be seen as key people and they know who is an expert in which field and can refer individuals to the right person. Many entrepreneurs in San Diego fail to recognize the value of strong connections to these key
people and the connection they can provide. Entrepreneurs do not realize the value of having an interlocked board member or advisor on their board of directors. When recruiting the professionals’ services to the small company, the expertise and mutual understanding of outside professionals are rather emphasized by the entrepreneur instead of the professionals’ networks. For example, it is often easier to recruit an advisory or board member which can assist in the finding of venture capital than to directly connect with an investor. Investors invest in entrepreneurs who they believe have the capability to grow the business into a successful company. They therefore often rely on referrals to identify potential projects to invest in. Entrepreneurs in San Diego seek to connect with investors in the region in order to obtain financial capital. If the entrepreneur does not have an established relationship to an investor, it is better to connect with a well networked outside professional who can refer the entrepreneur to an investor.

5.3 The Four Factors
Relationships are important for the small business and it is essential for entrepreneurs to build strong relationships. A high degree of entrepreneurial relational capital includes valuable and powerful relationships. To obtain these strong relationships, there are four factors important for entrepreneurs to consider. Trust and norms are especially important to evaluate because they affect the relational capital. Knowledge and referrals are important to be aware of since they are valuable outcomes of strong relationships.

5.3.1 Knowledge
Entrepreneurs represent a small business, typically with limited resources, who acts on a competitive market. Especially entrepreneurs who start new ventures have to consider the constant changing of markets. It cannot be assumed that the market entrepreneurs want to enter, with a specific high technology product, is a market that is already developed. San Diego’s networking culture can be a tool to confront the challenges of turbulent markets and the limited resources of a small business. Many entrepreneurs in San Diego work on their own and it is therefore especially important for them to obtain knowledge of current trends on the market. There is a lot of research and technology development at the research centers in San Diego and it is important for entrepreneurs to be aware of these innovations. They can thereby identify current trends and know where the industry is heading. Biotechnology, communication, and software development which are the core industries in San Diego, are under constant influence of new research and innovation development. Networking creates opportunities to obtain knowledge of new trends and is therefore an important tool for entrepreneurs in the high tech industries in San Diego. Knowledge of where the market is heading results in strategic advantage.

Many small businesses in San Diego develop technologies directed towards other businesses. Connecting with individuals at other businesses in the industry and knowing the competitors is therefore important. Constant communicating and networking with customers and other stakeholders is essential in order to keep up-to-date with valuable information. However, it is important to focus on obtaining information valuable for the company’s specific operations. This is stressed by consultants and network representatives in San Diego because of the risk of information overload. Entrepreneurs have limited time and loosing focus of what information is important to
them when networking, results in inefficient use of resources. It is important for entrepreneurs to be selective of information from actors on the market and to identify and concentrate on those beneficial for the small business.

5.3.2 Trust
Trust affects relationships and relationships in return generate trust. Without trust no relationship would generate major benefits. For entrepreneurs in San Diego to increase their relational capital, they need to be aware of the effects trust has on relationships and what trust can generate. Trust is built over time through continuously interactions and fulfillment of expectations in the relationship. Creating business relationships based on trust is the basic step to build business connections for long term perspective. Entrepreneurs can increase the level of trust through interactions with the other party which can be described as the spiral of trust. The more interactions where expectations are fulfilled the more trust is created which takes the entrepreneur higher in the spiral. Networking is a tool to increase personal interactions and create opportunities to achieve a higher degree of trust. The more socialization and interaction in a relationship the higher is the degree of trust.

Individuals base their assumptions of future exchange of the business relation on previous positive and negative experiences of the relationship. An entrepreneur who cannot fulfill the expectations of his or her part of the agreement will destroy the trust in the relationship. However, if the entrepreneur fulfilled the expectations the trust in the relationship will increase because the entrepreneur has developed credibility.

The willingness of sharing is crucial when establishing business relations in San Diego in order to gain trust. The entrepreneur needs to be willing to share information. If the entrepreneur wants to establish a relationship with a potential new stakeholder information must be shared for the entrepreneurs to be perceived as trustworthy. Making sacrifices shows the willingness to engage in a long term relation. The entrepreneur needs to realize the importance of giving and taking in order to obtain trust in a business relation. Respondents have mentioned their dislike for people who only seek personal gain in a relationship. A self-orientated person is focused on their own benefits. Self-orientation is the dominant component since a high level of self orientation will destroy the level of trust in a relationship and the other party will exclude them from their network. Empirical research has shown that people who only think of their own benefits have not succeeded to build a business network. Therefore, entrepreneurs need to identify what they can offer the counterpart before expecting something in return. Compensations from a reciprocated relation can however not be expected to be immediate. In a new relationship, the entrepreneur first needs to earn trust in order to receive something in return. If is favorable for the entrepreneur to have something to offer the other party. A mutual beneficial relationship will be established because the other party recognizes gains in the relationship with the entrepreneur. The action the entrepreneur undertakes proves commitment to the relationship and the entrepreneur will thereby be perceived as credible. A first action of showing willingness to engage in a reciprocated relationship, is to make time to meet with others. This proves an interest of helping others and reflects non self-orientated behavior.

The entrepreneur should constantly interact and network with others in the business community in San Diego in order to gain credibility and accountability. If the entrepreneur regularly shows engagement in the business community he or she will be perceived as being sincere with the small
business. The entrepreneur has to be honest with what they say they are going to do. If they do not fulfill the expectation, the entrepreneur will lose accountability since the expectations on future behavior is based on previous behaviors. It is accepted for entrepreneurs in San Diego to fail, however the entrepreneur’s actions have to reflect the communicated intention. People tend to exaggerate their abilities and potential and the trustworthy of the entrepreneurs can therefore be questioned. Words need to be strengthened with actions to show credibility and honesty. To maintain trust in a relationship, honesty is an important component because the counterpart will know it can trust the entrepreneur to follow through with actions agreed upon.

A strong relationship includes beliefs that the counterpart will act in your favor when needed. With a strong relationship to a lawyer, the entrepreneur has beliefs that the lawyer will help the entrepreneur when the small business encounters legal issues. The lawyer will have the same beliefs in the entrepreneur being willing to make time to help the lawyer in other situations. The strength in a relationship can be evaluated by identification of the existence of beliefs. Individuals to who the entrepreneur has strong ties, is a relationship which includes beliefs.

5.3.3 Business Referrals

Referrals are an efficient way for the entrepreneur to establish new business relations valuable for the small business. Referrals are efficient because they faster connect the entrepreneur to the right person. The individual who refer the entrepreneur has a strong relationship with the person the entrepreneur gets referred to. Therefore the person will make time to meet with the entrepreneur without the entrepreneur’s need to show credibility. A certain degree of trust already exits because the person relies on the judgments of the individuals who referred the entrepreneur.

Business professionals in San Diego have said that they will only refer entrepreneurs who they trust. People rely on recommendations from people they trust. However, the relationship does not necessarily have to be strong in order to lead to business referrals. For some people it can be enough to have met with the person in question a couple of times or that they have a good feeling for the person. An angel investor mentioned he would invest in an entrepreneurial project referred to him by a colleague in which he trusts. He is willing to take the risk even though his knowledge of the start-up is limited. The project is credible to the angel just because of the trust he has in his business contact.

Referrals are mentioned as one of the best way to find business expertise and establish business relations. Business professionals in San Diego receive the majority of their clients from referrals. Therefore referrals are important for the entrepreneur to connect with outside professionals. The entrepreneurs need to establish relationships with individuals who possess a strong social network and thereby have the ability to refer the entrepreneur. Business professionals in San Diego also refer their clients to other within their wide business network. However, the relationship between the entrepreneur and the business professional has to be strong in order for referrals to occur. If the business relation is build on trust, the entrepreneur will also have access to the outside professionals’ business network. When a business professional refer an entrepreneur, he or she put its reputation at stake. Therefore, business professionals only refer individuals they trust and who they are sure of will follow through with their commitments. A bad experience from a referral will destroy the trust in the business relation and will not lead to further referrals or commitments.
5.3.5 Norms

Norms is an important influencer when building strong relationship capital because they effect how individuals act in a relationship. Norms are defined by shared standards and values included in relationships. The norms have to be accepted and maintained from both parties of the relationship. If the standards are not shared, it is harder to obtain a reciprocated relationship. The standard describes in which way people in a network are connected. Each shared standard also include shared norms of how people in the relationship or network will act due to the values which the norms are based. Business people in San Diego often network with people with whom they share standards. In a relationship between an entrepreneur and an outside professional, a standard could include being part of the same industry. The shared standard could also be the position within the business ecosystem. Entrepreneurs network with other entrepreneurs and investors network with other investor because of their shared standards. It is also common that more than one standard is shared. Shared values consist of common opinions and goals which describe individuals’ behavior in the relationship. Values form norms in a relationship and should be shared to obtain a stronger relationship. Sharing norms result in a certain expectation on a behavior in the relationship. Sharing norms in business relationships result in better understanding of the actions of one another. Shared norms facilitate the establishment of business relations in the entrepreneur’s network. Shared norms involve common values which enables mutual understanding. However, to obtain different expertise, the entrepreneur should consider different standards when establishing business relations. The entrepreneurs are in need of different expertise and connections in different areas of the business community.

5.4 Gains from Network Organizations

Network organizations can be divided into five different categories, community service clubs, leads clubs, business organizations, online networking groups, professional associations which all exist in San Diego. All these categories of network organizations exist in San Diego and are used by business people in the region. Network organizations in San Diego are platforms where new business connections are made and which hold opportunities for entrepreneurs to market their businesses. Entrepreneurs usually have a limited social circle at the initial stage of the small business and network organizations can facilitate expanding the network.

CONNECT, BIOCOM, CommNexus and NanoTecNexus are all examples of network organizations in San Diego which provide supportive functions such as springboard programs and networking which are highly valuable for entrepreneurs. Network events organized by CONNECT, BIOCOM, CommNexus and NanoTecNexus are platforms to meet with new business people and create new business relations. Network organizations in San Diego can provide opportunities to gain and share knowledge which is a critical strategic advantage. CONNECT can be described as what theory calls a business organization which are non industry specific with the goal to encourage information and business lead exchange among members. Theory however lacks in description of the industry specific network organizations such as BIOCOM and NanoTecNexus. They can be described as business organizations with platform functions for individuals who share the standard of a specific industry. The network organizations can be seen as organizations where people within cluster meet. A sufficient degree of shared standard must exist within the network in order to obtain reciprocity. Shared norms enable access to one another in the network and facilitate cooperation among them. The higher number of
people sharing the standard of a specific industry the more valuable is the network organization with a specific industry focus. The chance of meeting someone with a mutual interest is greater when the number of people is higher. A high number of people within a network also enable wider spread of word-of-mouth marketing for the small business. An entrepreneur who is new to the business community and has a limited network is more anonymous in a larger crowd. The density is higher in small network organizations which include shorter ties between the members. More norms are shared in small network organizations which is a sign of the network to consist of stronger relationships. High density, various shared norms and shorter ties enables establishment of strong relationships to a larger number of the network’s members. The strong relationships include making time for networking with each other and the entrepreneurs can therefore market the small business more efficiently. An entrepreneur who wants to target a certain kind of individuals should try to locate a small network including this person because the individual is more likely to make time for the entrepreneur if meet in a small network. The fastest network builders are those who consciously targeted individuals possessing the expertise they are in need of. The ones who randomly meet with people through network organizations build relations, but do not necessarily lead to any business benefits. Many entrepreneurs do not base their choice of network due to standards which congregate with the business focus. It is therefore important for entrepreneurs to identify a network organization in coherence with their business focus.

BIOCOM is valuable for people in the biotechnology industry because it is a platform where they can meet and connect with people who share the same interest. Because the industry specific organizations gather people from the same industry they facilitate the finding of an individual for an entrepreneur who is focused in this specific industry. Network organizations such as CONNECT which are not focused on a specific industry can however enable finding people from a variety of industries. The standard in CONNECT is the shared interest in entrepreneurship and these organizations can be platforms where entrepreneur can meet other entrepreneurs in the same situation and get advice. The advice is focused on entrepreneurs and their activities rather than a specific industry. The advice can be of value for the entrepreneur in management issues and through network organizations entrepreneurs can potentially meet with management consultants. The EIR program at CONNECT is a good example of a service provided by the network organization to encourage entrepreneurship. The EIRs consults the entrepreneurs in how to manage the small business. Consultants and investors however mostly get involved with small companies within their industry because of their experience and network which they can contribute with. Therefore industry specific network organizations can be more efficient for connecting with consultants, investors, service providers and potential board members. However, only being a member of a network organization does not lead to establishment of new relationships. The entrepreneur must participate and consciously network with people to enable establishment of business relationship. Network organizations only provide the entrepreneur with opportunities for the people to meet and connect.

5.4.1 Network events
Network organizations in San Diego provide great opportunities to meet with people from the business community and its industries. People new to the region and those without an already established network of business contacts can therefore benefit from network organizations. A network can be attractive because of particular organized activities or because of the specific
importance and characteristics of its members who attend the activities. Network organizations draw people with a common interest to their events. Therefore, one can be sure to meet people with mutual interests. Some events are rather large and have topics to attract a big crowd which are useful when meeting new people. Networking events which attract a higher number of people can be of higher value for the ones attending because it provides the opportunity to connect with a variety of individuals. The standard can be a reason for people to attend networking events which explain why particular events can be attractive because of the characteristics of the individuals who attend. The entrepreneur can identify what kind of people who will attend an event due to the art and standard of the event. This increase the likelihood for the entrepreneur to find important individuals needed for the small business. People at key positions in the business community in San Diego rather attend larger networking events than smaller. However, the high number of people makes it more difficult to connect with these key people. Smaller network events with a specific focus can be more valuable for entrepreneurs since the likelihood of connecting is greater when networking in a small group. Smaller network events might not include as many key people but can be utilized in order to establish first connections in the business community. It is easier to interact at smaller events where the number of people attending is lower.

The credibility of the counterpart can however be questioned when meeting a new individual at a networking event. Since the counterpart is a new connection in which trust is not established, there is no reassurance of the other party’s to be sincere with the communicated intentions. The entrepreneur can therefore be encountered with suspicion when marketing their company to a new individual in a network organization. There is doubt in the credibility of the counterpart since no trust is established. Outside professionals expect to have met with or at least heard of an innovation or a person who possesses great expertise in their industry. They rather rely on their personal connections and referrals from already established business connections to build business relations than utilizing network organizations. The outside professionals are often involved in many different businesses and do not have the time to constantly look for new potential clients. Therefore referrals are a faster way for the outside professionals to establish new connections than through networking at network organizations.

Investors are not as common to encounter or connect with at networking events. They also rely on referrals to connect with small businesses to invest in. However, the large network organizations have programs where the goal is to connect entrepreneurs with investors. If the entrepreneur gets accepted to the program, these services have shown to be very efficient way to connect with investors. The network organizations bring investors and entrepreneurs with mutual interests together.

Network organizations also provide opportunities for the entrepreneur to obtain knowledge through events with topics of pressing issues. Industry specific network organizations have events which present latest news and new released research and technologies. Since the larger industries in San Diego involve high technology, the market industries are constantly changing. Obtaining knowledge of the changes therefore important for the entrepreneur. The time at networking events scheduled for networking can also provide the entrepreneur with opportunities to obtain knowledge of potential competitors and their activities. Furthermore, knowledge of other businesses and actors on the market and within the industry can be gained. This knowledge can facilitate recognizing the key
people in the industry and therefore which relationships could be valuable for the small business to establish.

5.4.2 Maintaining business relations
Relationships require an ongoing investment of time and effort by both parties. The time and effort spend on collecting and maintaining business relations will be worth it in the long run. An individual met today might not be of immediate assistance but can show to be helpful in the future since business relationship is a long term process. It is therefore important to maintain the business relationships already established. Constantly networking will show that the entrepreneur is active. The entrepreneur is easily forgotten in the business world. Attending networking events is one way to maintain business relations. Network events gather numerous of people within the business community which facilitate meeting individuals within the specific industry or area in focus for the entrepreneur. The entrepreneur can thereby network and maintain relations with a high number of individuals within the entrepreneur’s social circle. Since maintaining business relations is time consuming, there is a cost associated with the number of connections which the entrepreneur has. The cost associated with maintaining the entrepreneurial network can be reduced through attending networking event where interactions with many individuals in the social circle are possible. Weak ties are important to maintain but should not be spend too much time on since they are not as crucial as strong ties relationships. Networking events can therefore be a way to maintain weak ties but to a low cost.

5.5 Gains of Social Business Networking
Every individual in San Diego has a social network of interpersonal business relations. The size, density and the lengths between the ties in the network varies among the individuals in the business community. First time entrepreneurs tend to have small social networks in the initial stage of a small business. Individuals in the business community in San Diego firstly make use of their personal contacts in strong relationships when conducting business because it is more time efficient and enables a faster connection to the right person. Each individual in a network possess expertise and knowledge which can be valuable for an entrepreneur. Networking with the individuals in your network will therefore lead to information exchange. A strong relationship which includes a high level of trust will therefore result in a higher level of knowledge exchange. A higher level of entrepreneurial relational capital, the more knowledge do the entrepreneur have access to. The entrepreneur’s social capital includes access of the knowledge of the other individuals in the network. The entrepreneur should therefore try to have a variety of individuals with different expertise in their network to increase the probability of possessing important knowledge within the personal network.

Strong relationships include shared norms and a high level of trust. Shared norms affect relationships because they symbolize values and standards which the individuals in the relationships have in common. Therefore mutual understanding arises which is important for a more efficient exchange in the relationship. Relationships in the social circle consisting of strong ties are base on a high level of trust. This trust reflects commitments to the relationship between the parties involved. A strong relationship o this kind is a valuable asset for the entrepreneur since it can lead to referrals. The
likelihood of the entrepreneur being referred faster and to the right person is higher when a strong relationship exists. Referrals are especially crucial in order to obtain connections to outside professionals and key people since it is harder to connect with them through network organizations where it is difficult to demonstrate credibility.

Many entrepreneurs have a small group of close personal relationships and the expertise needed for the small business might not be a part of this group. When the entrepreneur’s social circle cannot provide a certain expertise, network organizations can provide opportunities to gain access to other networks. However, the entrepreneur is more likely to find the desired expertise through referrals. The person referring the entrepreneur is aware of what kind of individual the entrepreneur is looking for and can thereby target specific individuals in their network. The entrepreneur is therefore referred to a person likely to possess the expertise he or she is looking for, the right person. If the relationship is strong, the individual who the entrepreneur gets referred to trusts the judgment of the one who referred the entrepreneur. A certain degree of trust is therefore already exists between the entrepreneur and the new contact which facilitate the establishment of a strong relationship. This is the gain from social networking which lead to higher entrepreneurial relationship capital.

Figure 15. Gains from Social Networking and Network Organizations. Knowledge, Trust and Referrals are gains from Social Networking. Trust and Norms affect relations in the Social Networking conducted by the entrepreneur. Knowledge is a gain from networking at Network Organizations and Norms affect the networking at Network Organizations.
6. Conclusion

In the thesis the gains of networking for entrepreneurs in small businesses in San Diego have been examined through relevant literature and empirical findings. The core of the thesis will now be presented by answering the research questions. How can social networking conducted by the entrepreneur contribute to acceleration of growth in the small business? How can local network organizations utilized by the entrepreneur contribute to acceleration of growth in the small business?

To accelerate the start-up process, the entrepreneur needs access to customers, suppliers and key individuals who can refer the entrepreneur to expertise. The key individuals possess a wide social circle and have a high actor centrality in the specific industry network in which the entrepreneur conducts business. A good mutual understanding should therefore exist between the entrepreneur and the key individual. Networking enables a faster process of finding the key individuals who can refer you to the right person.

The most important gain from network organizations is the social networking with a group of business people with shared standards. The entrepreneur can therefore more easily select and target organizations and individuals which in turn accelerate the process of finding the expertise they are in need of. Network organizations can facilitate the initial meeting with business individuals, but it is not as crucial as the social network of the entrepreneur to accelerate growth in the small business. Social networking is faster because of the referrals which the entrepreneur can obtain. The referral takes the entrepreneur to the right person directly, therefore faster. Because trust already exists, the relationship is established more quickly.

Networking can also be a disadvantage. If used incorrectly, it can create a bad reputation. If entrepreneurs do not possess networking ability, they should find a well-networked professional who is involved in the small business to do the networking for them. It is crucial to have well networked key individuals involved in the small business’ social circle. The most important gain from social networking is the establishment of strong relationships with key individuals, because of their access to their networks which are enabled. The entrepreneur’s rapport capital works for the entrepreneur, and therefore accelerates the start-up process.
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Appendix

Appendix 1 - Hypotheses

**Hypothesis 1**: Social networking connects entrepreneurs with people needed to accelerate growth in their business.

**Hypothesis 2**: Social networking creates trustworthy business contacts which accelerate growth in small businesses in San Diego.

**Hypothesis 3**: Social networking enables fast establishment of business relationships which accelerate growth in small businesses in San Diego.

**Hypothesis 4**: Social networking enables entrepreneurs to learn from other peoples experiences in the start-up process.

**Hypothesis 5**: Social networking creates a reputation of trust which can accelerate the establishment of business relationships in San Diego.

**Hypothesis 6**: Social networking enables entrepreneurs in San Diego to be informed of market changes in their industry.

**Hypothesis 7**: Social networking enables entrepreneurs to learn and exchange ideas with one another which inspire business acceleration.

**Hypothesis 8**: Network organizations connect entrepreneurs with people needed to accelerate growth in their business.

**Hypothesis 9**: Network organizations create trustworthy business contacts which accelerate growth in small businesses in San Diego.

**Hypothesis 10**: Network organizations enable fast establishment of business relationships which accelerate growth in small businesses in San Diego.

**Hypothesis 11**: Network organizations enable entrepreneurs to learn from other peoples experiences in the start-up process.

**Hypothesis 12**: Network organizations create a reputation of trust which can accelerate the establishment of business relationships in San Diego.

**Hypothesis 13**: Network organizations enable entrepreneurs in San Diego to be informed of market changes in their industry.

**Hypothesis 14**: Network organizations enable entrepreneurs to learn and exchange ideas with one another which inspire business acceleration.