



JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL
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The Role of Networks for Micro Firms

Bachelor Thesis in Business Administration

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Abstract

Introduction: Each year thousands of micro firms are established in Sweden, not all firms will survive and grow; instead many will be forced out of business. Possible explanations of this phenomena could lie in the personality of the entrepreneur, the network of the micro firm as well as support from society and so on.

Problem: Prior research has showed that networks and networking are important for the establishment, development and growth of micro firms. The majority of prior research has been of a quantitative nature, which has resulted in great knowledge about structural dimensions while less is known about the interactional dimensions. It is because of the lack of qualitative knowledge that little is known about interactional dimensions in networks and networking activities.

Purpose: The purpose of the study is to investigate the role of networks and networking activities for micro firms.

Method: The research has the character of a qualitative case study. Data gathering has been done through six in-depth interviews with the founder or manager of six micro firms located in the facilities of Science Park in Jönköping. All information obtained from the interviews were transcribed and then analysed with a model developed by O'Donnell (2004).

Summary of analysis: The role of networks and networking activities for micro firms are of great importance for generating business. Our analysis show that many of the micro firms are proactive towards their customers while their relationship with suppliers and competitors varies in characteristics.

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1 Introduction

Each year thousands of firms are established in Sweden, all with dreams of success, independence, growth and profitability. Not all firms will survive and grow; instead many will be forced out of business during the first years of operation.

It could be argued that there might exist some difference in properties between the firms that survives and those who do not survive. These properties could be the entrepreneurs personality, the support from society or the entrepreneurs own social network (Johannisson, 1996).

In this thesis the role of one of these possible success/failure properties will be investigated and analyzed. It will investigate the role of networks, both informal and formal, for micro firms. The informal network implies the social network of the manager or founder, which might be significant for the success or failure of the micro firm. The formal network includes banks, consultancy agencies and other actors with whom the founder or manager has no personal connection to from the beginning. (Birley, 1985)

The firms that are investigated are firms with less than 10 employees and that all are, according to themselves, in a growth phase.

1.1 Problem discussion

It is important to distinguish between network and networking activities since they have different meanings. The term *Network* describes which actors and companies that the network consists of, or in other words who the micro firm is doing business with. The term *Networking* implies the activities and relationships that occur between the different actors and companies within the network. (O'Donnell, 2004) The "interaction" of the relationships varies depending on the frequency of doing business and the dependency of each other.

The term network and networking could be placed in the interface between the scientific fields of Entrepreneurship and Marketing (O'Donnell, 2004). The phenomena Network and the activities it brings can be argued to constitute an important role for the micro firm marketing, since marketing is seen as a crucial tool for success in all business. Although the focus of this thesis has not been on the role of networks for micro firm marketing instead it has been on the relationships that occur in micro firm networks.

The focus on networks and networking activities in this thesis is confirmed by Shaw and Conway (2000) when they describes that prior research has recognized that “networks” and “networking” are important tools that contribute to the establishment, development and growth of micro firms.

It is described that much of prior research within the field has been of a quantitative nature (Shaw et al, 2000). The quantitative research has resulted in much knowledge about the structural dimensions, i.e. size and shape of network, with the consequences that less is known about the interactional or process dimensions, i.e. the impact of a network or content, (DiMaggio, 1992; Shaw et al, 2000).

It could then be argued that there is a gap of knowledge within the scientific field of entrepreneurship and networking. The major lack is consequently of qualitative knowledge that will facilitate the understanding of the interactional dimensions in networks and networking activities. This thesis attempts to increase the knowledge within the scientific field through in-depth analysis of micro firms. It is meant to be achieved through analysis on the role of networks and networking activities for the investigated firms.

1.2 Purpose

The purpose of the study is to investigate the role of networks and networking activities for micro firms.

1.3 Research questions

In this thesis the research has been founded on one major research question. This main research question is as follows;

- *Networks & Networking activities - what are their role for micro firms?*

In order to fulfil the purpose it has been considered necessary to define a few more questions that are to be answered in the study. These are as follows and are included as means of providing the empirical findings that are needed in order to produce a valid and reliable outcome. The questions describes the role of network within the micro firms in three dimensions, according to the model presented by O’Donnell (2004), and by which it will be possible to characterize the different firms and the role of networks in these firms.

1. How does the micro firms work in terms of network and networking?
2. Are they networking extensively or are their networking activities limited?
3. Are their networking activities reactive or proactive?

4. How strong or weak are the ties between the micro firms and their networking partners?

1.4 Delimitations

This thesis has been delimited mainly by three aspects. The number of investigation objects were delimited to include totally six firms, the main reason for this number of investigation objects was the time aspect. In this case the time aspect refers to the limited amount of time available for the different parts of the study. We believe that involving more firms in the study could result in less time spent on other vital parts, i.e. the analysis of the empirical data.

The selection of investigation objects (firms) has been delimited to only include micro firms that are located in the Science Park in Jönköping. The reason for this delimitation is that these micro firms possess the right attributes for this investigation as well as the closeness and connection to the campus area in Jönköping facilitated the contacts.

Further on, the number of investigated networks actors for the micro firms has been delimited to include potential as well as existing customers, suppliers and competitors. This delimitation derives from the network identification that O'Donnell (2004) presented in his research, our choice of network actors is based on our beliefs that these three are the most important actors in the network of a micro firm.

1.5 Definitions

This thesis investigates the role of networks for micro firms. In this thesis we use the definition stated by the European Commission for micro firms, see section 2.1 Micro firm context. The entrepreneur is mentioned several times in this thesis, it has therefore been necessary to define *what* and *who* an entrepreneur is. We have chosen the definition stated by Bolton & Thompson (2000, p.16);

“A person who habitually creates and innovates to build something of recognized value around perceived opportunities.”

1.6 Disposition

INTRODUCTION	The first chapter aims to give a short introduction to the subject as a whole and then move on to a problem discussion, which leads to a purpose. Also presented are the research questions. Further on some delimitations and essential definitions are presented.
THEORETICAL FRAMEWORK	This chapter presents theory on networks, formal and informal. Furthermore we bring out the O'Donnell theory and present his conceptual model. These theories will be the foundation of our empirical research and will be used when analyzing the collected information.
METHOD	This chapter starts of by describing the choice of method. Thereafter it explains the procedure of gathering information via interviews. The chapter also presents the method of analysis.
ACTORS IN THE STUDY	A short description and presentation of the firms and respondents participating in the study. All the information was obtained through in-depth interviews
EMPIRICAL FINDINGS	In this chapter the empirical data that has been gathered is presented. The data is presented in the form of quotes from the respondents, important to notice is that only the quotes that we have found most relevant are included.
ANALYSIS	The analysis chapter is structured into three sections. The first section includes an analysis of the informal network, while the second section deals with the formal network of the micro firm. In the third section the analysis is summarized, it deals both with the informal as well as the formal network.
DISCUSSION	In this chapter we briefly discuss the outcome of the study. Both strengths and weaknesses are discussed as well as the validity and reliability of our study.

2 Theoretical framework

In this chapter the theoretical framework is presented, it is divided into three parts. The first part is about micro firm context, the second part describes theory on networks and the third part is about network analysis.

2.1 Micro firm context

When the European Commission (EC) last revised their definition of SMEs in May 6th 2003 the small and medium sized enterprises sector were divided into three categories. (European commission, 2003)

- Micro enterprises has: 0 - 9 employees, a total annual turnover under 2 million euros or a balance sheet of not more than 2 million euros
- Small enterprises has: 10 - 49 employees, a total annual turnover under 10 million euros or a balance sheet of not more than 10 million euros
- Medium-sized enterprises has: 50 – 249 employees, a total annual turnover under 50 million euros or a balance sheet of not more than 43 million euros.

2.2 Network

Network is a tool used for the involved parts to exchange knowledge, both tacit and explicit. With a broad view; a network could be seen as a web of interconnected relationships where the different actors could be everything ranging from a single person to big international organizations. (Aldrich & Zimmer, 1986).

Networks can be divided into two larger groups, formal and informal networks. Formal networks consist of, for example, banks, accountants, lawyers and other agencies. These relations are often of such kind where there are no personal connection to the founder or manager from the beginning. (Birley, 1985)

Informal relations include family, friends and former colleagues. This group may not be so involved in the business but on the other hand they are easy to contact and willing to listen. Informal relationships often imply trustworthy and reliable advice, as well as support from close friends and family. (Birley, 1985)

Networking in micro firms is characterized to a high degree by the social/personal network of the entrepreneur. Prior research within networks of micro firms has therefore found it useful to use the personal network concept as valuable when approaching the networks

within and between micro firms. The social network concept is useful when the purpose is to develop a comprehensive understanding of the influences which personal networks have upon the creation, development and growth of micro firms. (Aldrich and Zimmer, 1986; Conway, 1997)

Birley (1985) illustrates the importance of informal contacts. In her research she ranked different relationships in an entrepreneurial network. Most important for new firms was informal contacts, mainly business contacts. These contacts were used in assembling the elements of the business. After that new firm owners ranked family and friends, these relations were in particular helpful when it came to seeking location and employees. Less important for the business was according to the respondents, formal contacts. As a conclusion Birley describes an efficient network as “one in which, no matter where the entrepreneur enters the network, his needs are diagnosed and he is passed around the system until he gathers the necessary information and advice” (Birley, 1985, p. 1506).

2.2.1 Informal networks

Informal networks can be described as the entrepreneurs’ personal network, consisting of social/personal contacts and relations.

Johannisson (2000) states that the entrepreneurs’ personal network is of great importance for starting new ventures. He means that informal networks provide the element which can be seen as the trigger that makes the entrepreneur realize his visions and ideas. Such elements can according to Johannisson (2000) be to provide existential satisfaction, support sense-making in an ambiguous environment and supply resources in the venturing process. Johannisson (1995) also suggest that the personal network helps the entrepreneur to gain the confidence needed to go from employee to self-employed. Often the entrepreneur carries around ideas for a long time, and eventually he/she needs a push in the right direction.

The entrepreneur uses personal networks to test new ideas, get help and feedback. Moreover, networks are also used as tools to gain access to, investigate and exploit opportunities in the environment (Aldrich & Zimmer, 1986). Therefore, personal networks helps the entrepreneur to create a stable platform to build and develop the business upon.

Informal contacts, especially family and close friends are more vital for the entrepreneur and new ventures than a proper business plan. Essentially when it comes to all the support the personal network gives. This is mostly true in the very beginning or before the start-up

process has begun. The personal contacts can also be very helpful when it comes to resources like founding and finance. (Johannisson, 1995; Honig & Karlsson, 2004)

Personal/informal networks is not only vital at the early start-up stage but it remains essential for the entrepreneur and his/her firm also in later stages. The structure of these networks, with its strong ties build upon great trust, gives substance to the network that will make it valuable and last throughout the career of the entrepreneur (Johannisson, 2000). Another aspect is that informal networks is based on personal interaction and face to face contacts which gives more reliability for the participants. Each member of a network share some of its contacts to other members and as this process goes on, a web of interconnected networks arises where several networks interact and overlap each other (Aldrich & Zimmer, 1986).

2.2.2 Formal networks

This chapter presents relevant theory on formal networks with focus on micro firms.

In the research presented by McAdam & McGowan (2004) the formal network is termed as the entrepreneurial network. Their findings underline the role of networks as a weapon against uncertainty. Moreover they suggest that the entrepreneurial networks (formal network) not only support ideas but also gaining access to new ideas. As a conclusion of their research they established that formal collaborations and in particular strategic alliances worked as an effective mechanism of gaining access to new technology, expertise and new market entry.

Shaw and Conway (2000) points out that new firms can benefit from operating in networks/partnerships/clusters because it creates potential advantages similar to economies of scale. The benefits that accrue is mostly cost savings when it comes to such things as advertising, promotion, training, access to loan finance at advantageous rates, consultancy advice and financial services. Such services and inputs are often of great importance for the new firm's survival, and most likely to be very costly for a single firm but for firms operating in a larger group these items can be secured (Deakins & Whittam, 2000).

Another researcher that terms the formal network as the entrepreneurial network is Johannisson (2000). He describes entrepreneurial networking as "expanding the action frame of the venturing process" (Johannisson, 2000, p. 368). He finds that it is of such a great importance that new ventures trying to establish on a market without a network, will act in a inferior position compared to their competitors with an adequate network.

2.3 The O'Donnell theory

In the theory presented by O'Donnell (2004), the nature of networking in small firms was investigated. His research distinguished itself from prior research since it had a qualitative approach towards the role of networks and networking for small firms and how it contributes to small firm marketing.

The research started out with a main objective. It was to gain an understanding of entrepreneurial networking and how networking contributes to marketing. Then this objective was broken down into several individual objectives, which included identifying the actors in an entrepreneurial network as well as investigating the nature of small firm networking. It was the latter one of these individual objectives that provided the main findings within the research - the nature of networking.

The research was conducted through a qualitative approach where the empirical data was collected through semi-structured interviews with firms and most commonly with the owner/managers. The firms that were selected had the following attributes; they had all been in operation for at least five years and which employed between 10 and 200 employees.

The interviews resulted in a huge amount of data to be analysed, and in order to be able to execute the analysis O'Donnell (2004) developed a conceptual model. The model was developed through a review of prior research and literature, and it was defined to consist of three different dimensions. O'Donnell (2004, p. 207) found that *"Previous research has indicated that small firm networking can vary along certain dimensions and it is the central supposition of this paper that these encapsulate the nature of networking process engaged in by entrepreneurs"*.

Through analysis of prior research O'Donnell (2004) were able to define the dimensions illustrated in figure 1.

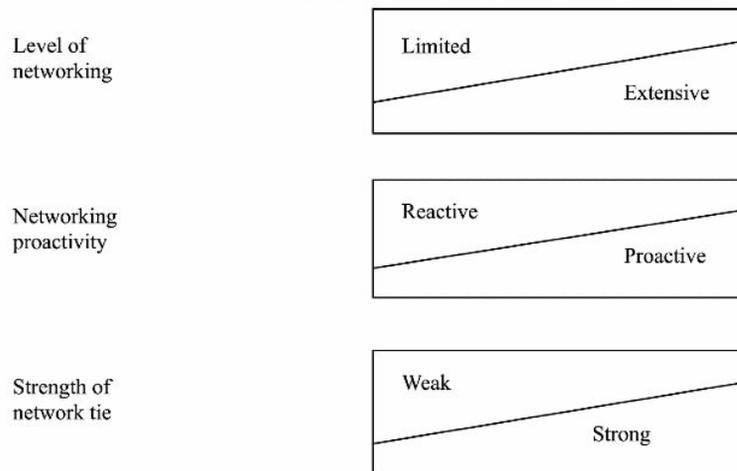


Figure 1 O'Donnell (2004, p.208)

2.3.1 Criteria for analysis

The empirical findings procured by O'Donnell (2004) were then analyzed and presented according to the three dimensions illustrated in figure 1. The positioning of each firm and its owner/manager within the model was possible thanks to the construction of the three dimensions. During the development of the conceptual model it had been defined that each dimension should possess three different stages or scenarios. These stages or scenarios was considered by O'Donnell (2004) as the criteria for analysis, which represents “low”, “medium” and “high”.

2.3.1.1 Level of Networking

O'Donnell (2004) defined that an owner/manager's level of networking is measured along a continuum from “limited” to “extensive”:

- “limited” level of networking implies an owner/manager that engages with his network actors infrequently and irregularly, further on the interaction between the actors is of short duration.
- “medium” level of networking implies an owner/manager that engages with his network actors relatively frequently and/or relatively regularly, further on the interactions are of relatively short duration.
- “extensive” level of networking implies an owner/manager that engages with a network actor frequently and/or regularly, and at least some interactions will be of significant duration.

2.3.1.2 Networking proactivity

O'Donnell (2004) defined that the owner/manager can be either reactive or proactive in the networking activities and that this spans from “reactive” to “proactive”:

- A “reactive” owner/manager is networking unplanned and ad hoc way, further on he/she is unsure about the outcome and does not try to create and sustain a network with the actor.
- A “medium proactive” owner/manager is creating opportunities to network with an actor, that is through a planned approach and/or will have some expectations on the outcome of the networking activity.
- A “proactive” owner/manager is networking with the network actors in a deliberate or planned way, further on the proactive owner/manager has keen expectations of the benefits of the networking activities and regularly creates opportunities for networking.

2.3.1.3 Strength of network tie

O'Donnell (2004) defined that the owner/manager and their relationship towards other network actors differ in strength and that they vary from “weak” to “strong”.

- A “weak” tie is represented by a rarely used network tie, the owner/manager does rarely interact with these actors and indicates a low level intensity, intimacy and trust towards these actors.
- A “medium” tie represents a network tie that is relatively regular or a reasonable amount of time is spent on interaction with these actors. The owner/manager does normally indicate a medium level of intensity, intimacy and trust towards these actors.
- A “strong” tie represents a network tie that is regularly used, or significant time is spent on interaction with these actors. The owner/manager does indicate a high level of intensity, intimacy and trust towards these actors.

2.3.1.4 Network identification

In the research presented by O'Donnell (2004) a marketing network is presented, this network consist of the different actors with whom the owner/managers interact to accrue marketing benefits. The network had been identified in prior research from O'Donnell and had been found to comprise the following actors;

- Potential customers
- Existing customers
- Potential suppliers
- Existing suppliers
- Competitors in the firm's home market
- Competitors outside the home market
- Business friends and colleagues
- The small business agency and other government agencies
- Employee of the firm (the internal network)

In this thesis the investigated network for micro firms has been delimited to include potential as well as existing customers, suppliers and competitors.

2.3.2 Summary of the O'Donnell theory

The O'Donnell (2004) research was based on a qualitative approach where the data collection was performed through interviews with several owner/managers of small firms. The research was based on a conceptual model developed by O'Donnell (2004) which describes three dimensions on the nature of networks and networking. The network that were investigated for each owner/manager was the network termed by O'Donnell (2004) as the marketing network. This network include 9 different types of network actors, ranging from potential customers to employees of the firm.

2.3.3 Criticism on the O'Donnell theory

The conceptual model that O'Donnell used can be argued to possess certain characteristics that are more appropriate for an quantitative approach rather than the qualitative that O'Donnell used. If an quantitative method had been used it had been easier to place the different firms and respondents regarding the three dimensions of the conceptual model. Although, that could have meant a step away from the purpose of the research, since it mainly was to increase the qualitative knowledge on the nature of networking in small firms.

It can be argued that the O'Donnell theory starts out well with the development of the conceptual model and characterization of the investigated firms into the three dimensions of the model. But its main weakness can be argued to be that the qualitative approach gets a bit lost, since there is no information on the interactional dimensions of the relationships that occurs in the interface between a firm and its network actors. The qualitative approach

could have been emphasized even more if the research had described how the relations between a firm and its network actors actually works and what it contains.

2.4 The interactional dimension

The interactional dimension focuses on social action. Social action can be understood as the consequences of the interactions shared between social actors, which consist of both interactional and relational dimensions. The interactional dimension of social networks is particularly individual relationships; it is considered to consist of five interactional dimensions (Shaw *et al*, 2000). In this thesis only one of these dimensions is of special interest, it is the content dimension.

- Content: implies the meanings to which people attach to relationships and the understanding of the implications that their involvement have for their actions and behaviours in respect to those relationships.

3 Method

This chapter aims to illustrate the chosen methodology and to present the work method used in this thesis.

3.1 Choice of method

The choice of method is supposed to clarify how the study has been conducted, in order to achieve the purpose. According to Holme and Solvang (1991) knowledge in methodology is not an end in itself but a tool to achieve the aim of the study.

The quantitative nature of prior research within the field has resulted in great knowledge about the structural dimensions, while less is known about the interactional or process dimensions. (DiMaggio, 1992; Shaw et al, 2000) To gain an understanding of the networking processes in which micro firms engage, and to achieve our purpose of investigating the role of networks and networking activities within micro firms, we have chosen a qualitative research method. It is through qualitative knowledge that an understanding of the interactional dimensions in networks and networking activities will be gained.

Social science research is often categorized in two groups of methods, qualitative and quantitative method. These two methods can be combined and should not be regarded as each other's opposites, it means that both methods are equally good but they are suited for different type of problems.

Jacobsen (2002) states that quantitative data is numbers that provide information of amounts for example observations. Information is often gathered by statistical methods and from databases, from which the researchers then can analyze and evaluate the data. The quantitative method of research presumes that the researchers have relatively good knowledge of the area that is being studied.

“Qualitative data is a form of empiric study of words that mediates a content” (Jacobsen, 2002, p.135). This method is most suitable when studying an unclear subject in order to find ties between the individual and the context. Which is what we are attempting to find by investigating the role of networks and networking activities for micro firms from out the interactional perspective. Furthermore the qualitative method is suitable when the researchers do not have extensive knowledge within the area being studied. When using the qualitative research method researchers are interested in a deep and profound comprehension of processes and peoples experience, and how they relate to different situations. Significant for this method is the closeness to the source from where the data has been collected (Hall & Larsson, 1999). According to Merriam (1994) the soul purpose of using qualitative method is to get an understanding on how all parts interact in a holistic manner.

3.2 Work method

3.2.1 Data collection

All our data has been collected through personal interviews with different firms that are located within Science Park. Our research is limited to six interviews, due to the time aspect as well as the access to investigation objects. Further on our qualitative approach towards the research implies that the analyze of the firms will be in-depth. The in-depth analysis means that only a certain number of firms can be involved since too many objects would imply a step away from the qualitative research method.

3.2.2 Case study

A case study implies that a number of objects are studied in a variety of situations, which gives the study width (Jacobsen, 2002). According to Marshall and Rossman (1999) case studies are based on data collection often in the form of observations such as historical documentary analysis and interviews. Case studies provide researchers with the possibility to explore and discuss with involved parts, this is especially good when the researchers have little experience within the field. With a case study it is possible to gather sufficient information about companies in order to characterize them and point out commonalities with other companies. A case study provides a whole; in the way it shows the interplay and relations of the studied objects opinions and interpretations. Wiedersheim and Eriksson (1990) states that a case study is a method that can be performed in four ways. It can be used as: an aid in creating new theories, an aid in creating new hypothesis, illustrative and as a method of change.

The case focus in this thesis is an *illustration* in order to clarify the role and the importance of networks and networking activities for micro firms.

3.2.3 Interview

Merriam (1994) states that there exist different degrees of structure when conducting interviews. A solid structure means that the questions and their order are pre-chosen. The opposite of a solid structure is the open discussion structure. When using a qualitative research method the interview should not be too standardized, due to the explorative nature of the method (Svensson & Starrin, 1996).

Due to the qualitative nature of the O'Donnell theory, which has been used in order to fulfill the purpose, the interviews have been conducted in a semi-structured way. Standardized interviews were not appropriate because of the risk of failure in receiving the desired information. When conducting our semi-structured interviews we had a number of pre-chosen questions that allowed for a broader and more in-depth answer from the respondent.

For this type of research the framework guides the interview in order to gain an understanding and meaning rather than to generalize findings of a specific population (Riley, 1996). A semi-structured interview enables the respondent to freely speak of topics that captures his/her interest. According to Johannessen and Dolva (1995) semi-structured interviews can provide both structure and flexibility.

The main advantage of personal interviews is that they are flexible and provide the possibility of sequence questions (Rubenowitz, 1980). An interview is a good tool for collecting data provided that the researchers are interested in the respondents' personal views and that the studied objects are relatively small in number (Jacobsen, 2002). When using a qualitative research method, interviews can be seen as a way to discover undetected characteristics and contents (Svensson & Starrin, 1996).

According to Svensson and Starrin (1996) the role of the interviewer, when using qualitative research method, is to bring fourth a result through interplay with the respondent. A good interview is signified by the ability of the interviewer to create a coherent content.

3.2.4 Method of analysis

Our data collection has been analyzed with the conceptual model developed by O'Donnell (2004). The model consists of three dimensions, were each dimension has three distinct stages. The dimensions are: level of networking, networking proactivity and strength of

network tie. Each of the three dimensions are further on divided into three stages that represents low, medium and high. Using these criteria when analyzing the collected data enables the researcher to position each micro firm along the three dimensions and stages. Examples will be brought out, analyzed and explained. Depending on the content of the quotes the firms will be placed in different dimensions of the model.

3.3 Validity and reliability

Studies should always try to minimize problems that are related to the validity and reliability. Even qualitative research methods must subject to an evaluation when judging if the conclusions are valid and reliable. Some supporters of the qualitative method have gone so far as to reject the concept of validity and reliability. They mean that the basics of these concepts are quantitative and are not adjusted to qualitative methods. (Jacobsen, 2002)

To judge the reliability and validity in a qualitative study does not mean that qualitative data has to subject to quantitative logic. It merely means that one should remain skeptic to the quality of the collected data (Jacobsen, 2002).

A study has a high validity if the researchers have managed to measure, describe and analyze what they initially intended to study (Bäck & Halvarsson, 1992). It is not easy to judge if the study has a high validity or not, validity must be judged in a more or less subjective way (Lekvall & Wahlbin, 1993).

According to Svensson and Starrin (1996) reliability should be judged in a manner that considers the circumstances present at the time, and the validity of the questions. This means that the definition of reliability becomes somewhat different when using a qualitative research method. The reason for this is that the respondent's answers are to a high degree affected of his/hers presence of mind during the interview. In this way validity and reliability is connected to each other in a qualitative research method.

The interviews were recorded with a mini-disc which is a very flexible device that allowed the respondents to correct their answers if any miss-understandings had occurred. All of these corrections were made in order to increase the reliability. To increase the validity, our interview guide is constructed in a semi-structured way in accordance with Johannessen and Dolva (1995).

3.4 Criticism of Method

The qualitative research method is resource demanding and requires long and personal interviews. If the resources are limited then the respondents will be fewer in number, which automatically raises the question if the collected data is representative (Jacobsen, 2002). When questioning the accuracy of data one should also have in mind that during interviews the interviewed object might not be entirely honest due to various, often personal, reasons.

According to Mirriam (1994), a researcher who uses qualitative research method can never be truly objective to what is being studied. This has to do with the fact that the researcher is human and humans make mistakes, like passing up opportunities and contaminating the research with personal opinions and values.

Researchers always have to make choices, which implies that some variables get prioritized and some do not. This makes the collected data complex and unstructured, which tend to lead to losses in detail and makes the data hard to interpret. (Jacobsen, 2002)

3.4.1 Sources of error

The respondent might mediate exact information, but it will never become more exact than the understanding of the subject that the interviewer possess (Jacobsen, 2002). According to Lekvall and Wahlbin (1993) errors can occur if the interview questions have been unclear or if they are of a sensitive nature. A respondent can feel pressured to answer questions that he/she knows nothing about. This leads to an “inaccurate” answer stated by the respondent because he/she does not want to lose face. Other sources of error are if the respondent are stressed or tired, therefore it is important to find out how strongly anchored the respondents opinions are in order to make a correct interpretation.

The analysis of the material can further generate errors if the transcription from the interviews is sloppy done. The researchers private opinions and values might affect the analysis in a subconscious way. (Lekvall & Wahlbin, 1993)

4 Actors in the study

Presented below is a short description and presentation of the firms and respondents participating in the study. All the information was obtained during personal interviews.

4.1 BAB Elektronik

BAB Elektronik meet and supply customer's demand of innovative, robust and profitable solutions within the area of electronics. Without any in-house production BAB Elektronik is a pure consultant.

BAB Elektronik was founded in 1969 by Bengt-Allan Bergvall. In 2001 the company moved its facilities from Huskvarna to Science Park Jönköping in order to surround themselves with a more stimulating and creative environment. In 2003 BAB Elektronik struck a joint venture deal with Olle Nåbo who is now the managing director. Today the company has four employees and a growth rate of one new employee per year.

Nåbo is a former executive from Alfa Laval in Tumba, he has a master of science and has also worked as a management consultant. His broad business background and current position in the company makes him the logic choice as successor, as Bergvall gradually reduces his involvement in the company.

4.2 Merbild

Merbild supplies companies in the region with pictures for different purposes like brochures, catalogues, and WebPages etcetera. Merbild are also working with magazines and advertising agencies. Merbild was founded by Tomas Magnusson in year 2000 and is located at Science Park Jönköping. Today Magnusson is the only employee, but when needed his brother backs him up.

Magnusson has an academic background within the field of information, media and documentary photographing.

4.3 OPC Svenska

Bengt-Arne Svennberg and Kent Fälth founded OPC Svenska in the year 1996. They both have extensive experience within the field of education and personal development

The business of OPC Svenska is to help organizations to intermediate messages quick and effective and at the same time create new activities and energy in the company. They increase the efficiency of communication between employees, creating joy, self-esteem and

result. Today OPC has three employees in Sweden and a subsidiary with two employees in England.

Project manager Göran Sandwall has a background from the aviation industry as head of marketing for SAS. He has a academic degree from the university of Lund, where he studied several subjects ranging from law to language.

4.4 Webfinanser.com

Webfinanser.com is a web page, that through good structure, content and design, sets out to be the leading neutral economy and financial portal in Scandinavia. The company was founded in the year 1999 by current managing director Krister Leimola. There are five persons involved in Webfinanser.com, three part-owners and two who are not employees since they are hired on commission.

Limola has a diverse background. He has worked with international aid for three years, studied entrepreneurship at Jönköping International Business School. He is also one of the founders of Unga Aktiesparare.

4.5 Lindahl & Co

Lindahl & Co provides customers with strategic and operational services within marketing and sales, to boost development and increase results. Lindahl & Co was founded by Tord Lindahl and his wife in the year 2003. Lindahl is today the only employee, although he has a few strategic alliances.

As former executive of Swedish BP, Intersport, TINT, Glocal Marketing etcetera. Lindahl has vast experience and knowledge within the field of marketing and sales.

4.6 Mohlin Marknadsinformation

The present managing director Elin Mohlin founded Mohlin Marknadsinformation in 1997 and today have a staff of five. Mohlin Marknadsinformation provides customers with statistical information for them to base decisions on, for example market surveys, attitude surveys and project evaluations etcetera. Mohlin Marknadsinformation is today located both in Jönköping and Stockholm.

The background of Mohlin is academic studies in marketing and business administration at Jönköping International Business School. At the same time Mohlin studied psychology at the university of Göteborg. She held an employment as a project assistant at the EMM

(Entrepreneurship, Marketing and Management) section at Jönköping International Business School, before starting her own business.

5 Empirical data

In this chapter the empirical data that has been gathered is presented. The data is presented in the form of quotes from the respondents. Important to notice is that only the quotes that we have found most relevant are included. The chapter is only meant to present core facts and therefore no comments or explanations are included.

5.1 Informal network

These quotes describe if there were any persons during the start-up stage of the firm, which were more important than others and how they have influenced the entrepreneur when realizing his/her ideas.

“I had support from my wife, without her this wouldn’t have been possible. To run your own business especially as an consultant in this part of the country is heaven and hell. You constantly have to push”. (I. Lindahl, Personal Communication, 2005-03-17)

“No not right away, but it came later. When I had been up and running for a year, I came in contact with a mentor group through Creative Center. This was very important”. (E. Mohlin, Personal Communication, 2005-03-31)

“To put it simple, I am an entrepreneur as a person and have always been without really knowing about it. I am an entrepreneur in my way of being and thinking. I have started a lot of things, based much on pure feeling. I don’t sit around for three months thinking of whether I should start, I decide on pure feeling; this I am going to venture in... I don’t need that kind of support, the only one I run things by is my father, and checks what his opinion is about the idea. If he would have said Krister, this idea is crazy, then I probably would have changed my mind and stopped. Besides my father I don’t need such support.” (K. Leimola, Personal Communication, 2005-03-18)

This part describes the importance of the informal network for customer acquisition and to what extent it is used by the micro firms to get in contact with potential customers.

“A lot of our business is still based on Bengt-Allan’s, founder of BAB Elektronik, old network and the new customers we gain are often spin-offs from old customers”. (O. Nâbo, Personal Communication, 2005-03-18)

“In the beginning I was the only one that got us new customers, until last year we sold exclusive through relationship marketing”. (E. Mohlin, Personal Communication, 2005-03-31)

The quote below shows the importance of informal networks but in the context of the employees' personal networks. That is if the employees' personal networks have generated any customers.

Mohlin (Personal Communication, 2005-03-31) describes a scenario where the importance of social network has changed during time. Before it used to be Mohlin's personal network that generated almost all of the business, but since they have changed the strategy on how to attract new customers the employees' networks has become more important and also started to generate business.

5.2 Formal network

The formal networks of the six firms are presented in this section. The data is presented in the form of quotes that describe the relationships between the firms and their network actors.

5.2.1 Customers

5.2.1.1 Level of networking

This section includes the most interesting quotes concerning the level of networking. The quotes are meant to show if the micro firms are limited, medium or extensive in the networking with their customers, all according to the theory in section 2.3.1.1 Level of networking.

“In a project that has a duration of six months, the regularity of customer contacts depends on the phase of the project. When we start, in the definition phase we collect facts, then we have very regular contacts, it can be meetings one time a week under a certain period of time.” (G. Sandwall, Personal Communication, 2005-04-12)

“A typical project may last for three months and for major customers we always have something to do... while the projects are running there are of course close contacts but usually we are sitting at our own office, it is not so common that we are sitting in-house at the customer. Since we are sitting in our own office it demands intense communication, therefore we often visit the customers or they come and visit us.” (O. Nåbo, Personal Communication, 2005-03-18)

“My strategy is very distinct. I do like this; my method is that I work through industry and commerce companies. The industry and commerce managers send out letters and then I follow them up on a list and offer, without pushing, the possibility for them to receive me

for a dialog on market, sales and development. Then I always bring a small checklist, it is designed so that there is nothing on it that they don't need and then I send a contact report from the meeting that is free with notes from the meeting... then I follow up this since they don't call me up, since they haven't got time for that." (T. Lindahl, Personal Communication, 2005-03-17)

"It depends on the customer, we have some customers that we do survey for on a regular basis and then we know that this customer every year wants a satisfied-customer survey. These surveys that we do on a regular basis, we have decided to let the customer to get in contact with us when they have collected this years material." (E. Mohlin, Personal Communication, 2005-03-31)

5.2.1.2 Networking proactivity

In this section the quotes describe how the micro firms work towards new as well as current customers. The content of the quotes will decide if the firms will be ranked as reactive, medium or proactive in their actions toward customers, all according to the theory in section 2.3.1.2 Networking proactivity.

"Our strategy is definitely to attract new customers through our network of consultants; today we do not have any other type of marketing, although we have been thinking of sending out a very advanced material to potential customers. We do not yet know if it is a beneficial way of working and if it is worth the money, but we are going to try it. Our plan is to find 500 organizations, either companies or trade/label unions or other major organizations, and get in contact with decision makers in these organizations, probably the human resource manager or directly with the executive manager. There will also be a follow up, either written or orally depending on the possibilities." (G. Sandwall, Personal Communication, 2005-04-12)

"It is important to show to the customers that we are here and that we are ready, but then it is the customers who comes to us with a problem. That's the most common scenario." (O. Nåbo, Personal Communication, 2005-03-18)

"I am actively looking for new customers. My job is mainly to visit customers that have been in operation for a while, who doesn't believe that they are in need for a change, they might believe that there is nothing more to do since they can't see it. Then my job is to go out and open their eyes...normally I visit the company homepage and try to take up as much information as possible." (T. Lindahl, Personal Communication, 2005-03-17)

“...we have started to systemize this, we have started with sending out material to companies that we don't have any contacts with. Then it is each project leader who is responsible for this and that contacts the companies by phone and also sends out a folder as well as follows up if the companies might be interested. We never send out a folder without following it up, since then it wouldn't matter if we had sent it out or not...” (E. Mohlin, Personal Communication, 2005-03-31)

5.2.1.3 Strength of network tie

The quotes in this section show the relationship between the micro firm and their customers. Depending on the content of the quote, the micro firm and its relationship to customers will be ranked ranging from weak, medium and strong. All in accordance to the theory in section 2.3.1.3 Strength of network tie.

“We are in contact with the customer in the beginning when we make the deal, then some in the middle and then afterwards we have feedback and so on. There is much over the phone contacts, it has proved to be effective, I have done a lot of customer visits in Stockholm, before I used to be there very much but nowadays I don't have the time since I now produce all the news by myself.” (K. Leimola, Personal Communication, 2005-03-18)

“It is very different, I can say like this; when we receive a project then we always hold a start-up meeting with the customer, where we go through everything, this occurs without exception. During the project we almost only keep in contact through phone and email, and then in the end we hold a meeting were we present the result.” (E. Mohlin, Personal Communication, 2005-03-31)

“At the moment I have around 20 customers. Each week I am in contact with these, more with some than others, it depends on the intensity of the project...” (T. Lindahl, Personal Communication, 2005-03-17)

“We work in a quite special way since we need to get into the company on a high managerial level were major decisions are made, and if we would try to find these companies on our own then we would be shooting blindly... this implies that we use a network of consultants, both in Sweden and England that we have contracted to our organization, they have commission on all leads that are handed over to us and that result in business agreements, this commission is very good since we are talking million SEK businesses. (G. Sandwall, Personal Communication, 2005-04-12)

“...sending out material to potential customers is definitely a formal strategy that we are using. It can seem to be very simple but the truth is that we have not been used to work like this, before we exclusively used relationship marketing to attract new customers.” (E. Mohlin, Personal Communication, 2005-03-31)

5.2.2 Suppliers

5.2.2.1 Level of networking

This section include quotes describing the level of networking between the micro firms and their suppliers. Depending on the content of the quote, the relationship between the micro firm and its supplier will be ranked ranging from limited, medium to extensive.

“...we do not have a strategy for establishing connections with new suppliers. We have a strategy not to have any sub-consultants supplying services unlike many other researching-firms.” (E. Mohlin, Personal Communication, 2005-03-31)

"With our printer we have contact several times a week, even if we aren't in a project at the time we always have some sort of contact, it is always something that has to be printed..." (G. Sandwall, Personal Communication, 2005-04-12)

“We have a very important group of suppliers, those we call our sub-consultants. In order to succeed with our commissions and to manage fluctuations in demand we work quite a lot with sub-consultants. That is; we buy services from other consultants and firms. Several of these sub-consultants are located here in our facilities and they are represented on our price-list to our costumers. This is a pronounced collaboration we have, with fixed prices and so on, quite simple in fact.” (O. Nåbo, Personal Communication, 2005-03-18)

5.2.2.2 Networking proactivity

The quotes presented in this section describe how the micro firms acts towards their suppliers. Depending on content of the quote, the micro firms will be ranked ranging from reactive, medium to proactive in their action towards suppliers.

“One way can be that we get an inquiry from a costumer within a new area of competence, we then have to look around in different ways to find new contacts that can help us with solving that problem.” (O. Nåbo, Personal Communication, 2005-03-18)

Leimola (Personal Communication, 2005-03-18) describes that in most cases it is the suppliers who takes the initiative to contact. He describes that during the first years in operation he had more time and at that time he did most of the work by himself, but nowadays

he don't have the time to search for new suppliers since he spends more time on writing news.

"It is mostly the suppliers who contact us, new firms with new ways to pack addresses. For example it was Lithium who contacted us, back then we had another supplier of web-based solutions." (E. Mohlin, Personal Communication, 2005-03-31)

5.2.2.3 Strength of network tie

This section includes quotes that will help characterize the relationship between the micro firm and their suppliers. The relationship will be characterized ranging from weak, medium to strong.

"It is informal, we receive an inquiry about a problem and we discuss how we can solve it, maybe with help of our sub-consultants and if so, we talk to them and then we include them in our offer...The contacts are on daily basis and most of them (sub-consultants) are located here in our facilities as well. It is for that reason, they almost work as co-workers...they have a channel out to the market through us, in that they are on our price-list and they regularly supply to us. Right now there are six firms supplying services to us." (O. Nåbo, Personal Communication, 2005-03-18)

"I check with the customer if they have some suppliers which they normally work with and if so, we develop these contacts instead of that I bring in new suppliers to them. I also have a bunch of suppliers that I work with, Specialisthuset in Anderstorp have some very skilled designers and graphic artists". (T. Lindahl, Personal Communication, 2005-03-17)

"Lithium is part of my personal network. We started out about the same time, I met them when they worked at the university as well. The main reason that we buy from them is that they are a part of our network, that is not to say that they have a bad product, but we probably could find a equivalent product somewhere else. But we buy from them because they are part of our social network. (E. Mohlin, Personal Communication, 2005-03-31)

"Printers are the largest costs for us, so we work with one printing office in town. We have done that all the time, it has several advantages; they know how we want things get done, how our system works, we never have to discuss the quality of paper and so on. They know all this, so we don't actively seek new suppliers." (G. Sandwall, Personal Communication, 2005-04-12)

5.2.3 Competitors

5.2.3.1 Level of networking

In this section the quotes on the level of networking between the micro firms and their competitors are included. Depending on the content the level of networking will vary from limited to extensive.

“We don’t see each other as competitors, but as colleagues in the same business. Right now we are placing an order with Keytron Development, a company that normally is our competitor...sometimes collaboration can arise simply because the customer wants several suppliers and then we collaborate in a project...” (O. Nåbo, Personal Communication, 2005-03-18)

“We mostly have contact with Nu-Gruppen where we have discussed collaboration; we have been getting customers from them and they from us. However we don’t collaborate so much that we have weekly meetings to discuss collaboration”. (E. Mohlin, Personal Communication, 2005-03-31)

5.2.3.2 Networking proactivity

This section describes how the micro firms work towards competitors, that is if they are reactive or proactive in their actions towards the competitors.

“If we had been bigger we had planned more, then you would sort of think things through a little more and perhaps draw up some formal strategies without exaggerating it’s meaning.... When it comes to advertisement everybody keeps that on a down low, you don’t talk about it. However I like an open dialogue, I believe that you can come much further with a sense of openness, it’s not like you give away your companies business secrets.” (K. Leimola, Personal Communication, 2005-03-18)

“If we get a job that we can’t handle I tell Nu-Gruppen about that job. Either we don’t have the competence or time. It can be coincidental, but with Perspektiv in Stockholm we have an outspoken collaboration”. (E. Mohlin, Personal Communication, 2005-03-31)

“...I am no stranger to this kind of collaboration but right now I can’t find any reason for me to enter such collaborations.” (T. Magnusson, Personal Communication, 2005-03-22)

5.2.3.3 Strength of network tie

The quotes included in this section shows the weakness alternatively strength of the relationship between a micro firm and its competitors.

“It’s quite a lot of information. Or at least the information that is required for the job. We don’t feel particular worried about that. We often draw up contract secrecy in these cases.” (O. Nåbo, Personal Communication, 2005-03-18)

“There is SFF, Svenska Fotografers Förbund, and PFK, Press Fotografernas Klubb, where I am a member...I’m not much for these clubs where everybody is the same and does the same things. I seek other places and try to market myself. I can’t talk with other photographers about how great we are, I want to surround myself with other people and tell them how great I am and show them that they need me”. (T. Magnusson, Personal Communication, 2005-03-22)

“We collaborate much with a company in Stockholm called Perspektiv, whom only does qualitative work and we do their quantitative work. Then you can ask yourself the question: are we partners or competitors? We are able to do qualitative work but we would never compete with them, it would never cross our mind. They forward their quantitative work to us because they don’t do that kind of work”. (E. Mohlin, Personal Communication, 2005-03-31)

The last scenario that we wish to bring out is the one described by Lindahl (Personal Communication, 2005-03-17). He points out that it is only total transparency that counts, and he says that he could not work without sharing all information. If someone wants to steal his material then that is something he can not prevent.

6 Analysis

6.1 Informal network

The empirical findings that we have found on the informal network describes the importance and supportiveness it provide for the entrepreneur and the micro firm. The majority of the respondents describe a scenario where the support from the informal network has been of significant importance for the start-up.

This is expressed by Lindahl (p. 21) where he describes that the support from his wife played a crucial role for the start-up of Lindahl & Co. He even states that without her it would not have been possible. The role that family and closest friends plays in the start-up of a venture is something that is emphasized in prior research as of great importance (Johannisson, 1995; Honig & Karlsson, 2004).

Another respondent, Leimola (p. 21) describes himself as a true entrepreneur who does not need support in order to make his visions real, although he states that he uses his father to get feedback on ideas and that his father's advice is important. The role of the informal network in terms of testing new ideas, get help and feedback is according to Aldrich and Zimmer (1986) one of its main functions.

The importance of advice and feedback is also emphasized by Mohlin (p. 21) where she describes that she lacked support during the first year in operation but then came in contact with a mentor group which became very important and useful.

Learning's from the findings above is that the three respondents are describing the importance of support from its surroundings although in different meanings. In the case of Lindahl, his informal network has played an crucial role for the start-up of the firm. While in the two latter cases they are using their informal network for advice and feedback where the informal networks role is not that important for the start-up.

The respondents also points out that the informal network is important for generating business, that is in terms of acquiring customers.

This central role of the informal network is highlighted in the statement of Nåbo (p. 21) where he describes that major part of BAB Elektronik's business today, still is based on the informal network of the founder.

Another respondent that describes the central role of the founders network is Mohlin (p. 22). She states that during the first year all business was created through her own informal

network but due to the growth of the company this has come to change. Today the employees also has started to generate business through their own informal networks.

The importance of informal networks for generating business is something that was highlighted in the theory presented by Birley (1985). In her research she found that the most important network for new firms was informal contacts, mainly informal business contacts.

Learning's from the cases of Mohlin and Nåbo is that the informal network plays an important role for generating business, which is coherent with the theory presented by Birley (1985).

6.2 Formal network

The analysis of the formal network is based on the conceptual model by O'Donnell. First the model is presented where the different quotes from the empirical findings are placed in the model depending on their content. Important to notice is that this is an overview figure illustrating the outcome of the empirical findings, and included are only those quotes that are presented in the empirical chapter. Further on examples of quotes and their content, that we have found relevant and interesting, are analyzed.

6.2.1 Customers

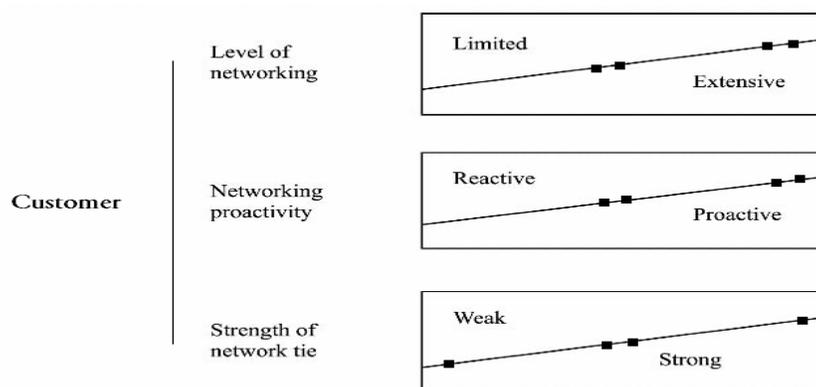


Figure 2 Conceptual model – Customer

6.2.1.1 Level of networking

In this section two quotes and their content will be analyzed, both describes the level of networking but in different dimensions.

The first quote to be analyzed is the one stated by Nåbo (p. 22) where he describes a situation that according to us can be characterized as extensive level of networking. This, since

extensive level of networking implies that there is regular or frequent contacts between the network actors. In this case, BAB Elektronik and their major customers are networking on a regular basis. Further on the relationship between BAB Elektronik and their customers is characterized by intense communication, close contacts and personal meetings which all are good examples of extensive networking activities.

The second quote that is given prominence in this section, describes a scenario that can be considered as medium level of networking. This quote is stated by Mohlin (p. 23) and its content shows signs on medium level since they have customers that returns each year but where there is little contact in between the projects. Further on Mohlin Marknadsinformati on does not take any greater initiative to more frequent contacts since they let the customers initiate the contacts. It is thereby quite regular contacts but where the interactions are of no long duration.

6.2.1.2 Networking proactivity

The networking proactivity differs depending on firm and respondent, our selection of firms shows two dimensions of proactivity.

The statement by Lindahl (p. 23) includes clear signs on proactive networking activities, since the activities are definitely of a deliberate and planned way due to that he seeks up the potential network actors. Further on he perform research about the potential network actor before he visits them, and which can be seen as he creates opportunities for networking activities as well as he has keen expectations on the networking activities.

According to Mohlin (p. 24) they have changed their way of attracting potential customers, or as she refers as “...we have started to systemize this...” and what she means is that they have begun to plan their networking activities. Thereby they have a planned approach towards their networking activities. But as the content of her statement reveals are the contacts with the potential network actors not that close. This can be perceived as reserved expectations of the networking activity which in combination with the planned approach characterizes the firm as medium networking proactivity.

6.2.1.3 Strength of networking tie

In this section three examples on the relationship between the firms and their networking actors are presented.

The first quote is provided by Leimola (p. 24) and which can be characterized as a strength of network tie that is weak. It is a good example of a weak tie since there is few contacts

between Webfinanser.com and their customers during a deal, which is a sign on low level of intensity. Further on the most contacts are nowadays performed over the phone since “...it has proved to be effective...” which can be perceived as low level of intimacy.

The second quote that is presented in this section is the one stated by Mohlin (p. 24). As its content reveals they have several meetings during a project, where the first contacts always are personal meetings. During the projects they have contacts with each other and in the end they meet and present the result. These relatively regular contacts with occasionally personal meetings are signs of a strength of networking tie that is medium strong.

The third and last quote is the one stated by Lindahl (p. 24). He describes that he has around 20 customers at the moment and with whom he is in contact with each week, more with some than others depending on the intensity of the project. The content of this quote is definitely an example of a network tie that is strong, since the network tie is regularly used and where the actors are showing a high level of intensity towards each other.

6.2.2 Suppliers

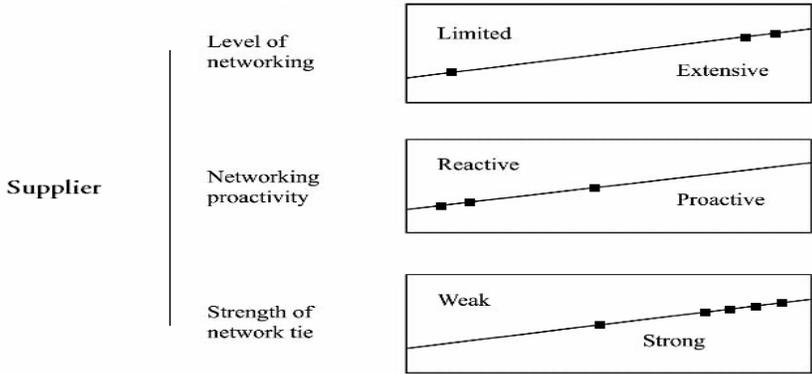


Figure 3 Conceptual model – Supplier

6.2.2.1 Level of networking

Mohlin (p. 25) states that they do not have a strategy for establishing new supplier connections. She compares them with other researching firms and says that it is common that such firms uses suppliers, sub-consultants, for different services. Due to the fact that Mohlin Marknadsinformation do not use such consultants is a good example of a limited level of networking. That is, their contacts with suppliers are irregular and infrequent.

Two other statements illustrates two different scenarios of extensive level of networking. Sandwall (p. 25) describes their relation with their printers and says that they have contact

several times a week, not only during a project but the contact remains regular and frequent between the projects as well. Further on Nåbo (p. 25) explains another situation, which we argue to be a extensive level of networking, mainly because of their pronounced collaboration with their sub-consultants. Because several of the sub-consultants are located in the same building and the fact that they are represented on BAB Elektronik's pricelist, can be perceived to be extensive level of networking

6.2.2.2 Networking proactivity

In the case of BAB Elektronik, seeking for new suppliers becomes reality when they get an inquiry within an area where they lack competence. When that is the case, they actively seek for new suppliers, or sub-consultants. As Nåbo (p. 25) puts it: "...we then have to look around in different ways to find new contacts that can help us solving that problem." We see this as a good example of medium proactivity, because of BAB Elektronik creates opportunities to network through a planned approach and that they have some expectations on the outcome of the networking activity.

Mohlin (p. 26) describes two different kind of supplier, which both have in common that it was the supplier that contacted Mohlin Marknadsinformation. That is, they do not have to actively seek for new suppliers. Therefore we argue that they use their network in a reactive way.

6.2.2.3 Strength of networking tie

As Nåbo (p. 26) explains their collaboration with their sub-consultants he points out that they collaborate on a regular basis and that many of them are located in connection with BAB Elektronik's facilities. This is a great argument for showing that their strength of network tie is strong. He even states that their sub-consultants are looked upon as co-workers. Further on, the fact that BAB Elektronik includes these sub-consultants on their price-list, emphasizes the fact that they have a strong network tie with their suppliers.

We would like to bring out another good example of a strong network tie. It is the strong connection that OPC Svenska have with their printer. Sandwall (p. 26) says that they have worked together with their present printer a long time and therefore they know how OPC Svenska wants the job done, everything from how their system works to which quality of paper they want. This is according to Sandwall a great advantage and we think this indicates a high level of intimacy and trust, that is a strong network tie.

6.2.3 Competitors

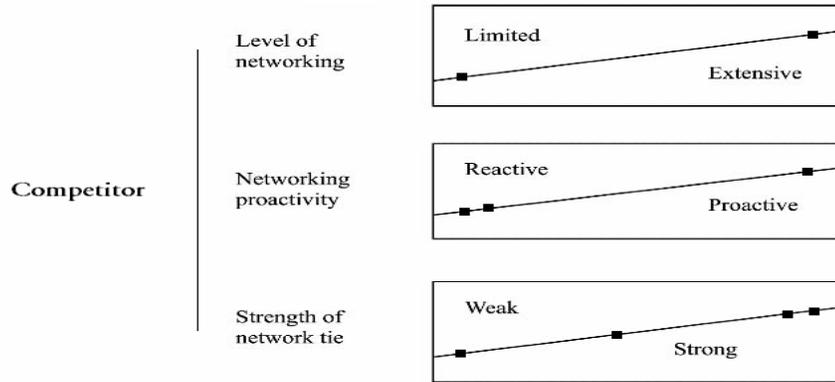


Figure 4 Conceptual model – Competitor

6.2.3.1 Level of networking

Nåbo (p. 27) states that they do not see their competitors as competitors but as colleagues in the same business. This is because they sometimes have to collaborate because a customer wants it. Although this view of competitors, their level of networking is limited since their involvement with competitors are infrequent and irregular.

Mohlin (p. 27) states that they have regular contact with one of their competitors, they swap customers with each other and have also initiated talks about collaboration. This is a good example of extensive level of networking since their contacts with competitors are on a regular basis and of long duration.

6.2.3.2 Networking proactivity

Mohlin (p. 27) states that they have an outspoken collaboration with one of their competitors, whereas they with other competitors simply swap customers. Collaboration with a competitor shows a proactive use of networking as they in a deliberate way and with keen expectations benefit from the networking activities.

Magnusson (p. 27) states that he for the moment can not find any reason for collaborating with competitors, although he is not negative to collaboration when he can benefit from it. This type of reasoning indicates that Merbild uses their network in a reactive way as they are networking in an unplanned way and do not try to create and sustain a network with competitors.

6.2.3.3 Strength of networking tie

Magnusson's view (p. 28) on SFF and PFK shows that Merbild has a weak strength of tie. Since Merbild rarely interacts and has a low level of intensity, intimacy and trust towards competitors. He states "I can't talk with other photographers about how great we are, I want to surround me with other people and tell them how great I am...".

The last scenario is described by Lindahl (p. 28). He points to the fact that only total transparency counts, and that he could not work without sharing information. Lindahl's view on information transparency shows that he has a strong network tie, since he has a high level of intimacy and trust towards competitors.

6.3 Summary of analysis

The role of networks and networking activities for a micro firm has been investigated in this thesis. That is both the informal network and the formal network of the micro firm. The informal network of the micro firm is highly dependent on the personal network of the founder himself or the micro firm manager.

The informal network implies the social network of friends, family and former colleagues. Our main findings on the role of informal network for the micro firms reveals that they are essential for the firms creation and survival. The most common contributions of the informal network is that they give support to the entrepreneur, in terms of help, advice and feedback.

The empirical findings also show that the informal network generates business, since in many cases the network of former colleagues is used for doing business. Further on it is possible to say that when the micro firm grows and the employees gets a more important role, their own informal network starts to generate business as well. This may be a natural development due to organizational growth.

The micro firm network is, as mentioned before in this thesis, constituted by both an informal network as well as an formal network. Although what our findings show is that these two types of networks are highly integrated with each other when it comes to the micro firm network. This since the network for the micro firm is highly characterized by the personal network of the founder or manager and that many actions toward networking activities are taken by him/herself.

The role of networks and networking activities, in terms of customer relations for the micro firm is of huge importance for the creation of business. Our findings show that most

of the micro firms are operating in a planned approach towards new customers, often with quite aggressive or proactive actions in order to attract customers. The findings further shows that the level of networking between the micro firms and their network partners are of extensive characters, where the customers often returns and there are regular contacts. The findings on the strength of network tie includes all dimensions with a weight towards medium strength, since the micro firms often interacts with the partners during considerable time and indicates a medium level of intensity, trust and intimacy.

The role of networks and networking activities, in terms of suppliers relations for the micro firms is important but not as important as it is for customer acquiring. The pattern that is interpretable from our findings is that the micro firms actions towards suppliers are often of a reactive approach. This since the micro firms show tendency to prefer creating strong relations with one supplier rather than searching for the cheapest alternative. Therefore many of the micro firms and their relations with their network actors are showing strong network ties as well as their level of networking is extensive with their suppliers.

The role of networks and networking activities, in terms of competitor relations for the micro firm does not show any great importance for the business. Collaboration often seem to occur when the customers demands it, only one micro firm shows tendency to engage in collaborations extensively. The findings show that many of the firms are reactive in their approach, and the ties are not very strong as well as there is no tendency of level of networking.

7 Discussion

This work has investigated the role of networks and networking activities for micro firms. The approach towards the investigation has been of a qualitative nature where the main focus has been on the interactional dimension of the networking between the micro firm and its network partners.

We believe that we have found empirical findings on the role of networks and network activities for micro firms. This is argued for in the section *6.3 Summary of analysis*. We believe that the qualitative approach has been in accordance with the work method as well as the collection of data. This since the findings, indirectly the quotes from the respondents, has been analyzed by the interactional dimension and especially its content dimension.

A comprising factor that we have been forced to assent is the page number limit of 40 pages. This factor has implied that our empirical findings chapter has been reduced in its extent, to only include the quotes that we have found most relevant for the work. Further on the analysis chapter has also been affected. It has been affected in the sense that there are only a few examples of networking situations included under each dimension of the model, instead of including all data that was collected.

In our study we have tried to minimize the risk for problems regarding the validity and reliability of our collected data. This is something that always should be addressed, essentially during quantitative studies but also in qualitative studies where it is important that the researcher remains sceptic to the quality of the collected data (Jacobsen, 2002).

We have tried to minimize these possible problems through the use of the mini-disc which permitted us to go back and correct if there had occurred any mistakes or misunderstandings during the interviews.

Our choice of investigation objects could be discussed, although we believe that they truly are reliable and valid investigation objects for the study since they all are micro firms according to the European commission (2003) definition . Further on we believe that they possess reliable knowledge of the subject since they all, more or less, has shown to do business through networks and networking activities.

According to Svensson and Starrin (1996) reliability should be judged in a manner that considers the circumstances present at the time, and the validity of the questions. The reason for this is that the respondent's answers are to a high degree affected of his/hers presence of mind during the interview. In this way validity and reliability is connected to each other in a qualitative research method.

We believe that our respondents answers and their mind presence during the interviews has been truly reliable and valid. This since they have not had any monetary interests of the study and only participated out of goodwill. This emphasizes even more that their answers has been true and honest, we believe that they have not concealed any information for us.

According to Bäck and Halvarsson (1992) possesses a study a high validity if the researchers have managed to measure, describe and analyze what they initially intended to study. It is not our assignment to evaluate if we have managed to achieve all this, but what the reader of this thesis should know is that we truly have made an effort in order to achieve it.

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Appendix 1: Interview guide

Respondent

- Background?
- Education?

The firm

- Number of employees?
- When was the firm founded?

Customers

Regularity of the customer contact?

How extensive is the customer contact?

Who take the initiative for customer contact?

Are the customer contacts planned or spontaneous?

How are new customer contacts created?

Are there any pronounced strategies for creating new customer contacts?

How often does customer contact occur?

How does the customer contact occur?

Suppliers

How regular is the supplier contact?

How extensive is the supplier contact?

Who take the initiative for supplier contact?

Are the supplier contacts planned or spontaneous?

How are new supplier contacts created?

Are there any pronounced strategies for creating new supplier contacts?

How often does supplier contact occur?

How does the supplier contact occur?

Competitors

Does there exist any relations with competitors?

If there is a relation, how is the collaboration structured?

Does there exist any type of forums in your business area?

If such forums exist, do you participate?

Are the competitor contacts planned or spontaneous?

To which degree do you share information with competitors?

Does there exist any formal collaboration with competitors?

Purpose and goal of competitor contact?

The informal network

Important persons in the start-up face?

Has the informal network had any importance for customer acquisition?

Have employees informal network generated any business?