The myth of the self-made man

The importance of a social network

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The purpose of this thesis is to 'develop knowledge on how entrepreneurs perceive their social network and behave within it'. Previous studies have been done on the subject, revealing the importance of a social network, however considering the time elapsed since previous studies and the fact that they do not take into account social network sites, it becomes relevant to perform a new study based on available findings in the two areas. This is a qualitative study were the analysis is based on an extensive theoretical research and empirical data collected through an initial interview and in depth interviews with selected case companies. In order to explore 'how do entrepreneurs themselves perceive the use of a social network, how do entrepreneurs use their social network and what factors do entrepreneurs deem to be crucial for initial success'. The analysis showed that commonly used models to analyse social networks and entrepreneurship are still applicable, however they do not fully take into account the factor of social network sites and social online media in general. The authors therefore extended two commonly used models in order to account for this and by doing so create a more valid model for entrepreneurs to follow in order to evaluate their performance within and their adequate use of, their social networks.

Contents

1. Introduction

1.1. Background

In 1859 Frederick Douglass introduced the concept of the self-made man:

"Self-made men […] are the men who owe little or nothing to birth, relationship, friendly surroundings; to wealth inherited or to early approved means of education; who are what they are, without the aid of any of the favouring conditions by which other men usually rise in the world and achieve great results". The concept of being self-made and independent is still something people aspire to and believe in order to become successful entrepreneurs (Bloodgood, Carsrud, Sapienza, 1995). It should not matter where a person is born or from what family he/she comes from, if he/she has a good idea and is willing to work hard; he/she can make it (Douglass, 1859). Still Douglass (1859) admits that: *"Properly speaking, there are in the world no such men as self-made men.",* since: *"It must in truth be said though it may not accord well with self-conscious individuality and self-conceit, that no possible native force of character, and no depth or wealth of originality, can lift a man into absolute independence of his fellow-men, and no generation of men can be independent of the preceding generation".*

More recently conducted studies demonstrate the importance of a social network in order to succeed when starting a new business (Brüderl & Preisendörfer, 1998; Podolny & Baron, 1997; Pirolo & Presutti, 2010), the concept is still as mentioned above, a myth individuals aspire to (Bloodgood et al, 1995). Further the importance of the extended social network in the entrepreneurial context is brought up (Birley, 2003; Granovetter, 1973), where finding a benefactor or social bridge to allow for such an extension is crucial for initial success. In this extended social network mapping the different key actors becomes important (Bloodgood et al, 1995).

1.2. Problem area

As initially mentioned there is a discrepancy between the general perception of the self-made man (Bloodgood et al, 1995) and current research as to the characteristics of the entrepreneur being dependant on his/her social network in order to succeed (Brüderl & Preisendörfer, 1998; Podoly & Baron, 1997; Pirolo & Presutti, 2010). However entrepreneurs live and act in society and have to interact with society's different actors in order to succeed with their business (Bloodgood et al, 1995). Social networks do in one way or another play a role in how and why entrepreneurs are able to establish business relationships (Bloodgood et al, 1995).

The introduction of social network sites (SNS) has on a wider scale created a new aspect as to how companies can manage their social networks. SNS are increasingly becoming more important with regards to client relations and further in the establishment of relations with potential business partners. (Gloor, et al 2012)

Limited amount of recent findings on the subject of social networks' effect on entrepreneurship (Birley, 2003; Davidsson & Honig, 2003; Kristianssen, 2004; Liao & Welsch, 2003; Witt, 2004), combined with more recent studies (Gloor, Dorsaz, Fuehres & Vogel 2012; Nann, Kraus, Schrober, Gloor, Fischbach, Führes, 2010; Song & Vinig 2012) focusing solely on social network sites and their impact on entrepreneurial success from a quantitative perspective, creates a discrepancy on the subject.

The apparent gap, in terms of elapsed time and the apparition of new factors, justifies a revisit of widely used models for analysing entrepreneurs and their social context, such as Birley (2003) and Bloodgood et al (1995). Such a revisit is necessary in order to understand their applicability on ventures of today.

1.3. Purpose and research questions

As explained in the problem area, with the elapsed time and new factors, it becomes relevant to analyse to what extent social networks are key factors within the entrepreneurial field today. It further becomes relevant to understand to what extent, social networks affect the possibility of an entrepreneur to turn a business idea into a functioning venture. The purpose of our study is thus to *develop knowledge on how entrepreneurs perceive their social network and behave within it.* In order to analyse the subject, in-depth interviews will be performed, and literature and theory will be reviewed. Hence, in accordance with the purpose we will try to answer the following questions:

How do entrepreneurs themselves perceive the use of a social network?

How do entrepreneurs use their social network?

What factors do entrepreneurs deem to be crucial for initial success?

1.4. Delimitations

In order to be able to conduct this study within the scope of a Master's thesis, some delimitations had to be made. This is why the choice was made to only study the importance of social factors for start-ups' success and not success factors in general. Due to reasons of ease and access, only start-ups where the founders had a background at SSE were chosen; in order enable us to use our personal networks to gain access to relevant information and trust from the interviewees. However, in spite of these delimitations the thesis will probably indicate trends, and to some extent enable us to draw general conclusions.

1.5. Expected contributions

The main expected contributions of the study are; to provide reassessment of theories and models explaining the use and importance of a social network for an entrepreneur. Due to new findings in current research, especially in the field of social network sites, our hope is to use data from these studies to enlarge and/or reform current models, making them more relevant and useful for today's entrepreneurs.

1.6. Definition of a social network

Social networks are one of today's buzzword however they should not be confounded with social network sites (SNS) such as LinkedIn, Facebook and Vkontakte which are merely a way of keeping track of our social networks in different formats (Boyd & Ellison, 2007). Social networks can be said to be structures of individuals and/or organisation and the ties that knit them together them together (Wasserman & Faust, 1994). In its founding this is a theoretical construct aimed at explaining relationship, and the structures that appears when explaining relationships and interactions between people and organisations in a network. To understand the social network we need to understand the ties in the network, since they are what actually make up the network (Scott, 2012).

To survive on and within a social network requires interaction, and you will eventually reach an equilibrium where cost and profit evens out (Homans, 1958). Attaining new contacts and enlarging your network will change their and your social value tending to create a new equilibrium for the social interaction (Witt, 2004).

In this study we use the definition that social networks are: the structures of individuals and/or organisation and the ties that knit them together them together (Wasserman & Faust, 1994).

## 1.7. Disposition

This study has the following framework: the theoretical framework is presented in chapter two, chapter three the followed methodology, chapter four exposes the gathered empirical data, chapter five delivers the analysis and chapter six ends the thesis with the conclusions, implications and suggested future research.

2. Theoretical Framework

Relevant research on the subject will be presented below. The theoretical framework consists of three parts. First, the usefulness of a social network is defined, then the benefits of social networks in an entrepreneurial context is explained and lastly research on how networks are being used by entrepreneurs is presented with some pondering on the effects of social network sites.

2.1. Usefulness of a social network
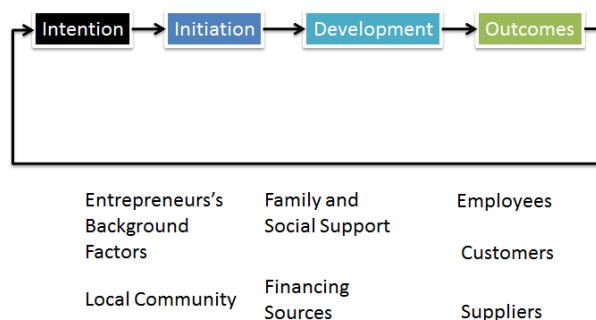
Figure 1 The Entrepreneurial Process and Key Factors (Bloodgood et al 1995)

To gain knowledge on the entrepreneurial process Bloodgood's et al (1995) 'Entrepreneurial Process and Key Factors' model is a good start and puts the entrepreneurial process in a social context. This theory confirms that social factors are a part of, and interact with the entrepreneurial process, stretching from intention, through initiation and development, to outcomes, and through this with the entrepreneur him- /herself (Figure 1). These actors as identified by Bloodgood et al (1995) can be seen as the key stakeholders within the entrepreneur's social network. This emphasizes the importance of a social network, for the entrepreneur, and thus its importance for succeeding with a business idea becomes a relevant question.

According to the network success hypothesis, a hypothesis stating that social networks are necessary for entrepreneurial success, there is a positive connection between the networking ability of a founder and the success of a start-up. This positive connection has been proven by studies conducted by Witt (2004) and Brüderl & Preisendörfer (1998). Both Witt (2004) and Brüderl & Preisendörfer (1998) draw the same conclusions, in their qualitative analysis of previous studies on the subject of social networks. Personal networks, networks consisting

mainly of personal relations, serve as catalysts during the initial phase of a venture's lifecycle. Other types of social networks, such as professional network, become more and more important as the venture progresses in its development. Thus the question of what resources can be found within the social network becomes important (Peltier & Naidu 2012).

Bringing together different talents and social networks are key components of the entrepreneurial process, as additional resources can be gathered that facilitate business growth such as; social capital, employees, customers and investors (Ostgaard & Birley, 1996). Unsuccessful use of social networks in order to gather resources and access important actors might put the entrepreneurial process to a halt.
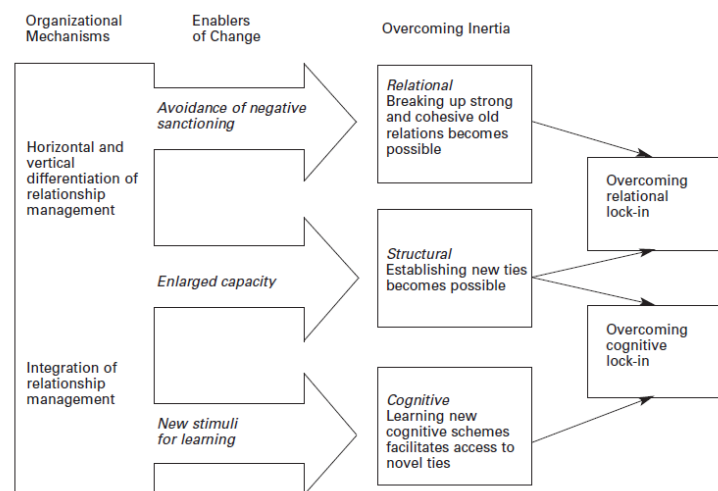
Figure 2 Overcoming the inertia of social capital in the business development phase. (Ebers & Maurer, 2006)

Ebers & Maurer (2006) in their model (Figure 2) above describe the identified necessary steps to avoid the development phase of a business slowing down. They have identified ways to avoid social inertia, i.e. inefficient use of social capital, by horizontal differentiation, vertical differentiation, and organizational integration of relationship management. This leads to a possibility to avoid being socially sanctioned, an enlarged capacity to manage social relations and further providing new learning opportunities/stimuli. The proposed way ahead, leads to an increased relational, cognitive and structural capacity with the effects of reducing the risk of locking yourself in cognitively and relationally (Ebers & Maurer, 2006). A way to see this is as social leverage.

To create leverage, i.e. to make use of the social capital, it is essential to work with an integrative approach specializing and delegating within the organisation as well as pulling the appropriate resources from the social network. Managing *"who"* contacts *"who"* becomes an imperative, as not to inflict damage to important relations, for example *"low-level"* employees contacting key actors (Ebers & Maurer, 2006). This shows that social capital is a valuable asset as it creates possibilities to access resources, manpower and capital within a social network (Ebers & Maurer, 2006; Jenssen & Koenig, 2002).

Jenssen & Greve (2002) suggest that the number of ties within a social network is of high relevance when it comes to succeed with a start-up, i.e. enlarging one's network becomes paramount when looking to enhance business opportunities. They conclude that expanding a network without creating a stronger connection to newer contacts will still add value to the entrepreneurial process. However identifying different roles of different actors within ones social network becomes essential as well as how relations are held together (Jenssen & Greve, 2002).
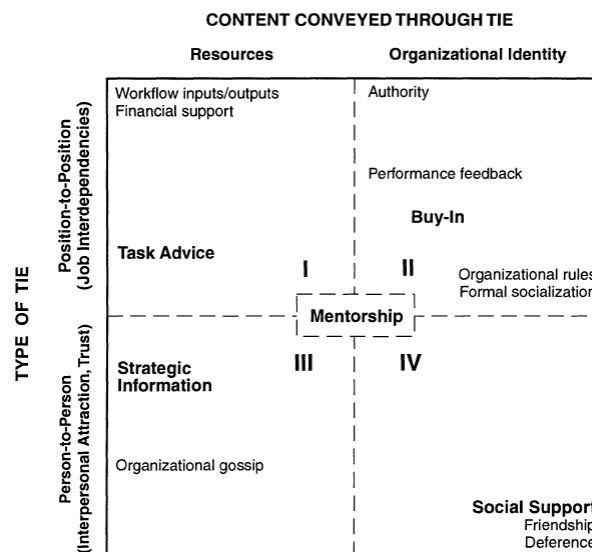
Figure 3 A Typology of the Content of Network Ties in Organizations (Podolny & Baron, 1997)

In the model (Figure 3) proposed by Podolny & Baron (1997) they aim at describing the different roles, position- and person-centred ties have in a network. The axes of the model consist of two dimensions differentiating different sorts of contents in a social network. The vertical axis differentiates between ties that are mainly connected to positions, from those that are mainly connected to persons. Positional ties are normally updated/improved over time or do decline in importance. Person-to-person ties are unlikely to decline since they are not as

closely linked to the person's formal position. The horizontal axis differentiates between ties that transmit resources from ties that convey identity or transmit normative expectations (Podolny & Baron 1997). It becomes important to assess which relations that shift when the entrepreneur's social position changes.

When there is a shift in an entrepreneur's position, person centred ties where the entrepreneur has a personal connection, is likely to follow the entrepreneur and can be characterized as stronger ties. While position related ties, connected to a working role or specific employment, are more inclined to dissolve when a shift is made (Podolny & Baron, 1997). As presented by Brüderl & Preisendörfer (1998) strong ties seem to have predominant value over weaker ties, even though the weaker ties serve a purpose as conveyors of information to different parts of the network. This is confirmed by Granovetter (1973) and stresses the importance of bridges or gatekeepers in social networks, as they will serve as conduits bringing different parts together and being key-factors in connecting key individuals. According to Witt (2004) these strong ties are mainly of importance during the early stages of the start-up but decrease in importance as the company creates its own identity. The strength of these ties corresponds, at large, to the quality of the social network they exist within.

The quality of a social network is an important aspect when it comes to using your social network. As a high-quality network, a network with a high quota of valuable assets within it is more prone to provide needed resources and contacts than a low-quality network (Kristiansen, 2004). Within high-quality networks where high levels of trust are predominant, the costs for mobilizing resources are normally low according to Liao & Welsch (2003). Social interaction with clients and client firms in high-quality networks normally render business related exchange of information that is of value (Liao & Welsch, 2003). To ascertain credibility, the quality of social contacts promoting ones venture becomes important which puts further focus on how to attain credibility.

Figure 4 'the credibility carousel' (Birley, 2003)

Birley's (2003) theory on the 'credibility carousel' (Figure 4) describes the search for legitimacy that entrepreneurs perform in order to gain support for an idea by gathering resources or influence in certain domains. The domains presented are; money, suppliers, premises, people and customers (Birley, 2003).

Birley (2003) further presents a problem, that often happens to entrepreneurs with seemingly great ideas, they get stuck in the 'credibility-carousel', where you are doomed to stagnate if you do not break free from its grip (Birley, 2003). This problem is especially prominent when there is a lack of 'Proof of concept', i.e. no track record of success (Birley, 2003). Here the entrepreneur's social network is deemed to be the reasonable way out and without benefactors within this network many entrepreneurs would never have succeeded (Birley, 2003).

2.2. Benefits of a well maintained social network for a start-up

Peltier & Naidu (2012) find that social networks are especially beneficial when going from the initial launch state of a start-up to the development phase. As different social contacts and networks are important at different stages for a start-up, managing and maintaining your network is likely to improve your ability to adapt to new social contexts (Peltier & Naidu, 2012). Further as emphasized by Pirolo & Presutti (2010), different actors and configurations are important at different stages of a start-ups life cycle. Pirolo & Presutti (2010) find that strong and weak ties in a social network can be of equal importance for the entrepreneurial process, with the main difference being that stronger ties are predominant when it comes to economical development. Developing and exploiting ones ties to these actors is seen as key to success. Benefits connected to this may come in the terms of non-economic factors that in the longer term support relation building and social interaction (Witt, 2004). Further, creating a sense of safety, credibility and security by maintaining good customer and client relation, as depicted by Durrieu & Mandják (2000) will contribute to a perceived lower cost for the customers. This sense of credibility allows for new business opportunities, as positioning oneself in an advantageous position, will create benefits of gaining some amount of control over the social network at hand (Gulati, 1998). Gulati (1998) explains that social networks that are well managed may confer on us an information advantage that further emphasizes the control that comes with positioning oneself. An information advantage may lead to an increased social capital and allowing for actors to play other actors against each other (Gulati, 1998). As further stated by Nann et al (2010) the ability to gain advantages using a social network will contribute to more successful business, regardless of the industry of activity, an ability defined as attunement (Bird, 1998).

Social embeddedness, i.e. *"the degree to which commercial transactions take place through social relations and networks of relations" (Hesterly & Hite, 2001)* will allow for acquiring resources at a lesser cost, when correctly using a social network (Witt, 2004). Further an efficient use of social capital in the emergent phase of a start-up, as defined by Davidsson & Honig (2003) contributes to sales being done more quickly than for actors not as efficiently using social capital. The social network gives the entrepreneur a place and context to act in and is what defines the entrepreneur. The social network can be said to define the entrepreneur, in contrast to the general misbelief that entrepreneurs are *"rugged, get-rich-quick, highly individualistic"* people, with no dependence on the society that surrounds them

(Bloodgood et al 1995). Acting within the social framework it becomes apparent that there are certain resources and actors that are more important at different stages of the entrepreneurial process.
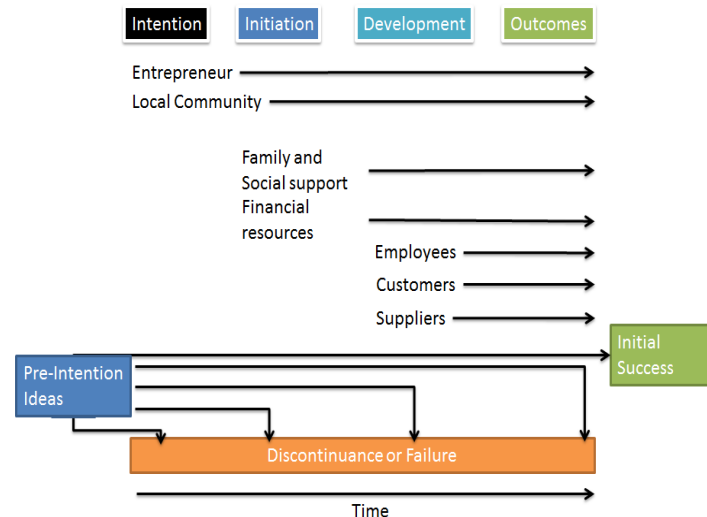
Figure 5 Impact of Environmental and Social Factors on the entrepreneurial environment involves complex relationships. The Success of the Entrepreneurial Process (Bloodgood et al 1995)

Bloodgood et al (1995) in their model of 'Impact of Environmental and Social Factors' use the factors described in the 'Entrepreneurial Process and Key Factors' model. They attempt at describing when different key actors interact or should be made to interact in the Entrepreneurial Process. This interaction can be seen in Figure 5 above, where Bloodgood et al (1995) delineate different societal and environmental factors that will play a key role in further success of a venture. Stressing the importance of considering and maintaining the social network. The social network further acts as place for entrepreneurial socialisation, meaning that useful knowledge can be transferred. As entrepreneurial traits are not to be seen as congenital knowledge and skills, thus allowing for entrepreneurs to gain and developing the skills desirable for successfully establishing a new business. (Bloodgood et al, 1995)

Ostgaard & Birley (1996) state that using the social context to cultivate the entrepreneurial traits seems to be a key component to success, especially in the build-up phase of a start-up when the venture itself has yet to build its own brand. Since a majority of entrepreneurs build their ventures on their social network, it is reasonable to assume a further dependency on this network and its fringes (Jenssen & Greve, 2002; Ostgaard & Birley, 1996). Relating to the different stakeholders that are key-factors for a start-up to succeed, that can often be found

and developed within the social network of the entrepreneur (Jenssen & Greve, 2002). A well-managed social network will serve to keep these actors informed and well inclined towards the business (Håkansson, 1982).

2.3. How social networks are used in an entrepreneurial context

Entrepreneurs use their social networks, in order to connect to different stakeholders that are important for succeeding in making business according to Gloor et al (2012). Social networks are used as a conduit for dispersing information, obtaining new clients and in order to enhance and promote business ideas (Jenssen & Greve, 2002). These activities are in turn often part of attempts of gaining competitive advantages and positioning oneself in an advantageous position for survival (Gulati, 1998). In the entrepreneurial context social networks are seen as a catalyst in the entrepreneurial process, as reaffirmed by Casson & Giusta (2007), by providing the entrepreneur with a variety of resources.
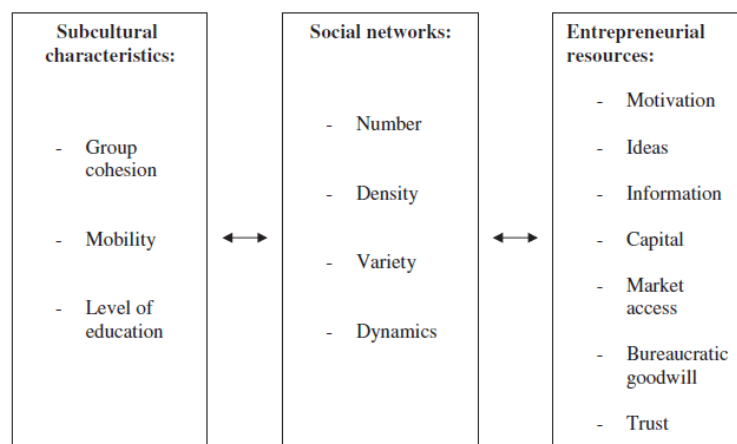
Figure 6 Interplay between subcultural characteristics, social networks, and entrepreneurial resources. (Kristianssen, 2004)

To describe entrepreneurship in a social context Kristianssen (2004) in his model (Figure 6) divides different traits and resources as belonging to different areas; Subcultural characteristics, Social networks and Entrepreneurial resources. Subcultural factors inter-play with the entrepreneur's proper social network allowing or disallowing access to certain resources. Kristianssen (2004) explains that depending on the quality of the social network, it will be used in different ways with regards to resources and know-how. It is presented that ethnic and social background will have an impact on how entrepreneurs use their network and how much effort is needed to mobilize needed resources (Kristianssen, 2004). Some of these differences can and will be bridged by education, however some will be traceable through the implementation process, i.e. a foreigner will have harder to establish business in a new

country. Kristiansen (2004) divides the needed characteristics for entrepreneurial progress in different categories in order to allow for analysis of failure or success when comparing ventures where the founders have different socio-ethnic backgrounds (Figure 6).

Entrepreneurs use their social networks to become more influential and to increase the standing of them, when their venture is in the initial phases of establishing the business (Jenssen & Greve, 2002; Kristianssen, 2004). Further entrepreneurs use their social network to vet ideas and keep these ideas within a closer circle before actually launching the business idea, in order to save time and avoid spending time on projects that have low potential viability (Greve & Salaff, 2003). This reliance is not only a part of the start-up process, as shown by Hoang & Antoncic (2003), but entrepreneurs continually revisit the different levels of their social network for advice and business information. Which is an important part of ensuring that the product or service is still compatible with the market and neither do undercut or exceed market expectations, creating additional costs for the entrepreneur (Littunnen, 2000). To ensure market compatibility managing and maintaining ones social network becomes important.

Looking on the online social media part of social networks, SNS are becoming increasingly popular among entrepreneurs as a way of communicating with clients as presented by Boyd & Ellison (2007). SNS have become an important part of every day life and especially when it comes to maintaining offline contacts and developing the relationship with them (Boyd & Ellison). Further Song and Vinig (2012) develop on the size of an entrepreneur's SNS-presence as a measure of how viable the business is. Taking into account which SNS that is being used a direct positive correlation can be drawn as to venture survivability. In addition, as presented by Song & Vinig (2012) a LinkedIn network presence consisting of more than roughly 316 connections, is likely to contribute to a start-up's viability, stressing the importance of managing ones network in a proper way. Networking and network are used interchangeably when referring to the phenomenon of SNS. However the sole intended purpose of these SNS is not networking, as networks are maintained rather than initiated on the majority of the SNS (Boyd & Ellison, 2007). As described by Nann et al (2010) SNS are becoming more and more important within the framework of keeping alumni networks viable and contributing to venture success. The expansion of SNS have created vast extended online social networks knitting together different generations of alumni (Nann et al, 2010).

2.4.   Summary of the theoretical framework

The theories presented provide a framework that lays the ground for the remainder of the thesis and in particular the analysis. The key findings are:

1   Birley's (2003) 'credibility-carousel' model (Figure 4), explaining the key elements that may lead to a business idea or venture becoming stagnant and the importance of a social network in order to surpass this.

2   Bloodgood's et al (1995) model (Figure 5) on 'Environmental and Social factors necessary for entrepreneurial success', with regards to the entrepreneurs social network and stressing the importance of maintaining all parts of a social network well-functioning.

3   Kristianssen's (2004) model (Figure 6) detailing socio-ethnic factors relevant to explain differences between actors of different social and educational background.

4   Song & Vining (2012) findings on the positive linear correlation between LinkedIn network size and a ventures viability.

3. Methodology

This chapter starts with describing our initial work with this study; secondly our choice of method is being discussed landing in our choice of subject; thirdly our chosen theory and data collection approach is discussed; finally the reliability and validity of this study is being discussed.

3.1. Research Method

Since the purpose of this study is to *develop knowledge on <u>how</u> entrepreneurs perceive their social network and behave within it,* a qualitative method has been chosen; since it allows a deeper investigation of the subject (Merriam, 1994; Miles & Huberman, 1994). Through the use of a qualitative method, we aim to gain insight into the underlying factors and problem areas of the subject, which is more adapted for this, than a quantitative method (Malhotra, 2004). In addition, as Merriam (1994) explains, a case study method is relevant in order to explore a contemporary and complex phenomenon within a real life context, which is the fact in our case. Finally as provided by Guba & Lincoln (1994), the qualitative method enables better understanding of human behaviour than a quantitative method.

In order to perform a study within the social sciences, different research methods are available, such as; *case study*, *experiments*, *surveys*, *history* and *analysis of archival information* (Yin, 2003).

In order to consider if we should conduct a case study we answered Yin's (2003) three questions that have to be met in order to explain the choice. These questions are: *the form of the research question is how or what*, *the researchers focus on contemporary events* and *the researchers do not have control over behavioural events*. Since the thesis aims to answer a "how"-question, its focus is on contemporary events and the researcher have no control over the behavioural events; the preferred method is a case study.

There are three different types of case studies according to Yin (2003); the *explanatory case study*, the *descriptive case study* and *the exploratory case study*. When looking at problems that have not been clearly defined the *exploratory case study* is suitable, and is used when theories and research questions have not yet been formulated (Yin, 2003). Whereas an *explanatory case studies*, has for aim to explain events and how they come to happen (Yin,

2003). Lastly, *descriptive case studies* require theory to guide the actual collection of data (Yin, 2003). This study can therefore be considered as an *exploratory case study*, as it aims to explore problems that have not been clearly defined.

3.2. Theoretical foundations

Despite the fact that the thesis is based on findings collected during the interviews, Yin (2003) stresses the importance of valid theoretical concepts to aid the data collection when working with cases studies. He further acknowledges that without valid theoretical concepts it becomes hard or near impossible to define the subject of study, as well as selecting candidates and identifying relevant variables (Yin, 2003). We have therefore made an extensive study of relevant literature, through keyword searches in the major business, psychological and sociological databases, to find theories that are aligned with the purpose of the study. Furthermore in order to guarantee a high minimum level, the literature has been carefully chosen by including only sources from renowned academic journals or leading strategy textbooks.

3.3. Data collection

3.3.1. Initial interview

Before conducting our primary interviews, we had an extensive initial interview, with an expert on new ventures and business relations, in order to gain more knowledge and to be able to ask relevant questions during our interviews. The expert is a director at a market leading company within its industry, who has further acted as a business angel for start-ups. Through his role as a licensing director, involved in business establishment, he has extensive know-how on the importance of factors for establishing business relationships and their impact on succeeding that will benefit our study. In addition our expert's role as a business-angel gives him deep insights, into the problems that a start-up might face and important factors to consider. We believed it to be interesting and valuable to get the perspective of someone working for a dominant firm in its sector and having knowledge regarding new ventures, in order to confront our findings. The interview took approximately one hour and was conducted under the pretence of the research questions below:

Research question 1: Professional experience

- Have your social network been determinant in order to establish business relationships?

-Have the lack of contacts within the firm of a potential partner prevented you from establishing a business relationships despite being a perfect match?

- Have social Medias been helpful in order to establish business relationships?

- Would you say that a network is necessary in general in order to succeed with establishing a business relationship?

- Is it important to be viewed as a legitimate actor?

Research question 2: Start-ups

- Is it important for start-ups to possess a social network in order to establish business relationships?

- Is it important for start-ups to possess a social network in order to succeed?

- How important is it to be an established actor?

International Management Group (IMG) (www.imgworld.com)[1] is a company founded in 1960 and one of the leaders in diverse industries and business area all over the world such as television rights, brand licensing, sports consulting etc. Mickael Andreo, our contact person, is a licensing director at IMG.

3.3.2.   Interviews

Our primary data has been gathered through interviews, as they are said to be one of the most important ways to gather information for a case study (Yin, 2003). As our study aims to get an insight of what entrepreneurs consider to be important factors in order to succeed, which is a phenomenon that cannot be observed directly, interviews became the natural choice. We chose to adopt semi-structured interviews as they are characterized by their open nature, enable free discussions and give the interviewer control over the themes to be covered (Yin, 2003); and thus suited us well.

The main questions of the interviews were constructed on beforehand with an open ended nature to clarify the personal opinions of the interviewees, while we tried to keep an as

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[1] http://www.imgworld.com/

objective stance as possible not to influence them (Merriam, 1994). Each interview took approximately one hour and was performed using the research questions below:

Research question 1: Network

- Has your social network been determinant in order to establish your business Idea?

- Have the lack of contacts within a potential partner prevented you from establishing a business relationships, despite being a perfect match?

- Have social online network sites been helpful in order to establish your business Idea?

- Would you say that a social network is necessary in general in order to succeed with a business Idea?

Research question 2: Legitimacy

- Do you feel has a legitimate actor in the market?

- Do you feel a change in the way you are perceived?

- Is it important to be viewed as a legitimate actor?

Research question 3:

- What factors do you consider to be crucial for initial success?

3.3.3.   Case selection

We decided on four case companies, who all have in common, having been started by entrepreneurs with an SSE educational background, are all about the same size and are mainly internet based with regards to sales of their products or services. This answers to Eisenhardt's (1989) condition that the area of interest of the selected case should be transparently observable, but also increases the possibility of the cases emerging or replicating similar theories, as our choice was not done randomly (Eisenhardt, 1989). In addition, the choice of selecting four cases respects Eisenhardt's (1989) indication of choosing a minimum of four cases. Finally, the interviewed companies were in different phases of their development which enabled us to gain different perspectives.

3.3.4.   Presentation of case companies

Standbytid (www.standbytid.se)[2] is a start-up that has been active since 2011 and that has been created by its two co-owners Elias Nilsson and Jonatan Hallenberg. Their business idea consists of web-based service that offers last minute services, at a reduced cost for the customer. At the moment they are focusing on dental appointments but aim to broaden their activities into other business areas. Their service enables dentists to fill their free hours, and customers to get a both quicker and cheaper appointment. Both Jonatan Hallenberg and Elias Nilsson were present during the interview.

Sendus (www.sendus.se)[3] is a company currently in its start-up phase and in full expansion having been active since late 2012. The company is addressing the opportunity that emerges from the fact that vehicles carrying goods in Sweden are normally only filled to a maximum of 75% of their full capacity. Sendus offers consumers the possibility to make a case on their website in order to move their goods, on which transporters will bid in order to acquire, since it is in their interest to fill the good's vehicles to their maximum capacity. We interviewed one of the co-founders; Fredrik Hamilton.

Skovik (skovik.com)[4] is an Internet based venture that has been active since 2011. They offer a service through a downloadable app and through their website, enabling companies to facilitate the handling of expense reports and receipts online. Instead of having to fill in multiple templates and forms that takes a lot of time for the employees to fill in and for the company to review. We interviewed one of the co-founders, Alexander Sandström.

Tatchies (www.tatchies.com)[5] is a venture founded in 2011. It was one of the first ventures to address the problem one faces using a touchscreen smartphone during the cold weather season, since standard gloves do permit the use of smartphones. They were one of the first actors to sell touchscreen friendly gloves, where the design and looks of the gloves were of primary importance. We interviewed one of the co-founders, Hampus Schäring.

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[2] https://www.standbytid.se/
[3] http://www.sendus.se/
[4] https://skovik.com/
[5] http://www.tatchies.com/

3.3.5. Complementary data

To complement the interviews, data was gathered from LinkedIn in order to be able to draw eventual conclusions on the sizes of the entrepreneurs' social networks, with regards to the findings presented by Song & Vinig (2012).

The gathered data is to be seen as indicative, as no data on the quality of each social connection has been gathered nor assessed, neither has the extended online social networks been analysed, for practical reasons and to keep within the delimitations of this study.

3.4. Analytic strategy

To do appropriate analysis Yin (2003) states that that a general analytical strategy is important. For this study we have decided to rely on the strategy of theoretical propositions (Yin, 2003), as our general analytical strategy; which relies on the designed theoretical framework and allows the study to remain focused on collected data to process and analyse. Through the use of multiple data sources; theories and literature review along with primary interviews, and a reference interview our aim is to enable data triangulation, that will increase the validity of our analysis (Yin, 2003).

3.5. Quality of research

In order to ascertain that the thesis fulfils the intent of the study and that the research is of value, the research is evaluated against certain criteria, in order to confirm the reliability and validity of the research (Yin, 2003). Yin (2003) proposes four criteria that can be used for the purpose of evaluating a study; *reliability, construct validity, internal validity* and *external validity*.

The *reliability* criteria has as its purpose to test if a future researcher would be able to reach the same results using the same tools and procedures that have been used during this study (Yin, 2003). According to Yin (2003) the reliability test aims at reducing biases and errors in a study. During this study this has been done by careful documentation of the techniques and procedures employed. Errors have also been prevented through detailed descriptions on how data has been collected and processed. However there is a possibility of discrepancies here, as the interviews were performed following a semi-structured method, and the interviewees will

answer differently depending on how the question is asked. Further, the findings made during our interviews might have been misinterpreted or collared by personal opinions. In addition to this, by interviewing at least two individuals from each company, we would have likely been able to get more valid information than by just interviewing one individual or two persons from the same company at the same time. This leads us to believe that the reliability requirements might possibly be lacking.

A test of *construct validity* is made in order to ascertain if the researchers have succeeded to conceptualize correct operational measures for the study (Yin, 2003). To construct validity is problematic when doing case studies as there is a possibility of bias in the data collection with regards to the objects being studied not answering truthfully to interview questions or unintentionally withholding information. However the diversity of sources as well as the reference point in the form of an expert has likely provided us with sufficient data to fulfil the requirements of construct validity.

Internal validity aims to find cause related events for explanatory or causal studies (Yin, 2003). Since our thesis is exploratory, there are no cause-related events, and therefore *internal validity* is not an issue for the study.

To test *external validity* we assess if the findings from our study can be considered general when drawing conclusions outside of the case study itself (Yin, 2003). There are some critiques as of how a case study can be said to give sufficient basis for generalizing (Yin, 2003). This is however more the case when doing quantitative than qualitative studies (Merriam, 1994). To account for this we have used a multiple case approach and triangulated the collected data (Yin, 2003).

For case studies the problem of external validity is not of the same magnitude as it would have been if we were doing hypotheses testing, as case studies are done in order to gain knowledge and understanding (Yin, 2003). Our results can be said to be applicable for different start-up businesses on the Swedish market. A possible fault in the study is that we have mainly focused on internet-based start-ups; however we see the benefits of using our approach outside our studied area.

4. Empirical data

In this chapter the study's main findings are presented. The results from interviews with the four different companies are presented in accordance with the different research questions. This is done to facilitate reading as opposed to presenting the companies' results individually.

4.1. Introduction to the empirical data

As previously stated in 3 Methodology, the ventures have been chosen to ensure a certain measure of comparability. The ventures are all of similar size, with the founders sharing a common educational background from the SSE and the sales of products and/or services are mainly internet based. To further analyse the ventures, data has been collected from the companies' websites and founders/owners LinkedIn accounts.

4.2. The importance of a Network

Our first objective is to identify if the interviewed companies considered a personal network to be of importance in order to succeed with a business idea. All the interviewees considered a network to be of importance but for different reasons. Therefore the results will be separated in three categories; first 'the importance of a network in order to establish business relationships', thereafter 'the importance of a network in order to gain access to capital' and finally 'the importance of a network in order to get valuable advice'.

4.2.1. In order to establish business relationships

Jonatan Hallenberg and Elias Nilsson, co-owners of Standbytid, both considered that the use of a personal network is crucial, this was emphasized by Elias Nilsson stating that: *"we would not have succeeded without a personal network"*. The scope of their venture (Standbytid) lies primarily within the world of dental care, a field, that according to Jonatan Hallenberg and Elias Nilsson, views legitimacy as an important feature: *"they are experts and want to deal with other experts" (Jonatan Hallenberg)*. In their case, the contact enabling them to enter their current market was a person in Jonatan Hallenberg's extended network. This contact enabled them to meet the CEO of a group that owns and manages several dental clinics. In exchange for developing an iPhone app for the company they got to work at the main office where they got a feel for the business and its prerequisites. As the CEO enjoyed the utility of the service, he spread a good word about them to colleagues within the dental care business.

Hampus Schäring, co-founder of Tatchies, agrees with the importance of a network in order to establish business relationships and confesses: *"most of the sales have been made thanks to contacts I had in different stores".* Both the co-owners of Standbytid and Hampus Schäring emphasize the importance of a network by stipulating that many prospective business deals did not take place due to the natural reluctance people have when being called up by a sales representative. They reckon that the potential partner would have enjoyed the service they provide, and that the reluctance to make business would not have existed if they had an initial contact with him/her. Elias Nilsson and Jonatan Hallenberg have also managed to gain needed credibility and legitimacy by being interviewed in an online magazine for dental professionals Dental 24[6]. They have also expanded their network by going to business fares for the dental care sector that have enabled them to broaden their network, by being able to present their service to potential clients in person. In summary, their personal network, the article and their networking activities have enabled them to establish business contacts and as a result to establish their venture and they are now receiving customers who are directly contacting them instead of the opposite.

Fredrik Hamilton (co-founder of Sendus) and Alexander Sandström (co-founder of Skovik), both state that having a personal network in order to establish business contacts is not necessary. Still they both admit that: *"it would not have hurt" (Fredrik Hamilton)*, and that it would have facilitated a lot in order to get new customers. They both agree, separately, that the lack of personal connections to the client, might often have been a reason as to why they have not succeeded with their sales pitches or why they have not received a reply from an intended client. Nevertheless, they both consider that they have an easy service to sell and therefore do not consider a personal network as a crucial factor in order to establish business relationships. Nonetheless Alexander Sandström explains: *"We did not know our twenty first customers. They have been persuaded through a classical sales approach; calls and mails. We are both (the two co-founders) not from Stockholm and did not know anyone except of friends from business school".* Fredrik Hamilton explains the ease to establish business relations due to the market he is competing in and the gratuity of the service: *"Most of the potential partners are small transportation companies that are therefore easy to reach and*

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[6] http://dental24.se/index.php/aktuellt/inga-tomma-stolar-mer-fyll-luckorna-i-tidboken-via-naetet-och-oeka-loensamheten

since my service is for free, it is easy to convince them to use it, it can only give those benefits".

Mickael Andreo, sales director at IMG, believes that a network is crucial in order to establish business relationships, and even more for start-ups, since according to him: *"if they do not have a revolutionary product or service they most definitely will need a network in order to make up for their lack of reputation" (Mickael Andreo).* He also remarked, that many of his past colleagues, who have left the company in order to start their own ventures, left with customers they had at IMG. This since they had become the natural points of contact for their clients. He even mentions that when recruiting a new employee: *"we always analyse the network he has in order to determine if he can bring some new business deals into the firm"* (Mickael Andreo). Despite working for a famous actor in the industry, he recognizes that some deals do not occur even though the partnership would have been perfect due to of the lack of a door opener or access to a gatekeeper in the firm. According to him: "*Purchasing directors receive tons of prospecting mails and follow-up phone calls every week and do not have the time or the will to answer everybody".* He therefore regards it as very important to network in order to expand one's business potential. He even goes as far to state "*that having a contact within a potential customer firm raises the chance of establishing a deal by 50%".*

4.2.2.   In order to get access to capital

As mentioned before, conversely to the owners of Standbytid and Tatchies, Fredrik Hamilton does not regard a network important in order to establish new business relations. On the other hand Fredrik Hamilton considers that his network has been very important in order to raise capital. Indeed, Sendus has a very renowned business man as an investor providing venture capital.

4.2.3.   In order to get valuable advices

Alexander Sandström, co-founder of Skovik, considers that a personal network is necessary in order to get valuable insight from knowledgeable people. Alexander believes him and his colleague having attended SSE have gotten them access through the extended alumni network to several mentors and advisers: *"that were willing to meet with us and help us, when they heard we went to SSE [...]"*. *"[...] we more or less started by looking through LinkedIn identifying former SSE students employed at relevant companies"*. He considers that it would probably not have happened if they did not share the same academic background as them. Alexander Sandström even considers that their educational background have given them some credibility since the *"SSE enjoys a good reputation in Sweden and is the best business school"*.

Alexander Sandström further states that his educational background has been important in order to get inspired and get the will to create his own venture. In fact many of his friends from SSE have started their own ventures and have become successful: *"You get infected by their drive and creativity"*.

4.3. Social network sites

Another area that was of interest to investigate is whether the selected entrepreneurs perceive whether social network sites and social media are important in the establishment of new business ideas.

Even if all the interviewees were not all that enthusiastic regarding the benefits, one could gain from social network sites; they all at least argued that they could help. The entrepreneurs often reacted: *"I should be more active!"* (Alexander Sandström). Mickael Andreo considers that social network sites will play a major role in order to network in five to ten years: *"a great future will lie there"*. Still, he is today, and has been for the past five years, developing his online social network. He states that right now the most used and relevant platform is LinkedIn, and that it is *"very easy and innocent to add someone to your network"* (Mickael Andreo). He has even noticed that by doing so he has increased the probability of getting a response from the potential customer and even succeeding with the establishment of business relationships. Furthermore, Hampus Schäring proclaims that social Medias have been helpful

in order to network: *"Through one tweet we (Tatchies) were able to get an article in Vanity Fair"[7]*.

Despite the fact that Alexander Sandström confesses that he could be more active on that field, he has used LinkedIn in other to research people from the accounting industry that share the same educational background as him (SSE). He reaffirms, as mentioned earlier, those alumni from the SSE: *"share a strong and proud identity from having attended SSE and are eager to help each other"*.

4.3.1.   LinkedIn network data

In order to be able to draw possible conclusions with regards to social online presence of the founders of the interviewed companies, data was gathered from LinkedIn.

Table 1 Founders' LinkedIn-network sizes (2013-04-30)

Company	Founders	LinkedIn Network size	Above expected average?*
Tatchies	Hampus Schäring	496	YES
	Nazanin Binisi	500+	YES
	Markus Schramm	266	NO
	David Prentell	500+	YES
Standbytid	Jonatan Hallenberg	77	NO
	Elias Nilsson	354	YES
Sendus	Axel Warg	423	YES
	Fredrik Hamilton	500+	YES
	Anders Eriksson	474	YES
Skovik	Alexander Sandström	356	YES
	Fredrik Abrahamsson	280	NO

*Expected average is 316 (Song & Vinig, 2012)

All companies present in the study had at least one founder with a LinkedIn social network size over the expected average, 316 connections, as presented by Song & Vinig (2012). The only venture with all founders having a social network with more than 316 contacts was Sendus. In the table (Table 1) the value 500+ represents a network larger than 500 connections, and where data of the number of actual connections was not obtainable. The data collected does not take into account the second and third degree connections[8], of the founders, as this data was not available.

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[7] http://www.vanityfair.com/style/giftguide/2011-holiday-design-guide_slideshow_item14_15
[8] Features of the LinkedIn-site allowing you to see extended networks

4.4. The transition from start-up to brand through the use of a social network

It has also been of great interest to observe what the entrepreneurs viewed as the turning point of going from a start-up to an established brand, the instant at which they had managed to use their network successfully enough in order to become an established actor on the market.

A general consensus amongst the interviewees was that they considered legitimacy in the industry as an important factor in order to succeed. Jonatan Hallenberg explained: "*many new enterprises are started every day, but few prevail. Actors in the industry want to see that you can survive before considering you*". In addition, Elias Nilsson and Jonatan Hallenberg considered that the point when one's brand is known and one do not have to present oneself anymore as a SSE-student, who had this idea, marks a transition in one's legitimacy. Alexander Sandtröm still emphasizes the fact that credibility is relative to the potential partner: "*Big companies will despite of being knowledgeable and present on the market for quite some time consider us as a minor actor and student company, and therefore not establish business deals with us. Whereas small to medium ventures will see us as a credible actor*" (Alexander Sandström).

Mickael Andreo underlined the importance of belonging to an established brand that benefits a good reputation, by stating that, working for an established brand as IMG has opened him many doors when contacting potential customers. He explains: "*IMG has been active in the industry for more than fifty years and has always at least met the customers' expectations*" (Mickael Andreo). A concept that all the entrepreneurs seem to have grasped since they have all declared in more or less similar way; that in order to be considered as a credible actor, one has to deliver value to the customers, and from there the "*word-of-mouth*" effect will emerge.

During the interviews it was refreshing to notice the smile the entrepreneurs would get while mentioning up the fact that their brand was renowned. A quote that perfectly reflects the pride they feel is what Hampus Schäring stated: "*Nothing beats the feeling of when you mention the company you have started to a person, and that the same person tells you that he knows the company, loves the gloves you have created and owns a pair*".

Further on it was intriguing to witness the emotion the entrepreneurs would express when they would mention the point when they started to get incoming sales related calls. As Hampus Schäring exclaimed: *"I had achieved something, I had reached the first level of success, and it was going in the right direction"*.

4.5.   What factors entrepreneurs deem to be crucial for initial success.

It was enlightening to learn what retrospect the entrepreneurs considered they would have needed in order to be more successful.

Fredrik Hamilton estimates that the asset he missed the most and would have liked to have more today is an active board of directors. He even recognized that if he would start again today, he would put a bigger emphasis on getting "*more knowledgeable advices than capital"*.

On the other hand Hampus Schäring feels he could have benefited from more labour. He states: *"I had too much to do! I had to take care of accounting, send the orders, take care of inventory [...] I could not focus on the sales or developing the company"* (Hampus Schäring). He further reiterates: *"It is part of a start-up experience to make mistakes and learn from them, I would not change that for the world"* (Hampus Schäring).

Alexander Sandström answered that it at this time was hard to assess what was initially the most needed and what in retrospect would have been the most valuable resource, however more resources in general would have been valuable.

Jonatan Hallenberg, reflected that looking on the situation when they started their venture, they had numerous resources at hand through the incubator SSE Business lab. However *"a mentor or someone renowned within the dental care industry on the company board would likely have contributed to the legitimacy of Standbytid"*. Jonatan further stated that *"a thoroughly worked through business plan and a more aggressive marketing strategy would have given an initial head start [...] it is easy to overestimate the value of your product"*.

4.6. Summary of the empirical data

The following main deduction can be made from the empirical data:

1   The interviewees agreed on the importance of a social network however for different reasons namely; establishing business relationships, getting access to financial resources and in order to benefit from valuable advices.

2   The entrepreneurs considered the fact of becoming a legitimate actor, a brand, through the use of their social network as a main objective for them as start-ups.

3   Online social presence was perceived as something important in order to manage current social connections, as well as mine new ones within the extended network and the alumni present on sites such as LinkedIn. All interviewed companies agreed on social online media and social network sites in particular being underused within their ventures.

4   All companies present in this study had at least one founder with more than the expected average of 316 LinkedIn connections.

5. Analysis

In this part of the thesis the main findings of the study are analysed vis-à-vis relevant research presented on the topic. To avoid repeating similar findings we have chosen to present them in relation to the different research questions, for practical reasons research questions 1 and 2 are presented together due to an extensive overlap.

5.1. Perceived use of a social network (Research question 1) & How entrepreneurs use their social network (Research question 2)

5.1.1. The importance of a Network

5.1.1.1. In order to establish business relationships

In our study we have had an equal number of the interviewees responding positively and negatively to the question if *'a social network is necessary in order to establish business relationships'*. For Standbytid and Tatchies, a personal relation was perceived as vital for their initial sales attempts in order to establish their ventures on their respective markets, and giving them a more legitimate position. This can be explained by both business areas, gloves/accessories and dental, being person-to-person business areas where you are not only selling a product but also relating to a renomé. Sendus and Skovik, working solely with internet-based services, were relying on a well-functioning service that was perceived to be of key interest in order to gain an initial market position. This can in part be explained by different levels of social capital as described by Ebers & Maurer (2006) and Jenssen & Koenig (2002), where both Sendus and Skovik have had comparative higher social capital leverage vis-à-vis the other interviewees. The reference interview with Mickael Andreo further confirms the importance of the social contacts and networks especially when continuing your business contact, as this is likely to bring new business opportunities in the longer run. Which is in concordance with Witt's (2004) statement that there is "*a positive relation between the networking activities of founders and their start-up's success"*? This is further reaffirmed by Casson & Giusta (2007) with regards to the social network being seen as a catalyst in the entrepreneurial process, and by Peltier & Naidu (2012) according to who the personal ties are especially important at an early stage of a venture. This correlates to personal ties as depicted by Bloodgood et al (1995) (Figure 5), who describes them as essential to surpass the initiation phase of venture creation.

Looking on the social online network part of establishing business relationships both Standbytid and Tatchies experienced that social Medias have had an impact on their ability to establish business contacts. In the case of Standbytid, this occurred through apparition in online-press and for Tachies with a twitter message leading to a spread in Vanity Fair. This is what Witt (2004) describes as using the weak ties to communicate information and can partly be attributed to what Granovetter (1973) describes as gaining an information advantage leading to new business.

For Standbytid and Tatchies, their social networks enabled them to sell to potential customers they would not have been able to sell to without these networks. All the interviewees stated that certain deals did not occur in spite of otherwise perfect conditions due to lack of social access to the intended client. Mickael Andreo confirms this view, that the immense pressure on e.g. purchasing managers especially in larger companies will make them unwilling to even consider contact attempts from unknown actors. This is in line with Witt (2004) and Jenssen & Greve (2002), who detail the problems that might occur to limit unknown actors on a market vis-à-vis established actors especially in a sales situation. In the case of Sendus a well-known investor backing the company might have had a positive effect limiting the need for building a more solid reputation for the company (Witt, 2004). Mickael Andreo's statement on the importance of bringing in employees with a well-established network is connected to what is being said by Witt (2004) concerning the importance of strong social ties at the initial phases of a start-up. This is further reaffirmed by Podolny & Baron (1997) when describing the strength of the person centred ties and how these are more likely to follow an individual when shifting positions in a social network.

The number of ties have not been seen as a way to reach success by any of the entrepreneurs, rather the quality of these ties have been seen as the only important factor. However this is disproved by Jenssen & Greve (2002) who show that the number of ties is a key factor as enlarging one's network will induce new business opportunities by easier communicating and vetting new business ideas and communicating with potential clients.

Using their social networks to leverage social capital might have proven and still might prove a possible way forward for the studied ventures. As the importance of their social networks is likely to increase in, especially as the brands they become more established and relations change with existing and future clients (Ebers & Maurer, 2006). As presented earlier all

ventures have a higher than average presence on the SNS LinkedIn, which should correlate with a higher than average success rate and venture viability (Song & Vinig, 2012; Gloor et al, 2012; Nann et al, 2010). This in conjunction with the interview responses gives that there is much unused potential within the social networks of the ventures studied. This specially related to the online social presence and furthers the use of the extended online social networks to track down important alumni contacts (Gloor et al, 2012; Nann et al, 2010).

5.1.1.2.   In order to get access to capital and resources

Fredrik Hamilton, Sendus, attributed the ability to obtain an investor to his social network and that this would probably not have been possible without a personal relation to the investor in question. The other interviewees did not believe investment related issues to be of any concern. However Hampus Schäring, Tatchies, stated that bringing in a financial/accounting expert for equity in the firm might have solved issues allowing for the brand to become more viable as many personnel resources were drawn into these issues that could likely have been used more efficiently for marketing and sales purposes. Further Alexander Sandström, Skovik uttered the low liquidity (i.e. low capability to pay themselves a reasonable salary) to be an issue. The perception can here be said to go against the findings of Ostgaard & Birley (1996) who stresses the importance of a well-functioning social network in order to raise capital allowing for focus on key areas. The perceptions of the entrepreneurs might be deceptive here, as more working capital, likely would have allowed for potential to focus on growing the business rather than the nitty-gritty details (Ostgaard & Birley, 1996). All of the interviewed companies stated a will to grow and to expand the business both nationally and internationally. However such expansions might take an unreasonable long time, with no additional capital and only through organic growth, resulting in a possibility that they might get stuck in the 'credibility carousel' described by Birley (2003); where money is described as a factor to break free from the carousel and truly initiate a business idea. The possibility to acquire resource such as money is ascribed to high-quality networks, indicating that the quality of the social networks is different between the interviewed companies. This is reinforced by Kristianssen's (2004) model ascribing the possibility to access certain resources as easier depending on your social group, certain social groups will have a more high-quality network than others allowing them a to succeed easier with their ventures. The fact that the interviewed entrepreneurs have the same educational background (SSE) can be seen as a bridging factor with regards to the model put forward by Kristianssen (2004). However the

discrepancies observed, with regards to capital might possibly lie within differences in social background amongst the entrepreneurs interviewed.

5.1.1.3.   In order to get valuable advices

When the issue of social networks was brought up, Alexander Sandström (Skovik) stated this to be of great use in order to get market insight, as well as good general business advices. By using the LinkedIn social networking site he and his colleague were able to get in contact with former SSE alumni. Further Jonatan Hallenberg and Elias Nilsson stated that getting access to valuable advice would not have been possible without personal connections and the goodwill of their benefactor within the dental care industry. Both cases coincide with what Nann et al (2010) calls the strength of the old-boys-network i.e. that a close knit alumni community with a strong sense of belonging will generate more successful start-ups. Fredrik Hamilton, Sendus, states they (Sendus) did not use their social network in order to get advices however this was something perceived to possibly have positive implications in the future.

The perceived usefulness of the extended social network is not universal, however should not be underestimated when it comes to succeeding with a business idea (Gloor et al, 2012). Using alumni networks for resources and advices have in a significant number of cases been shown to be one of few, if not the sole deciding factor, as to the survival and initiation of a business idea (Nann et al, 2010). In comparison to quantitative studies done by Gloor et al (2012) and Nann et al (2012) we sense a discrepancy between the perceived use of these alumni networks and the reputation of the alma mater (SSE), and their actual importance as to explain the comparative success of the ventures studied in this study. This perceived discrepancy might in part be attributed to what Kristianssen (2004) describes as sub-cultural characteristics that gives certain groups a substantial comparative advantage to the general population when starting a new venture.

Extending one's social network to include renowned actors as was the case for both Skovik and Standbytid is one of the recommended ways according to Birley (2003), in order to escape the 'credibility carousel'. This was further reaffirmed in the interviews where the entrepreneurs acknowledge this contact building as the key factor to establishment within their current business area, in the case of Standbytid the advice from their benefactor within

the industry was crucial as they had no 'proof of concept'. Mickael Andreo reaffirms this in his statement that knowing someone is in most cases the only way forward.

Getting valuable advice through alumni contacts might serve to give an information overhand compared to similar start-ups as it will mean the start-up positioning itself in an advantageous position as described by Gulati (1998). This concurs with what Skovik described for their initial establishment, by being able to use alumni for vetting business ideas. Skovik ensured what Littunnen (2000) describes as market compatibility, which further can be considered a pre-emptive action in order to lower entry costs and ensure own products survivability. Being able to revisit the social network for advice as depicted by Hoang & Antoncic (2003) has been positive factor for both Skovik and Standbytid during their growth, reaffirmed by Greve & Salaff's (2003) as this saves time and helps avoid major faults in the venture design.

5.2. What factors do entrepreneurs deem to be crucial for initial success? (Research question 3)

5.2.1. The transition from start-up to brand through the use of a social network

What was mentioned by all participating companies was the sense of relief when going from being the individuals behind a start-up to the start-up actually becoming an entity of its own, a brand. Jonatan Hallenberg describe this as, that they were not only being referred to as the two *"SSE guys"* in a start-up but rather as them representing Standbytid. The process of going from individuals, who had a business idea, to being a brand, can be described as enlarging the social context within which the venture is acting. By this allowing for the venture to become more independent from its founders personal networks and their inertial constraints as described by Podolny & Baron (1997). Networking skills were identified as a key component by all interviewees for establishing the brand on the intended market and to obtain a certain amount of legitimacy. This coincides with what Birley (2003) presents when it comes to establishing a business idea, although it is not necessarily a trait that coincides with being a good entrepreneur. This pertains to that it might be wise for an entrepreneur to seek these skills and abilities within his/her social network rather than focusing on developing them him-/herself at all times. Thus using their social network rather than trying to internalising all traits needed for succeeding with executing a business plan (Birley, 2003). This reiterates the statement by Witt (2004) that networking is a key trait to develop and cherish for the

entrepreneur to ensure the ventures survivability. As described by Bloodgood et al (1995) different parts of the social network is of importance at different stages for the ventures creators (Figure 5).

All the interviewees describe that there at a point became easier to sell the product/service to clients and customers together with what was perceived as the brand getting more renowned. This concurs with Durrieu & Mandják's (2000) concept of safety and credibility where the customer feels that the alternative cost for investing in a venture's product or service is lowered. This is mainly attributed to the customer-relationship changing and can be seen as being connected to a shift from sole focus on the products value towards the customer buying into a 'brand' and a sense of a more established company. This is however double-edged as Mickael Andreo stated since the relationship can change back with a focus of the relation channelled through a singular contact, making the company more vulnerable as the loyalty is shifted to the individual employee rather than the company, as introduced by Podolny & Baron (1997).

5.2.2 What start-ups consider they need in order to be as successful as possible.

During our interviews with the start-ups, what became apparent was that one start-up often wanted the resources another one often possessed and vice-versa. Where Sendus and Standbytid wanted more knowledgeable advice, Tatchies would have wanted more investments in order be able to hire extra staff. In addition, where Sendus had the capital resources needed, they would have enjoyed more guidance. This is part of what Birley (2003) describes in the 'credibility-carousel' model, (Figure 4) that the lack of certain key elements will slow down the initiation process of a new venture. A more efficient use of their social networks in order to obtain the required resources would likely have sported a comparative advantage for the start-ups in question (Birley, 2003; Witt, 2004).

What was also a common trait for the entrepreneurs was the attitude towards making mistakes and failing, embodied by the statement of Hampus Schäring, Tatchies "*It is part of a start-up experience to make mistakes and learn from them, I would not change that for the world*". This is what Bird (1998) describe as attunement, i.e. the ability to learn from mistakes and to improve your business, a desirable and vital trait for entrepreneurs in order to ensure viability

for a start-up. Further this can be seen as connected to the social and environmental interaction (Figure 6) as described by Bloodgood et al (1995), where the entrepreneurs by failing and making mistake identifies the different actors and in doing so intuitively identifies the steps and the different actors' importance at each step of the entrepreneurial process. The statement by Alexander Sandström, Skovik that it was hard to assess needed resources, stresses the need for valid models and the importance for entrepreneurs to map the intended way forward for a new start-up (Bloodgood et al, 1995).

The entrepreneurs attitudes towards mistakes and faults may in part be sound, however using their social network to avoid falling into unnecessary traps might prove to speed up the process of establishing the business ideas (Greve & Salaff, 2003; Birley 2003). The proneness towards accepting mistakes and failures as part of the venture creation process might be connected to the sub-cultural factors as presented by Kristianssen (2004), as the entrepreneurs educational background might give them an advantage when it comes to maintaining and re-obtaining social capital. This is probably due to a group-cohesiveness connected to the SSE-brand as well as the strong impact of its alumni network in the Swedish society.

5.3   The authors' proposed model

As shown, an extended online social presence in relevant media such as; LinkedIn, is likely to be a success factor that will put ensure a ventures viability (Song & Vinig, 2012; Gloor et al 2012; Nann et al 2009). Using Birley's (2003) 'credibility-carousel'-model and Bloodgood's et al (1995) model on 'Environmental and Social Factors on the entrepreneurial environment', one has valuable tools to analyse initial factors to overcome (Birley, 2003) and further to analyse the entirety of the entrepreneurial process (Bloodgood et al, 1995). However models as proposed by Birley (2003) and Bloodgood et al (1995) need to be enlarged, in order to account for the online social media presence, as this phenomenon brings in a new factor that may possibly explain why certain business ideas take a leap forward or not.
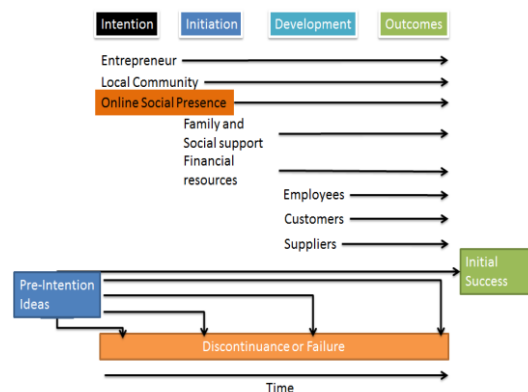
Figure 7 Extended 'credibility carousel'

Figure 8 Extended model on 'Environmental and Social Factors on the entrepreneurial environment'

We suggest adding an 'Online Social Presence' factor to both models as this factor would allow bringing new quantitative studies into account when doing viability analyses at an early stage for a venture. As well as allowing for analysis if there is untapped potential within the venture's existing social network and further put the need for social media strategies at par with other, as important factors. Studies such as Song & Vinig, (2012), Gloor et al (2012) and Nann et al (2009) all stress the importance of a social online presence but do not integrate this factor into models such as proposed by Birley (2003) (Figure 4) and Bloodgood et al (1995) (Figure 5). Why we suggest introducing this factor into these models to make them more relevant for today's entrepreneurs and future research. Birley (2003) and Bloodgood et al (1995) have proven to be of relevance and should still be considered as relevant when evaluating new business ideas and on-going venture, why we suggest no major changes other than adding the 'Online Social Presence' variable as seen in Figure 7 and Figure 8.

6. Conclusions and implications

In this chapter the main contributions of the study are summarized and some implications for entrepreneurs are proposed. After, the limitations of the study are mentioned, as suggested future research.

6.1. Conclusion

The purpose of our study was *to develop knowledge on how entrepreneurs perceive their social network and behave within it*. This based on widely used models and theories to describe the relationship between entrepreneurs, start-ups and social networks. We have studied the problem taking into account time elapsed and with regards to new research on the area of social network sites, that brings up aspects not previously accounted for. After an initial literature search and an interview with a relevant actor within our field of study, we formulated three research questions. These questions formed base for the remainder of the study and are the main points that we attempt to answer in the following section. Since the findings related to research questions 1 and 2 were presented together in the analysis, conclusions related to these questions will also be presented together.

How do entrepreneurs themselves perceive the use of a social network?

How do entrepreneurs use their social network?

The entrepreneurs' perceptions of the importance of a social network in order to succeed with their venture are in line with major studies on the area of entrepreneurship, reaffirming that entrepreneurs cannot survive outside of a social context. The perceptions as to what factors are the more/most important differ to some extent between the entrepreneurs and the studies presented. Some deemed i.e. that social networks were irrelevant in order to succeed with launching their business idea were others regarded them as crucial for business establishment. Likely these discrepancies are due to the entrepreneurs being rather inexperienced, only having limited knowledge of their proper needs. This brings us back to the general misconception of the entrepreneur as a self-made man, as you have to see your self as part of a social context in order to be able to analyse and understand it. Understanding ones social context is key to maximizing the potential of ones social network.

The entrepreneurs use their social networks in order to get access to various resources that would have been more complicated/impossible to get access to without it. Their social

networks have enabled them for example to establish business relationships, get bank loans, and benefit from valuable insights. Still they use their social networks rather passively compared to its potential. This in contrast to what the literature tells us of the need for social networking strategies and strategies for maintaining already existent social relations. This since it is proven that successfully using their social network is a success factor for start-ups, enabling them to prevail. Furthermore the potential of online social media, remains an untapped area of potential resources for the interviewed entrepreneurs, who have all initiated an online presence, however no clear strategy could be found. The lack of social network strategies shows what has been suggested in this study, there is a need for entrepreneurs to find models to help them understand their social contexts and enable them to adapt appropriate behaviour. Depending on the venture successfully implementing a social network strategy might prove to be the key to survivability. Models attempting to assist entrepreneurs in using the untapped potential of their social networks have been presented in this study. Social networks as such are not only useful, but also vital for entrepreneurs if they are to survive.

What factors do entrepreneurs deem to be crucial for initial success?

The entrepreneurs all had different opinions as to what resources that would have initially been needed, for a more successful start of their ventures; where for example one wanted capital the other wanted guidance. Alas, none of the entrepreneurs had a holistic approach to fulfilling the needs of a nascent start-up. There are however studies clearly showing what factors are deemed to be of necessity, when going from business plan to full-blown venture. These factors are often to be found within the entrepreneur's existent social network. Further recent studies have especially emphasized the potential to use untapped resources within the sphere of online social media. This further reiterates the need for appropriate models, to guide entrepreneurs and to explain why some entrepreneurs with great ideas still fail. As previously stated there is a great risk for the entrepreneur to get stuck in the entrepreneurial myth of being self-made, by not considering all factors necessary.

6.2. Implications for entrepreneurs

The study presents two models that aim to account for changes in social network behaviour linked to the introduction of social network sites and further to the general requirements of today that entrepreneurs need to be present in social online media. The study further has

shown that there is a need within the studied companies to embrace the need for social networking strategies, as important benefits can be drawn from them. The proposed models may serve as guidelines for further venture developments. These findings are likely of a more general character and could be probably be used by nascent entrepreneurs within other areas and with diverse backgrounds in order to ascertain venture survival and hopefully success.

Bringing in 'online social presence' into Birley's (2003) and Bloodgood's et al (1995) models brings them up to date and acknowledges that there is a difference of how we interact 'online' and 'offline'. Since social media in general and social network sites in particular, are becoming an increasingly important part of everyday life for entrepreneurs. They need their proper place in currently used models, to account for how social interaction is done and can be used to further business opportunities.

The proposed models provide a way for entrepreneurs to map an initial way forward and to revisit when experiencing problems with moving forward in the entrepreneurial process, avoiding making unnecessary mistakes.

6.3. Critique

The chosen companies have only been interviewed once, with only one or two of the founders being interviewed at the time. The study would likely have gained in reliability and credibility with a larger selection of case companies and by involving diverse persons implicated with establishing and managing the different ventures.

Further the case companies are solely start-ups, started by current or former SSE-students, chosen due to ease of access and of our personal networks. The study would have probably gained in relevance, with a more diverse background of the companies; i.e. with other educational background, and by including start-ups not only started by university level student. A larger and more diverse data collection for this study would have probably have enabled us to draw more generalized conclusions.

The literature used has been only from acknowledged digital journals or course literature. A more diverse search frame including B2B and Entrepreneurship magazines would likely have nuanced the view and provided more recent insights. For identifying relevant articles a rather narrow frame of keywords have been used, a more wide search pattern could possibly have

brought to our attention articles in the fringe areas of entrepreneurship however still relevant for our subject.

We as authors could likely be considered as biased to some extent, as we have gathered information and sought out start-ups, where we had some kind of relation to the founders. Further we have both studied entrepreneurship at SSE and Stockholm School of Entrepreneurship thus giving making us prejudicial as to certain concepts and aspects of entrepreneurship.

6.4. Future research

We regard it to be relevant to perform a study using our propose models to test the validity. The research would enable to discover if social network sites truly add a deeper knowledge to entrepreneurs with regards to social networks, and whether the models helps the entrepreneurs with their ventures.

We also consider it could be of interest to conduct a similar study on a larger number of start-ups, and through a more quantitative approach to observe if the results can be generalized and quantified. Additionally it is likely of importance to conduct the study on a more diverse sample of new ventures; with not only companies created by entrepreneurs with a SSE background but also from other universities and as well as incubators. Which will enable to compare the results and to observe how they can be generalized? Further it could be of interest to look at other types of entrepreneurs than those who have just finalized their studies and have an academic background; for example entrepreneurs who a few more years of professional experience.

In addition, it could be relevant to perform the study on start-ups in another country than Sweden, to compare the importance of network depending on the institutionalized market. One can consider that the role of the culture the venture is started in plays a greater role on the importance of a network and how to interact within this network.

Furthermore it could be of value to include a more sociological approach to further studies, since the complexity of human behaviour plays an important role in the way individuals behave, and could therefore be highly relevant regarding the subject of social networks. The use of a sociological approach should enable to gain an even deeper and accurate understanding of the subject, through understanding the individuals' actions.

It could be of interest to conduct a study with the insight from the companies who have agreed, or not, to establish a business relationships with the start-ups. This would enable to understand the reasons to why they have refused, or accepted, to collaborate with them, and not only getting the entrepreneurs version, thus providing secondary empirical data.

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