



GORDON INSTITUTE  
OF BUSINESS SCIENCE  
University of Pretoria

## **The value added by social networking to the entrepreneurial process**

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

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## **Abstract**

It is argued that Entrepreneurship directly contributes to both employment generation and economic growth. Entrepreneurship is said to be subject to a very specific process which includes opportunity recognition, resource allocation, innovation and networking. Networking specifically, is an important part of the entrepreneurial process as it is used to assist entrepreneurs to capitalise on opportunities, allocate resources, find ways to innovate and combat ambiguity. With the advent of Web 2.0 and online social networking platforms the way in which people exchange information and network has changed significantly and has spawned a new social culture on a global level. The purpose of this study is to examine the value that online social networking adds to the entrepreneurial process, specifically focussing on the South African landscape.

## **Keywords**

Entrepreneurship, South Africa, Social Networking, Social Media, Entrepreneurial Process

## Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria.

It has not been submitted before for any degree or examination in any other University.

I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Date: \_\_\_\_\_

Warren Kliphuis

Signature: \_\_\_\_\_

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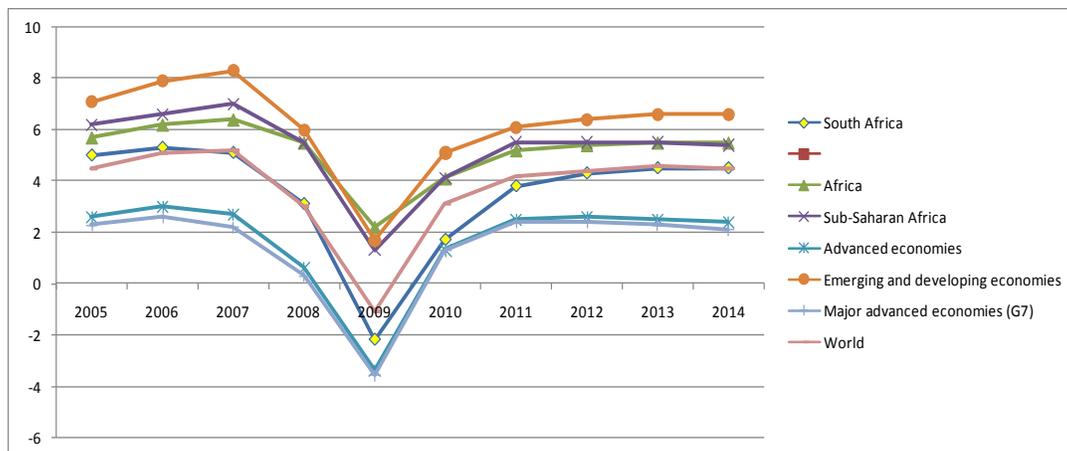
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## CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

### 1.1 Introduction

Ever since South Africa's first democratic elections in 1994, the eyes of the world have been on the country and on its economic performance. The global economic crisis has battered much of the economic progress made by African countries over the past decade and threatens to push these nations closer to the poverty line (Seria, 2009). The International Monetary Fund (IMF) predicts that many nations will only regain their pre-economic crisis GDP growth rates after 2014, given the most recent economic crisis. Figure 1 below shows the IMF GDP growth rate projections for the period 2005 to 2014.

**Figure 1: South Africa Real GDP Growth Rates versus other economies**



Source: Adapted from: IMF, *Datamapper (March 2010) (World Economic Outlook – October 2009)* <http://www.imf.org/external/datamapper/> (Accessed: 21 March 2010)

In order for South Africa to recover from this economic slump it may need to focus on growing its entrepreneurial activity. The positive link between entrepreneurship and economic growth can be traced as far back as to the works of Schumpeter

(1934) where it is proposed that an increase in the number of entrepreneurs in a country will lead to an increase in economic growth.

Entrepreneurship can be defined as the process of starting a new business in order to convert innovations into economic goods or services (Shane, 2003). Zimmerer & Scarborough (2008, p 5.) define an entrepreneur as “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them”.

Nieman and Nieuwenhuizen (2009) also argue that economic development can be directly related to the level of entrepreneurial activity within a country. A possible reason for this is that entrepreneurs construct new businesses, which lead to jobs being created, competition intensifying and productivity increasing (Acs, 2006; van Stel, Carree & Thurik, 2005). Past studies show that high-growth opportunity-based entrepreneurial activity shows to have the most direct relation to economic development (Wong, Ho & Autio 2005; Herrington, Kew & Kew, 2008).

In order for South Africa to grow economically, diminish unemployment, and attract foreign investment and improve the standard of living of its citizens, it needs to ensure an increase in entrepreneurial activity, and especially opportunity-based entrepreneurship. Opportunity-based entrepreneurship can be summarized as the decision by an individual to start his own business due to the fact that he has seen an opportunity in the market, which can be economically exploited. This is in

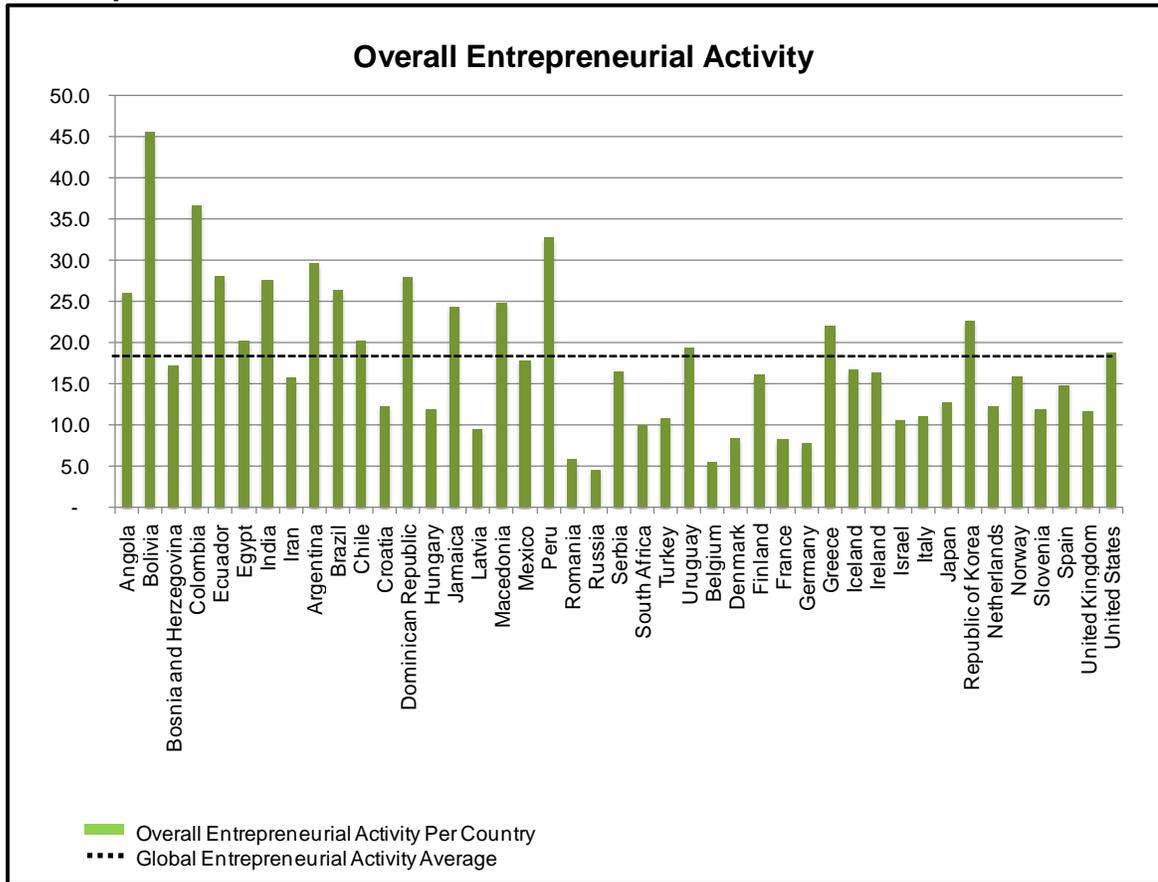
contrast to necessity-based entrepreneurship where the individual has decided to start his own business because there are no other economic alternatives for him.

## **1.2 Entrepreneurship in South Africa**

The Global Entrepreneurship Monitor (GEM) is an annual research intervention which assesses the entrepreneurial activity at a national level based on specific criteria and applied in an array of economies. It was first implemented in 1999 with a total of ten countries participating. In 2008, 43 countries participated in the GEM report, of which South Africa was one. South Africa has participated in this research program since 2002. The South African edition of the report is compiled with the assistance of faculty at the University of Cape Town's Graduate School of Business.

The GEM report shows that South Africa suffers from below average entrepreneurship levels (Herrington *et al.*, 2008). Figure 2 shows the overall entrepreneurial levels of all the countries that participated in the 2008 GEM report. South Africa has an overall entrepreneurial activity rate of 9.9 which is well below the world average of 17.8 and the average for efficiency driven economies which is 17.9. This means that for every 100 adults aged 18 to 64 years only about 10 in South Africa are engaged in entrepreneurial activity compared to the world average of about 18 people.

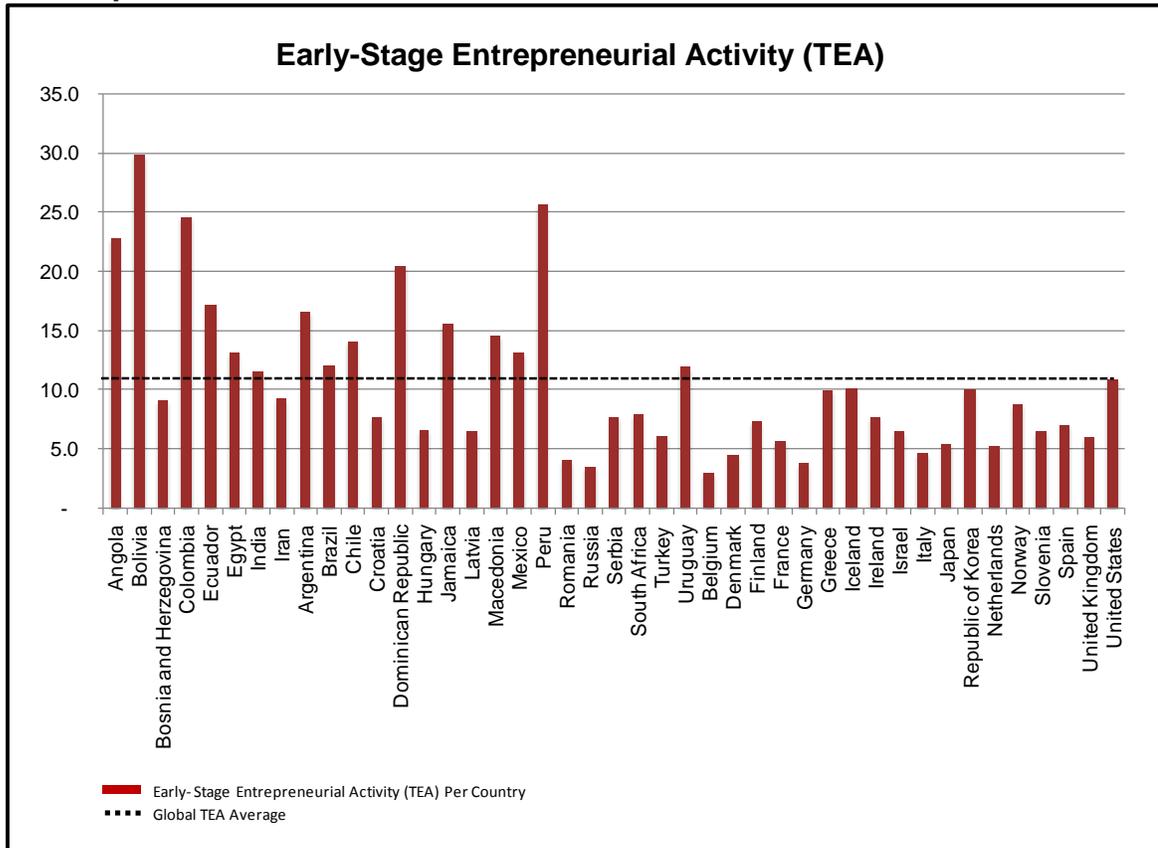
**Figure 2: Overall Entrepreneurial Activity rates for all nations in the 2008 GEM report**



Source: Adapted from: *Global Entrepreneurship Monitor Report (2008) p.20*

Figure 3 shows the total early-stage entrepreneurial activity (TEA) of all the participating countries in the 2008 GEM report. The TEA rate measures the percentage of working-age adults, within a given population, who are involved in the process of starting their own business venture or are actively involved as owner/managers of businesses that are younger than 42 months old (Wong *et al.*, 2005).

**Figure 3: Early-Stage Entrepreneurial Activity rates for all nations in the 2008 GEM report**



Source: Adapted from: *Global Entrepreneurship Monitor Report (2008) p.20*

The data shows that South Africa again is delivering a below average performance with regards to early-stage entrepreneurial activity (TEA). It is evident that South Africa has low levels of entrepreneurial activity and low levels of early-stage entrepreneurial activity, all of which is affecting its economic position. The authors of the GEM report (2008) distinguish between opportunity-based entrepreneurship and necessity-based entrepreneurship. The argument is that opportunity-based entrepreneurship has a larger effect on economic growth than necessity-based entrepreneurship (Wong *et al.*, 2005; Herrington *et al.*, 2008) due to opportunity-based entrepreneurs being focused on exploiting opportunities through innovation

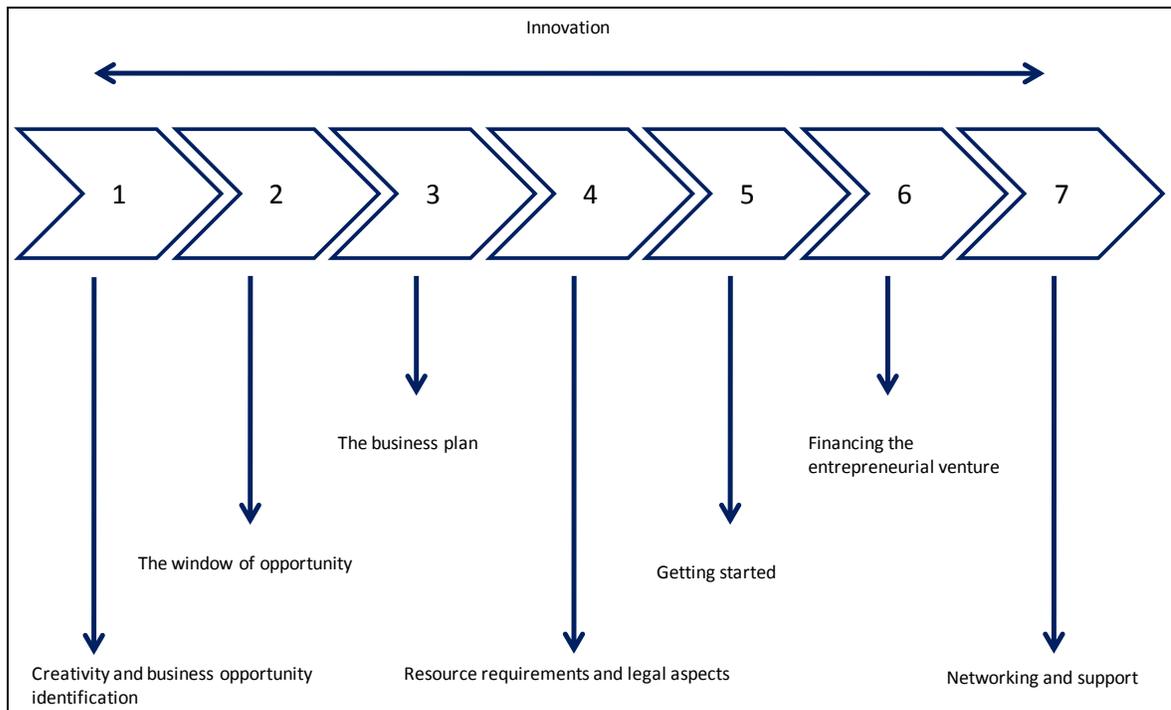
as opposed to being focused on mere survival. Previous studies have shown that entrepreneurship is subject to a specific process. The following section will briefly explain the theory behind this process.

### **1.3 The Entrepreneurial Process**

As highlighted previously, an entrepreneur is defined as “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them” (Zimmerer & Scarborough, 2008, p 5.). Entrepreneurship can then be defined as the process of starting a new business in order to convert innovations into economic goods or services (Shane, 2003).

The entrepreneurial process involves all the functions, activities, and actions associated with perceiving opportunities and creating new businesses to pursue them (Bygrave & Zacharakis 2007). Figure 4 below demonstrates the entrepreneurial process as described by Nieman & Nieuwenhuizen (2009).

**Figure 4: A model illustrating the entrepreneurial process**



*Source: Adapted from Nieman and Nieuwenhuizen, Entrepreneurship: a South African perspective (2009) p. 55 - 210*

The key elements of the entrepreneurial process are opportunity recognition (Shane & Venkataraman, 2000), resource allocation (Brush, Greene, Hart & Haller, 2001) and innovation (Gloor, Paasivaara, Schoder & Willems, 2008; Freeman & Engel, 2007). These elements form the basis of this study and an investigation will be conducted to determine the value that social networking, especially in the online context, will add to the entrepreneurial process. The specific focus being on its effect on opportunity recognition, resource allocation and innovation.

It is therefore important to define social networking within the context of this study, and to explore the increased trend of online social networking.

## 1.4 Social Networking

Freeman (2004) indicates that social networks are social structures that consist of people or organizations, which are bound together by interdependent ties such as friendship, common interests, beliefs or other relationships. Social networks have always been part of human interaction, but with the advent of the Internet a new form of social networking has emerged.

Online social networking is defined as “The use of the Internet to make information about yourself available to other people, especially those you share an interest or connection with, and to send messages to them” (Longman Dictionary of Contemporary English, 2009 p. 1670). For the purpose of this research project, online social networking is defined as the communication between different parties where an exchange in information takes place on an electronic platform.

Zhang, Soh and Wong (2010) argue that social network ties provide a capable means to make possible the transfer of information and lessen the risk of information asymmetry between various parties. Previous research shows the benefits of using social networks in numerous entrepreneurial scenarios such as opportunity identification (Arenius & De Clercq., 2005; Shane & Venkataraman, 2000), innovation (Gloor *et al.*, 2008; Rothaermel & Deeds, 2004) and resource acquisition (Brush *et al.*, 2001; Zhang *et al.*, 2010).

With the advent of Web 2.0 (which refers to web applications that assist interactive information sharing) and online social networking platforms such as Facebook, MySpace, LinkedIn and Twitter (and an array of others) the way in which people

exchange information has changed significantly and has spawned an entirely new social networking culture, on a global level.

Lee, Kim, Choi and Lee (2009) argue that information communication technology (ICT) knowledge and electronic communication methods add value to the performance of entrepreneurs and small firms. In order for entrepreneurs in South Africa to improve their social networking proficiency they would thus need to be proficient in using ICT.

### **1.5 ICT knowledge, awareness and usage**

Herrington *et al.* (2008, p. 5) state “for businesses to become competitive, develop relationships with customers and suppliers and have easier access to business-related information, it is important that they have access to technology as well as have the capacity to use it efficiently”. This suggests that entrepreneurs should have the necessary skills, knowledge and awareness with regards to ICT.

Based on the insights of Smith & Siegel (2004) and within the context of this study, ‘knowledge’ is defined as the information and understanding that an entrepreneur has gained through learning or experience. ‘Skills’ refer to the entrepreneur’s ability to do something well due to the fact that he has learned and practised it and ‘awareness’ refers to the ability to notice something and to gain an understanding thereof.

Lee *et al.* (2009, p. 242) describe ICT knowledge as “knowledge about various information technologies, which includes hardware, software, I.T infrastructure, and operating systems”. End User Computing (EUC) is divided into “hardware,

software and concepts and practices” (Lee *et al.* 2009, p. 242) and is regarded as an applicable tool for measuring the computing ability of the end user.

In the Global Information Technology Report (GITR) Dutta and Mia (2010) confirm that South Africa is the 62<sup>nd</sup> most networked country in the world whereas Sweden, Singapore, Denmark, Switzerland and the USA are ranked in the top five. South Africa is also only ranked 13<sup>th</sup> amongst upper middle-income countries (Malaysia, Chile and Lithuania are ranked in the top three for this category). Herrington *et al.* (2008) indicate that South African ICT usage is very much dependant on gender (males have higher ICT usage patterns than females), age (younger entrepreneurs are more familiar with new technology than their older counterparts), and education (the higher the level of education the more likely the entrepreneur is to embrace technology). Rural entrepreneurs are less likely to make use of ICT than urban entrepreneurs and the evidence seems to indicate that ICT is mostly used for sales and marketing, finance and accounting, human resources and administration, procurement and inventory management, and collaboration (Herrington *et al.*, 2008). The literature suggests that ICT helps with regards to the speed of processing the above-mentioned activities and with the level of innovation in the various implementations, all giving the entrepreneur a potential competitive advantage.

It is against this backdrop that the main questions of this research project are raised

## 1.6 Research Questions

Based on the literature that has been reviewed and the theory surrounding the entrepreneurial process, social networking, and the advent of online social media the following questions will be addressed in this study:

**Q1:** Are South African entrepreneurs aware of the online social networking platforms that are available to them?

**Q2:** Do South African entrepreneurs have the necessary knowledge and skills to make use of online social networking platforms?

**Q3:** Do South African entrepreneurs have access to the Internet in order to access the various online social networking platforms?

**Q4:** Do South African entrepreneurs make use of modern online social networking platforms (in sharing information and obtaining valuable resources for their businesses)?

**Q5:** Are these platforms adding value for the entrepreneur and/or his/her customers/suppliers?

In summary, there is an argument that suggests that entrepreneurship contributes to economic growth. There is also a school of thought that argues that entrepreneurship is subject to a very specific process. Social networking forms a part of this entrepreneurial process and entrepreneurs have used their social networks for opportunity recognition, innovation and resource allocation. With the advent of the Internet and especially Web 2.0 a new online social networking

culture has been established. This study aims to determine if online social networking adds value to entrepreneurs, and their stakeholders (internal and external), within South Africa.

In accordance with the Gordon Institute of Business Science (GIBS)'s recommended guidelines, the sequence of this study is as follows:

### **Chapter 1: Introduction to the research problem**

This chapter gives an overview of the need for the study, and confirms what the objectives of the research are.

### **Chapter 2: Literature review**

This chapter offers an argument within academic literature and uses the academic literature to shed light on the topic that is being investigated.

### **Chapter 3: Research questions**

The purpose of this chapter is to precisely define the purpose of the research and lists the research questions that the study aims to answer.

### **Chapter 4: Research methodology**

The goal of this chapter is to define the methodology that was used and to explain why this methodology was chosen. The limitations of the methodology are discussed and the rationale for selecting the methodology is defended.

## **Chapter 5: Research results**

This chapter presents the results of the research in a clear, concise and logical manner.

## **Chapter 6: Discussion of results**

This chapter discusses the research results in relation to the research questions and in terms of the literature review.

## **Chapter 7: Conclusion**

This chapter concludes the study with highlights of the main findings of the research and list recommendations for future research.

The following chapter (Chapter 2) will give an in-depth review of the relevant literature that has been engaged with.

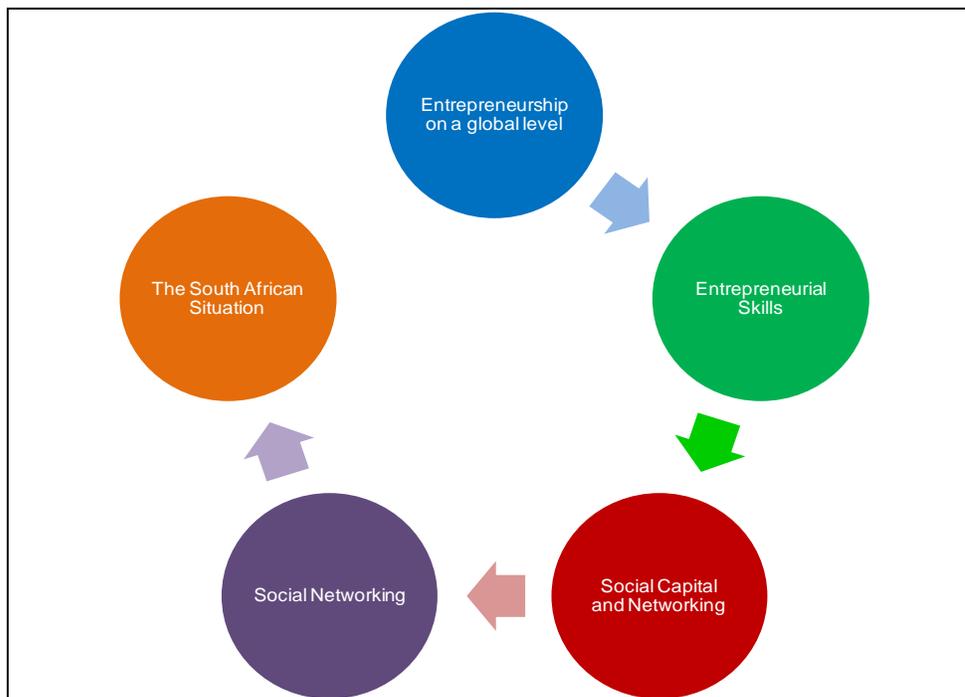
## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

The following chapter will convey the existing body of knowledge with regards to the literature reported on the topic under investigation. Fischer (2010) states that a literature review is conducted in order to critically assess the body of knowledge that has already been reported on the topics pertaining to the research. In other words, the literature review will help to build on work that has already been done in the field that is being researched.

The literature has been divided into five broad sections, with this literature review structured accordingly. Figure 5 below shows the sequence that the literature review will follow:

**Figure 5: Sequence of the literature review**



*Source: Own Compilation*

The sequence of the literature review is designed to create a logical process that will describe the evolution of entrepreneurship and its current importance at a global level. An introduction to the skills that are deemed to be important for an entrepreneur to possess will be embraced, and the theory related to the entrepreneurial process will also be covered. As an entrepreneurial skill, the importance of networking and social capital within entrepreneurship will be discussed, and then social networking will be covered in detail. Finally, entrepreneurship and social networking within South Africa will be described to provide a local context.

## **2.2 Entrepreneurship on a global level**

According to the Organization for Economic Co-operation and Development (OECD) entrepreneurship can be defined as follows:

- “Entrepreneurship is the dynamic process of identifying economic opportunities and acting upon them by developing, producing and selling goods and services” (OECD, 1997, p.151)
- “An entrepreneur is anyone who works for himself or herself, but not for anyone else” (OECD, 2001b, p.23)
- “An entrepreneur has the ability to marshal resources to seize new business opportunities” (OECD, 1998, p.41)

Furthermore, Entrepreneurship can be defined as the process of starting a new business in order to convert innovations into economic goods or services (Shane, 2003). Zimmerer & Scarborough (2008, p 5.) define an entrepreneur as “one who

creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them”.

Entrepreneurship has existed in ancient societies and in medieval times and from the onset entrepreneurial success has depended on identifying opportunities and overcoming risks (Murphy, Liao & Welsch, 2005). The phenomena embracing entrepreneurship has evolved from trading food and basic goods for the purpose of survival to commercial farming, becoming industrial manufacturers and now to the level where entrepreneurs compete globally in a knowledge economy.

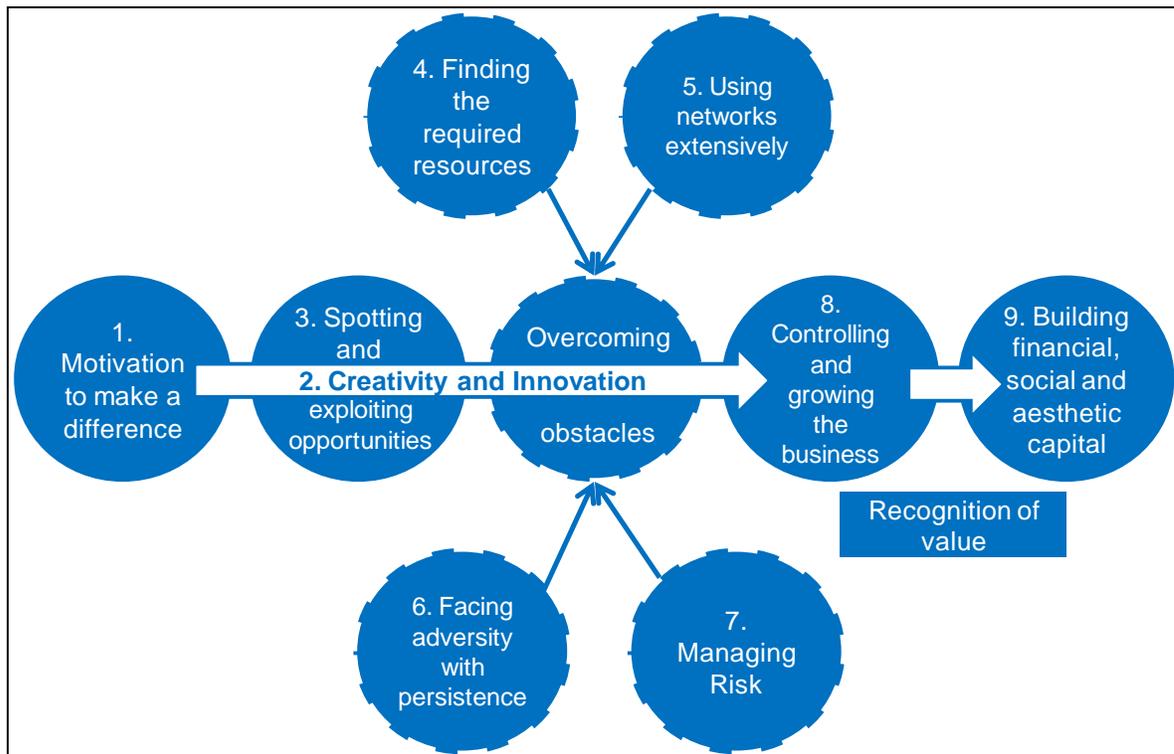
Murphy *et al.* (2005) report that in the eighteenth century there was almost no increase in the per capita income in Western economies, but with the progression of entrepreneurship this per capita income grew drastically. According to Drayton (2004) this growth in per capita income was 20% in the 1700s, 200% in the 1800s and 740% in the 1900s. Arguments exist for, and against, the link between entrepreneurship and economic growth. The first argument poses that entrepreneurship leads to new businesses being created which leads to intensified competition, more jobs being created and productivity being increased through innovation and technological change (van Stel *et al.*, 2005). The second argument suggests that increased entrepreneurship levels (including informal self-employment) mean that there are significant bureaucratic barriers to formal business creation, or that there is a lack in conventional wage-earning work opportunities in a country (Acs, 2006). In other words, individuals are opting for entrepreneurship out of necessity. However, Wong *et al.* (2005) pose the argument

that opportunity-based entrepreneurship has a greater effect on economic growth than necessity-based entrepreneurship (where an individual has no viable alternative for employment and is forced to become self-employed). This is confirmed by Scheepers, Solomon & de Vries (2009) who state that “businesses which are started with opportunity focus tend to create more jobs, enjoy more differentiation and therefore experience less competition” whereas “businesses started out of necessity or survival motivation tend to create very few jobs, operate in markets of intense competition and are vulnerable to outside forces, such as downward turns in the economic cycles” (Scheepers *et al.*, 2009). As mentioned in Chapter 1, Opportunity-based entrepreneurship can be summarized as the decision by an individual to start his own business due to the fact that he has seen an opportunity in the market, which can be economically exploited. In contrast, necessity-based entrepreneurship is where the individual has decided to start his own business because there are no other economic alternatives for him.

If one is to accept the argument that entrepreneurship leads to economic growth, then it is important to understand how entrepreneurs establish their businesses. Previous studies suggest that entrepreneurship is subject to a specific process. The entrepreneurial process involves all the functions, activities, and actions associated with perceiving opportunities and creating new businesses to pursue them (Bygrave & Zacharakis 2007). According to Hisrich, Peters & Shepherd (2005) the entrepreneurial process begins with opportunity recognition which is then followed by development of the business plan, then establishing which resources are required, and finally managing the resulting enterprise. Figure 6

shows the entrepreneurial process as explained by Ferri, Deakins & Whittam (2009).

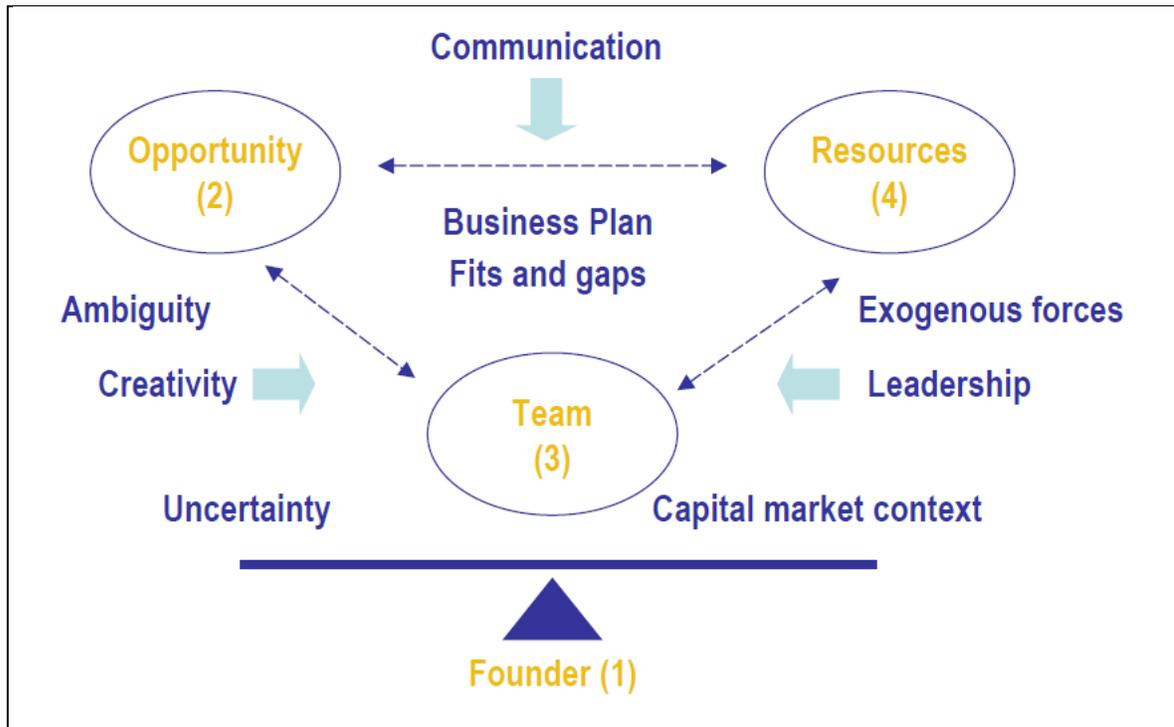
**Figure 6: The Entrepreneurial Process**



*Source: Adapted from Ferri, Deakins & Whittam, The Measure of social capital in the entrepreneurial context (2009) p.142*

Timmons, Zacharakis & Spinelli (2004) indicate that an entrepreneur is central to the entire process of forming a new business. The authors continue to argue that if an entrepreneur has the right characteristics then he will deliberately look for opportunities, and upon finding these opportunities will then collect resources and use innovation to shape it into a commercial success. Figure 7 highlights the entrepreneurial process according to Timmons *et al.* (2004).

**Figure 7: The Timmons Model of the Entrepreneurial Process**



*Source: Adapted from Timmons, Zacharakis & Spinelli, Business plans that work: a guide for small business (2004)*

In Chapter 1, the entrepreneurial process as highlighted by Nieman & Nieuwenhuizen (2009) indicated that the process consisted of:

- Creativity and business opportunity recognition
- The window of opportunity
- Creating the business plan
- Considering resource requirements and legal aspects
- Getting started with the business
- Financing the business

- Networking and support

In all three instances Nieman & Nieuwenhuizen (2009), Timmons *et al.* (2004) and Ferri *et al.* (2009) argue that the entrepreneurial process focuses on the identifying opportunities, allocating resources and leveraging social networks. These authors also indicate that innovation forms a critical part of the entire entrepreneurial process. These studies consequently suggest that entrepreneurs focus a large part of their time on opportunity recognition, allocating their resources and innovating, and that social networks are used extensively in the entrepreneurial process.

If the argument is posed that the key elements of the entrepreneurial process are opportunity recognition (Shane & Venkataraman, 2001; Bygrave & Zacharakis 2007; Bosma, Acs, Autio, Coduras and Levie, 2008) resource allocation (Brush, Greene, Hart & Haller, 2001) and innovation (Gloor, Paasivaara, Schoder & Willems, 2008; Freeman & Engel, 2007) and that social networking forms a large part of the entrepreneurial process (Ferri, Deakins & Whittam, 2009) and that entrepreneurship does contribute positively to economic growth. Then, in order for nations to be able to compete globally, entrepreneurship should be fostered and promoted. This argument is backed up by empirical research that shows a positive relationship between entrepreneurial activity, innovation and economic growth (Van Praag & Versloot, 2007).

Brush (2008) argues that entrepreneurs have always been involved with creating new markets and industries, developing new products, and leading innovation and change in economies. The author continues to say that entrepreneurs utilize three specific strategies, namely to:

- Develop a clear vision
- Manage cash creatively
- Persuade other to commit to their venture through the use of social skills

All of this information suggests that successful entrepreneurs should possess a certain combination of skills. The following section will investigate the skills that are important aspects of entrepreneurship.

### **2.3 Entrepreneurial Skills**

Oosterbreek, van Praag and Ijsselstein (2010) report that a validated self-assessment test called the 'Escan' is widely used throughout the Netherlands to test an individual's entrepreneurial competencies. The Escan tests ten major skills that determine entrepreneurial success. These skills are (1) Need for achievement (2) Need for autonomy (3) Need for power (4) Social orientation (5) Self efficacy (6) Endurance (7) Risk taking propensity (8) Market awareness (9) Creativity, and (10) Flexibility (Oosterbreek *et al.*, 2010). The following section will define each entrepreneurial skill in detail.

'Need for achievement' refers to an individual's desire to perform adequately and to compete with professional goals in mind (McClelland, 1961). 'Need for autonomy' portrays an individual's ability to resolve problems, make independent decisions and complete tasks successfully and 'Need for power' can be described as the desire to be able to influence others and to have control over others in order to have them help you achieve your goals (Rotter, 1966). 'Social orientation' explains the ability to persuade others to adapt their views, perceptions and behaviour, to be able to make a good first impression, and the ability to perceive others accurately. In essence it is the ability to make connections with others, while 'Self efficacy' refers to self-confidence, which can be translated as the belief in your own ability and the belief that you can conclude any task successfully (Oosterbreek *et al.*, 2010). 'Endurance' is the ability to continue with tasks despite any obstacles or setbacks and to continuously focus on your goals, and 'Risk taking propensity' can be described as the capability to cope with the unknown or uncertainty and to willingly face risks and the possibility of incurring a loss (Oosterbreek *et al.*, 2010). 'Market awareness' depicts possessing the aptitude to recognize the needs of customers and the ability to link these needs to your own business. It can also be summarized as recognizing opportunities, being sensitive to needs of customers, and anticipating any future changes to these needs (Antonites & Van Vuuren, 2005). 'Creativity' is the ability to try new things and develop new ideas based on different perspectives and is based on constructs such as the unexpected and variation (Antonites & Van Vuuren, 2005). In essence it means that you are able to convert problems into new opportunities. 'Flexibility'

simply means being capable of adapting to changes in the environment (Roberts & Stockport, 2009). Antonites & Van Vuuren (2005) indicate that the combination of creativity, innovation and opportunity recognition are what differentiate an entrepreneur from a normal business professional. Ferri *et al.* (2009) suggest that networking is part of the entrepreneurial process and also a prime entrepreneurial skill. The authors suggest networking allows entrepreneurs to build social capital, human capital and financial capital.

Van der Sluis, Van Praag, and Van Witteloostuijn (2006) show that entrepreneurial skills can be taught and are not fixed personal attributes. Based on this argument it would be important for South Africa to have sufficient entrepreneurship education programmes in order to promote entrepreneurial growth.

The argument could be posed that modern online social networks would provide the platforms for entrepreneurs to build the capital and skills needed to be competitive and sustainable in the world economy. The following section explores the role of social capital and social networking within entrepreneurship.

## **2.4 Social capital and networking**

In the past there have been studies on the topic of 'social capital' (Batt, 2008) and still there has been no single accepted definition of the term (Adler & Kwon, 2002). Ostrom (2000, p.176) defines social capital as "the shared knowledge, understandings, norms, rules and expectations about patterns of interactions that groups of individuals bring to a recurrent activity". Social capital can also be

summarized as trust and a concern for others with the willingness to live by social norms and values (Bowles & Gintis, 2002). Minniti (2005, p. 5) highlights several forms that social capital may take including: (1) “The ability of information to flow through a community in order to provide a basis for action” (2) “Social capital may consist of obligations and expectation that depend on the trustworthiness of the environment”. Perhaps the most concise definition of social capital is that it “refers to features of social organizations, such as networks, norms and trust that facilitate coordination and cooperation for mutual benefit” (Chou, 2006, p.889).

Two of the most prominent constructs in the definitions of social capital are ‘trust’ and ‘relationships’. ‘Relationships’ are defined as avenues through which parties gain access to an array of resources held by other parties (Hoang & Antoncic, 2003). Relationships also give the parties credibility. From this information the deduction is made that in order for an entrepreneur to build social capital he needs to be able to foster social relationships with other parties and be able to demonstrate trust as well as gain trust from others.

Ulhøi (2005) presents the assumption that economic activity is entrenched in social relations and that these social relations impact the process of starting a business and the art of running the business. What this means is that entrepreneurial decisions are made in a “socio-cultural and emotional context, rather than exclusively via pure economic contracting relations” (Ulhøi, 2005 p. 941). In other words, an entrepreneur will consider the economic risks and rewards when deciding to start a business venture, will align his skills in order to exploit an opportunity, but will also look for social cues, and advice from other

members within his network when proceeding with the establishment of the business venture.

Minniti (2005) mentions that entrepreneurs have to deal with ambiguity and that entrepreneurs deal with this ambiguity by leveraging cues and information that is guided by the actions and behaviour of other entrepreneurs. The author suggests that by observing other entrepreneurs a large amount of knowledge and skills are acquired. The argument can thus be posed that an entrepreneur's own social network would reduce ambiguity, help the entrepreneur to acquire resources, identify future opportunities and innovate through learning what others have done.

The following section aims to give a detailed definition of online social networking and talk about the modern social networking platforms that exist.

## **2.5 Online social networks and social media**

In order to understand the implications of social networking for entrepreneurs it is important to make a distinction between two constructs that often get confused with one another. The constructs are (1) social networking and (2) social media.

'Online social networking' is defined as "web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site" (Boyd & Ellison, 2007).

‘Social media’ refers to “online content, or methods to create, share, or build on such content through social means” (Shah, 2010 p. 5). Solis (2010, p.36) further defines social media as:

- “A platform for the socialization of media
- The online tools that facilitate conversations
- Connections between friends, peers, and influencers
- Collaborations
- The redistribution of influence
- A call for humanizing personas and audiences, and the stories that link them together
- Compassionate
- Words, pictures, video, chatter, audio, and also experiences, observations, opinions, news, and insights
- An opportunity and a privilege”

In summary, social media is any tool or any service that is internet based and aims to facilitate conversations or discussions. The difference between social networking and social media can be summarized as follows:

1. Social networking refers to people with shared characteristics associating together, and social networks (or social networking sites) are the online platforms where all of this takes place.

2. Social media can still be seen as a form of media i.e. a way for people to broadcast information. The difference is that social media offers any individual the opportunity create or distribute the information.

Deragon (2009) indicates that the top ten reasons why people and organizations should make use of social media are:

1. People will find whomever they want to do business with somewhere online.
2. People will find whatever knowledge they need about any market or any person online.
3. People can reach their targeted markets by simply engaging in the right conversations with the right people. This is regarded to be more effective than advertising.
4. If a business can't be found online or isn't engaging with its target market, or worse yet, ignoring its target market, then it is not likely to be capitalizing on opportunities, while its competition does.
5. Communications is a system to leverage an organizations ability to communicate with its target market. Social media is the new communications system.
6. Social media saves time and money if it is used correctly for the right things, such as communication and information gathering.
7. If people learn "how" to use social media correctly then they'll understand "what" their market is looking for and "where" they are looking. In today's competitive world a business would want them to look for you.

8. When customers and prospects are engaging about you, your industry or your products and services you need to be there listening. Otherwise you will not gain the necessary market intelligence, be enabled to respond or even be aware of problems or needs. If you are not present when and where the conversations are occurring you are basically out of touch with your market.

9. Communications is about reach. Communicating is about relational dynamics between people. Social media provides the means to effectively communicate with your target market in human rather than institutional terms.

10. If organizations are not communicating (listening first, initiating second) then they will struggle to create relationships with people and businesses that may want the value that is being offered.

Bernoff & Li (2009) suggest that social technology is used for three primary reasons, namely to make connections, to establish your mark on society, or to find affinities with others. Bernoff & Li (2009) also indicate that social networking and social media can be divided into six broad categories, each with its own set of capabilities that benefit the user. These six categories are:

1. Accelerating the spread of information.
2. Connecting with individuals, organizations or brands.
3. Organizing news and information.
4. Reacting to news, personal messages or information.
5. Collaborating with other online users or community members.

6. Creating own content, news or information.

The authors also provide evidence of a number of examples of social networks and social media types that facilitate the effective use of the six activities listed above. This suggests that there is a specific social network or specific social media type that will aid the activities of an entrepreneur. Figure 8 highlights the various social media and social networking types.

**Figure 8: Why users participate in social networking and social media**

Category	Types	Popular Examples and Tools
Accelerating	Syndication and Aggregation	RSS Feeds, Widgets
Connecting	Social Networking	Facebook, LinkedIn, MySpace
	Virtual Worlds	SecondLife
Organizing	Social News	Digg
	Social Bookmarking, Tags	del.icio.us
Reacting	Forums, Ratings, Reviews	Rotten Tomatoes, Buzzillions
Collaborating	Social Reference, Open Source	Wikipedia, WikiHow
Creating	Blogging	Blogger, WordPress, Typepad
	Micro Blogging	Twitter
	Podcasting	iTunes, Podcast Alley
	Media Sharing	Flickr, YouTube

*Source: Adapted from Bernoff & Li (2009), Groundswell – Winning in a World Transformed by Social Technologies*

From an entrepreneurial point of view it can be deduced that social media and online social networks can aid participating entrepreneurs the tools to identify opportunities, allocate resources (human, physical or even financial) and innovate.

Gillin (2009) highlights a number of social media tools that aid the user and help him achieve an array of goals. These goals vary from building a customer community, to conducting market research, and soliciting financial support.

Figure 9 highlights how these social media and social network types can benefit their users.

**Figure 9: Finding the right social media tool**

Objective	Blog	Podcast	Video	Social Network	Private Community	Review Engine	Virtual World
Build Customer Community	•		•	•	•	•	•
Counter Negative Publicity	•	•	•			•	•
Crisis Management	•	•	•	•		•	•
Customer Conversations	•	•	•	•		•	•
Expose Employee Talent	•	•	•		•		•
Generate Website Traffic	•	•	•	•		•	•
Humanize the Organization	•	•	•	•	•		•
Market Research/Focus Group Testing	•			•	•	•	•
Media Relations	•	•	•			•	
Generate New Product/Service Ideas	•		•	•	•		•
Product/Service Promotion	•	•	•	•		•	•
Product Support/Customer Service	•	•	•		•		
Product/Service Feedback	•			•	•		
Recruit Brand Advocates	•	•	•	•	•		•
Generate Sales Leads/Referrals	•	•	•	•		•	•
Solicit/Gain Donations and Financial Support	•		•	•	•		•

Source: Adapted from Gillin (2009), *Secrets of Social Media Marketing*

Boyd and Ellison (2007) report, that since the inception of social networking sites such as Facebook, MySpace and Twitter have attracted millions of users who have incorporated these sites into their daily practices. The authors continue to define social networking sites as “web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a

list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system”.

The latest statistics indicate that the growth in social media and online social networks is quite substantial. According to Qualman (2008) social media has provided the biggest shift in human behaviour since the industrial revolution. The author continues to report that more than half of the world’s population is currently under the age of 30 years. This means that over 50% of the world’s population was born after 1980 and under generational theory can be classified as ‘Millennials’. Qualman (2008) further reports that 96% of Millennials with Internet access have joined a social network. Similarly, the Universal McCann Comparative Study on Social Media Trends (2008) indicates that:

- 73% of active online worldwide users have read a blog
- 45% have started their own blog
- 39% subscribe to an RSS feed
- 57% have joined a social network
- 55% have uploaded photos
- 83% have watched online video clips

Penetration of the Internet is the highest in Norway (86%), followed by Finland (83%) and the Netherlands (83%). The USA has an Internet penetration level of 75% compared to South Africa with only 9%

Qualman (2008) confirms the popularity of social media by reporting that it has overtaken pornography as the number one activity on the Internet. On 22 July 2010 Mark Zuckerberg, the founder of Facebook announced that this social networking platform had secured its 500 millionth user. This means, that if Facebook were a country, it would be world's third largest (Qualman, 2008). The author continues to report that the growth of social media is quite staggering when one considers that it took radio 38 years to reach 50 million users, it took Television 13 years to reach 50 million users and it took the Internet 4 years to reach 50 million users. Yet, Facebook added 200 million users in less than a year. In addition to Facebook, there are a vast amount of 'portals' that can be classified under the social media category. These include Twitter which is a micro-blogging service, Wikipedia which is an online dictionary that relies on user generated content, Digg which is a social news Website that allows users to vote for the stories or content that they like best and YouTube which is a video-sharing website that allows users to upload, share and view videos that may be of interest to them.

Figure 10 below highlights some of the most prominent social media platforms.

Figure 10: Prominent Social Media Websites



Source: Adapted from Google Images [www.google.com/imghp](http://www.google.com/imghp)

The theory on networking suggests that it places its emphasis on establishing relationships, often amongst strangers. The primary objective of social networking sites is not necessarily to allow strangers to forge relationships (even though this is still possible) but rather for the users to articulate and publicly show their list of networks. This allows individuals to establish connections that they would normally not be able to, and to extend their existing networks (Boyd & Ellison, 2007).

Correa, Hinsley and de Zuniga (2010) argue that an individual's personality type influences whether they use the Web and the types of application used. The authors proceed to report that in the initial years of the Internet the majority of users that went onto the Web did so because it offered them anonymity and that it was mostly used by users that were introverted and neurotic. In recent years however (with the advent of social networking sites) the anonymity of the Internet has disappeared and as such it is believed that the Web is now mostly used by extroverted and sociable individuals (Correa *et al.*, 2010). The entrepreneurial skills highlighted by Oosterbreek *et al.* (2010) suggest that entrepreneurs have a high level of social orientation, a need for power and a need for achievement. The argument could therefore be made that entrepreneurs would be inclined to interact on the Web and make use of social networking sites. This study aims to determine if this is indeed the case and whether these social networking sites are adding value to these entrepreneurs.

It would therefore be important to understand what the current situation in South Africa is, so that an accurate analysis can be done. The following section will look at the situation in South Africa with regards to social networking and social media usage.

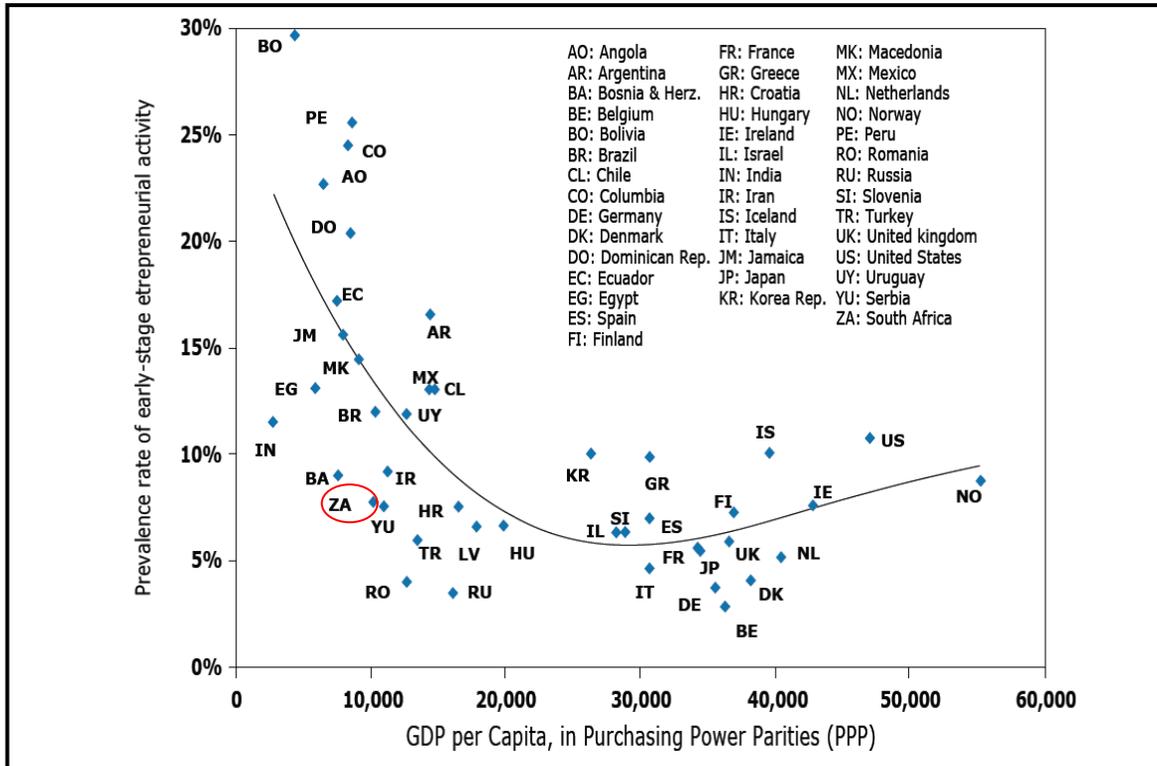
## **2.6 The South African Situation with regards to social media and online social networking**

Herrington *et al.* (2008) show that South Africa has below average entrepreneurship levels and that there are a series of issues that contribute to this below average performance. The authors also indicate that issues such as financial support, education and training, government policies and access to ICT are the greatest factors constraining entrepreneurship. This sentiment is repeated by Fal, Sefolo, Williams, Herrington, Goldberg and Klaasen (2009) who report that the issues impacting entrepreneurship development in South Africa are also:

1. Access to capital;
2. Access to skills;
3. Enterprise development and black economic empowerment;
4. The presence of entrepreneurship incubators.

Figure 11 below shows the reality of South Africa's entrepreneurial performance compared to other economies.

**Figure 11: Early-stage entrepreneurial activity by economic development, 2008**



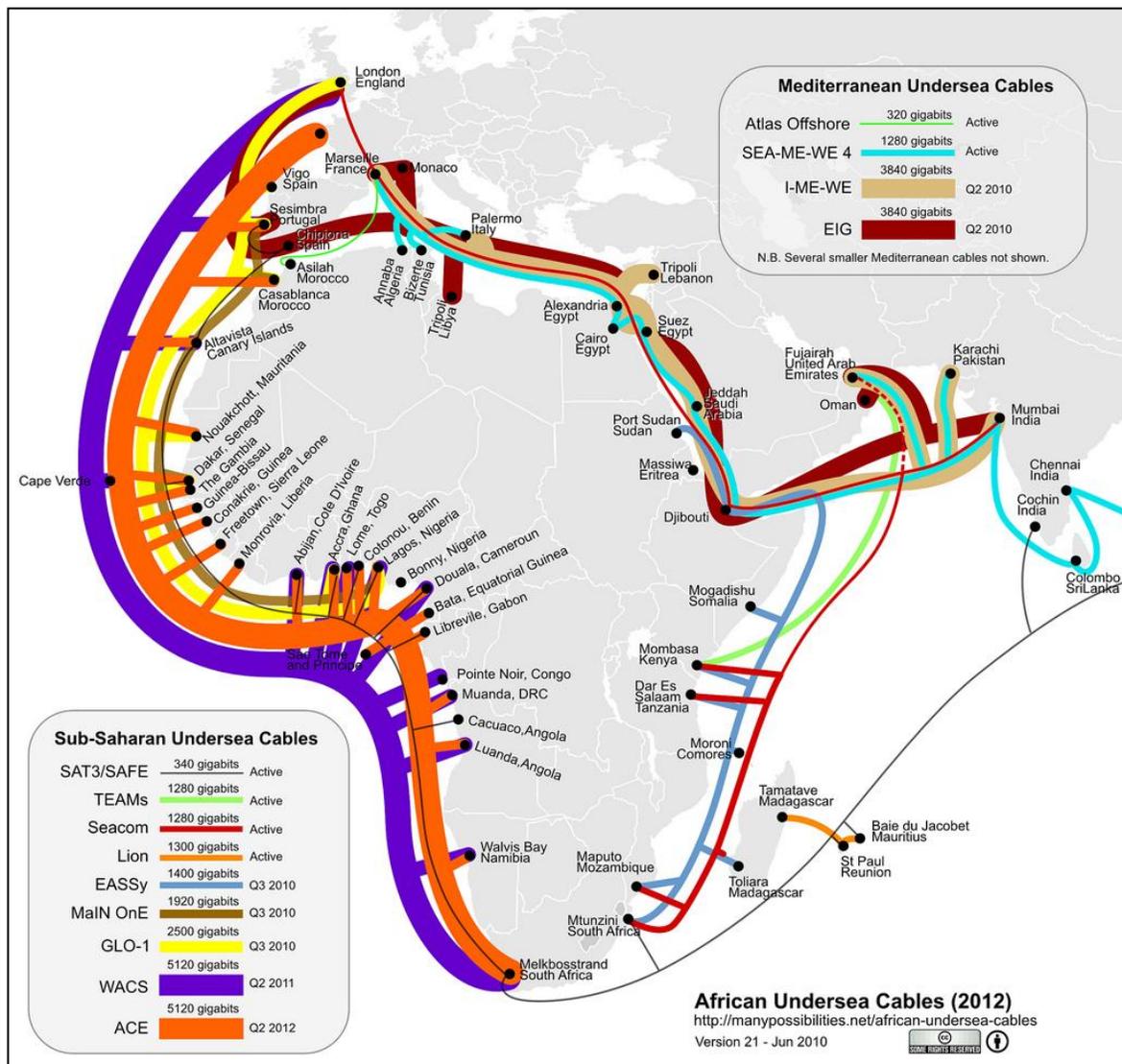
Source: Adapted from: *Global Entrepreneurship Monitor Report (2008) p.15*

For the purpose of this study a specific focus will be placed on South Africa's access to ICT and whether entrepreneurs have access to the social networking platforms discussed above.

Goldstuck (2010) reports that the number of internet users in South Africa has risen past the 5 million mark. The author continues to report that internet usage in South Africa was stagnant between 2002 and 2007 at a penetration rate of 7%, but that this rate has increased in 2008 and 2009 and has reached the 10% mark in 2010. In the past access to bandwidth has been a significant barrier to the adoption of ICT in South Africa. The Shuttleworth Foundation (2010) argues, that

as from 2012, that bandwidth accessibility in South Africa will no longer be an obstacle as several fibre optic cables will reach this country's shores. Figure 12 shows the number of undersea fibre optic cable that will reach South Africa by 2012.

**Figure 12: Sub Saharan Undersea Cables**



Source: [www.manypossibilities.net](http://www.manypossibilities.net)

Despite the evident increase in bandwidth provision in the next two years, Herrington & Kew (2009) indicate that communities are still often suspicious of ICT usage and that trust needs to be built between the users and the service providers of ICT. The authors continue to mention that the major constraints that affect the usage of ICT in South Africa include: 1) a lack of ICT skills and ability to use the internet effectively 2) a limited English proficiency which hampers effective usage of the internet 3) a lack of start-up capital which limits the amount of ICT infrastructure that can be invested in. In contrast, Herrington & Kew (2009) indicate that the advantages of ICT usage include 1) firms in developing countries to become globally competitive 2) allows easier access to information 3) reduces the uncertainty of doing business. In order for South Africa to improve its economic position it would need to address the issues highlighted above and provide an environment where entrepreneurial skills can be developed so that entrepreneurs can progress through the entrepreneurial process with limited disruptions.

## **2.7 Summary**

The literature covered above shows that entrepreneurship has a direct impact on the economic performance of a country. It shows consequently that entrepreneurship is subject to a very specific process and that successful entrepreneurs tend to possess a certain combination of skills. As successful entrepreneurship is subject to opportunity recognition, the effective acquisition of resources and constant innovation it is important to determine factors that could influence or even aid these three factors. The literature also shows that South Africa has below average levels of entrepreneurial activity and that there are a

number of issues that need to be addressed to improve this situation. Entrepreneurship is also not only an economic process but very much a social process and as such, aspects such as networking and the development of social capital need to be taken into consideration. The impact that modern social networking has influenced millions of people and how they interact socially and will continue to gain momentum as access to the Internet increases around the world. It is against this backdrop that the main questions of this research project are raised, namely:

1. Are South African entrepreneurs aware of the social networking platforms that are available to them?
2. Do South African entrepreneurs have the necessary knowledge and skills to make use of social networking platforms?
3. Do South African entrepreneurs have access to the Internet in order to access the various social networking platforms?
4. Do South African entrepreneurs make use of modern social networking platforms (in sharing information and obtaining valuable resources for their businesses)?
5. Are these platforms adding value for the entrepreneur and/or his/her customers/suppliers?

## **CHAPTER 3: RESEARCH QUESTIONS**

### **3.1 Introduction**

Chapter 1 indicated that the purpose of this study is to fully understand if South African entrepreneurs are aware of the various social networking platforms that currently exist, whether they have the skills to use these platforms and whether they have physical access to these platforms. This study also aims to determine what entrepreneurs would use these platforms for, and if these platforms add any value to their businesses, customers or suppliers.

Based on the literature review there is an argument that suggests that entrepreneurship contributes to economic growth. There is also a school of thought that argues that entrepreneurship is subject to a very specific process. Social networking forms a part of this entrepreneurial process and entrepreneurs have used their social networks for opportunity recognition, innovation and resource allocation. With the advent of the Internet and especially Web 2.0 a new online social networking culture has been established.

This study aims to determine if online social networking adds value to entrepreneurs, and their stakeholders (e.g. customers and suppliers), within South Africa. The following chapter will unpack each of the research questions in this study.

### **3.2 Research Questions:**

The following five research questions form the basis of this study:

**Q1: Are South African entrepreneurs aware of the online social networking platforms that are available to them?**

The aim of this question is to determine if entrepreneurs are at all aware of the vast number of social networking platforms that exist and to determine which of these platforms are the most well known.

**Q2: Do South African entrepreneurs have the necessary knowledge and skills to make use of online social networking platforms?**

The purpose of this question is to test whether entrepreneurs have the ability and confidence to use the online social networks proficiently. The level of proficiency will also be explored.

**Q3: Do South African entrepreneurs have access to the Internet in order to access the various online social networking platforms?**

This question aims to determine the level of access that entrepreneurs have to the Internet and to determine how they access the Internet and especially, social networking platforms. Any potential barriers to access will also be explored.

**Q4: Do South African entrepreneurs make use of modern online social networking platforms (in sharing information and obtaining valuable resources for their businesses)?**

The aim of this question is to firstly, determine if entrepreneurs are using online social networking platforms and participating in social media, and secondly to determine what entrepreneurs are using these platforms for. This question also aims to find out if social networking platforms are being used for opportunity recognition, resource allocation and innovation.

**Q5: Are these platforms adding value for the entrepreneur and/or his/her customers/suppliers?**

This question aims to establish if online social networking platforms are perceived by entrepreneurs to be valuable to their businesses, customers and suppliers. This question also aims to determine if entrepreneurs believe there is a future for online social networking in the entrepreneurial process, and in what way?

In order to gain a rich understanding of the answers to these questions it is important to make use of a very specific methodology. The following chapter will explore and substantiate the methodology that is used in this study.

## **CHAPTER 4: RESEARCH METHODOLOGY**

### **4.1 Introduction**

The aim of this chapter is to give background to the rationale for choosing the specific and suitable methodology to support the research problem under investigation, and likewise, to highlight the strengths and weaknesses of the technique that was chosen.

The chosen research methodology was selected based on the research scope and on the findings in the literature review that will best support the investigation process in pursuit of answering the research questions effectively.

### **4.2 Research Design**

The research design is qualitative and descriptive in nature (Zikmund, 2003). It is 'Descriptive' in the sense that it aims to describe whether South African entrepreneurs are aware of the social networking platforms available; whether the necessary skills exist to make use of these platforms; if there is adequate access to these platforms (in the form of Internet access) and if these platforms are actually being used. 'Qualitative' methods will be used as Jack (2008) argues that much research has been done within the field of entrepreneurship and networks, but that many questions have remained unanswered on the relationship between entrepreneurship and networks. The author also indicates that much of the research on this field has been quantitative, which has shown to be limited. The argument is that qualitative research would allow more in-depth understandings and would encourage richer investigations.

Ewings, Powell, Barton & Pritchard (1996) also report that the qualitative research methods are advantageous in the sense that they allow the subjects that are being studied to provide much richer answers and insights to the researcher and that these insights may have been lost if quantitative methods were used. Mack, Woodsong, MacQueen, Guest & Namey (2010) argue that qualitative research methods allow the subjects being studied to interact with the researcher and respond in their own words instead of having to select from a range of fixed responses. Furthermore, the authors argue that these qualitative responses have the ability to deliver meaningful and culturally prominent insights, that these responses may be unforeseen by the researcher and that they may be rich and in-depth.

Mack *et al.* (2010) sight a detailed comparison between qualitative and quantitative research methods. In essence the most prominent differences between quantitative and qualitative research methods are: “(1) Their analytical objectives; (2) The types of questions they pose; (3) The types of data collection instruments they use; (4) The forms of data they produce and (5) the degree of flexibility built into the design” (Mack *et al.*, 2010, p.2).

The clearest difference between quantitative and qualitative research methods is the degree of flexibility, with quantitative research being described as more inflexible than qualitative research methods (Mack *et al.*, 2010).

Figure 13 highlights the main differences between quantitative and qualitative research methods.

**Figure 13: Comparison of quantitative and qualitative research approaches**

	<b>Quantitative</b>	<b>Qualitative</b>
<b>General framework</b>	<p>Seek to confirm hypotheses about phenomena</p> <p>Instruments use more rigid style of eliciting and categorizing responses to questions</p> <p>Use highly structured methods such as questionnaires, surveys, and structured observation</p>	<p>Seek to explore phenomena</p> <p>Instruments use more flexible, iterative style of eliciting and categorizing responses to questions</p> <p>Use semi-structured methods such as in-depth interviews, focus groups, and participant observation</p>
<b>Analytical objectives</b>	<p>To quantify variation</p> <p>To predict causal relationships</p> <p>To describe characteristics of a population</p>	<p>To describe variation</p> <p>To describe and explain relationships</p> <p>To describe individual experiences</p> <p>To describe group norms</p>
<b>Question format</b>	Closed-ended	Open-ended
<b>Data format</b>	Numerical (obtained by assigning numerical values to responses)	Textual (obtained from audiotapes, videotapes, and field notes)
<b>Flexibility in study design</b>	<p>Study design is stable from beginning to end</p> <p>Participant responses do not influence or determine how and which questions researchers ask next</p> <p>Study design is subject to statistical assumptions and conditions</p>	<p>Some aspects of the study are flexible (for example, the addition, exclusion, or wording of particular interview questions)</p> <p>Participant responses affect how and which questions researchers ask next</p> <p>Study design is iterative, that is, data collection and research questions are adjusted according to what is learned</p>

*Source: Mack et al., Qualitative Research Methods: A Data Collectors Field Guide (2010) p. 3*

Based on the literature discussed above, the decision was made to make use of qualitative research methods.

### 4.3 Research Instruments

The research was performed making use of a primary instrument, namely semi-structured interviews. The semi-structured interviews were conducted with a select number of entrepreneurs. The reason for this was to get a better understanding of the issues faced by entrepreneurs (with regards to the five research questions) and to provide insights into the behaviour of entrepreneurs regarding the research problem. The interviews with the entrepreneurs were therefore kept open-ended so that a deeper and broader understanding of the problem could be acquired. A copy of the questions for the face-to-face interviews is included (See annexure 1).

The inherent weakness of this method of research is that it only allows for a small number of entrepreneurs to be studied, due to the labour intensiveness of the data collection method (Ewings *et al.*, 1996). Furthermore, other potential weaknesses of this method include it being susceptible to researcher bias, the data being difficult to analyse thoroughly and the findings being difficult to reproduce or generalise from (Ewings *et al.*, 1996). These weaknesses were addressed by making use of the qualitative research checklist developed by Mays & Pope (1995) wherein a number of measures are suggested to ensure that the quality of the qualitative research is maintained. These measures include making sure that the research questions are clearly defined, that the sampling method and sample size is clearly defined and ensuring that objectivity is maintained by ensuring that research results are kept separate from conclusions drawn by this researcher. Finally, a pilot test was conducted on a small group to test the validity and

reliability of the questions and to address any problems that may arise, before conducting the interviews on a larger sample.

#### **4.4 Methodology Rationale**

Gillham (2005) affirms that semi-structured interviews are well suited to conducting research due to its flexibility, and which would ideally be complimented by well structured questions and the quality of the feedback obtained from the interviewees.

The discovery process will be one of the strengths of the semi-structured interviews and the aim is to obtain a rich source of information, which will provide direction to the whole interview process. This will moreover provide with a sound platform for further empirical research to explain significant relations/correlations between constructs, which is excluded in the qualitative method.

Zikmund (2003) reveals that qualitative research may be conducted to:

- Diagnose a situation
- Screen alternatives
- Discover new ideas

The chosen methodology will help to probe the interviewees for elaboration of the current dynamic and will assist in gaining an understanding that quantitative analysis would not be able to do. The insights gained may, in future, then be used

for developing further studies that will provide useful insights into answering the research problem.

#### **4.5 Unit of analysis**

Trochim (2006) defines a unit of analysis as the main body that is being analysed in a study. Zikmund (2003, p.96) states that “the researcher must specify whether the level of investigation will focus on the collection of data about the entire organization, department, work groups, individuals, or objects”. In this study the unit of analysis will be an entrepreneur. An entrepreneur is therefore defined as an individual who has started his own business, or in the past three years, has initiated the process of starting his own business in South Africa. A more in depth defining process was undertaken in Chapter 2 in order to convey the nature of the entrepreneur as a construct.

#### **4.6 Population of relevance**

Zikmund (2003) defines a population as a total collection of entities that share a common set of characteristics. This is echoed by Trochim (2006) who states that a population is the overall group that a study wishes to generalise to. In this study the population of relevance will consist of all entrepreneurs **within South Africa** that are actively involved with their own business (i.e. they have started their own business and are still involved in its management) or who have (in the past three years) embarked in the process of establishing a business. This population has been selected, as these individuals would most likely be exposed to ICT in the day-to-day operations of their business. These individuals would also have a solid

understanding of the entrepreneurial process and would be the most capable to comment on the factors that influence this process.

#### **4.7 Sampling method**

The open-ended interviews with entrepreneurs were conducted using a non-probability purposive sampling technique (Zikmund, 2003). Non-probability sampling refers to a technique wherein units of the sample are chosen based on convenience or personal judgement (Zikmund, 2003). Purposive sampling is a non-probability technique which is based on the judgement of an experienced individual in selecting the sample members. The sample members are therefore chosen based on specific characteristics which the experienced individual deems appropriate (Zikmund, 2003). Trochim (2006) defines a sampling frame as the list of the accessible population from which the sample will be drawn. The sampling frame for this study was Gauteng and the Western Cape.

#### **4.8 Sample Size**

According to Fossey, Harvey, McDermott and Davidson (2002, p. 726) “In qualitative sampling no fixed minimum number of participants is necessary to conduct sound qualitative research. However, sufficient depth of information needs to be gathered to fully describe the phenomena being studied. Hence, sampling in qualitative research continues until themes emerging from the research are fully developed”. In accordance with this argument a total of twelve in-depth interviews were conducted until the researcher felt confident that a sufficient depth of data had been obtained.

## 4.9 Data collection

The process of identifying potential entrepreneurs began directly after ethical clearance had been obtained from the Gordon Institute of Business Science (GIBS)'s Research and Ethics Committee. The entrepreneurs identified were contacted telephonically and a time to conduct the interview was requested. The scope of the study, how confidentiality would be protected and the level of participation was explained to each entrepreneur and oral informed consent was obtained.

The interviews were conducted using the five stages (Gillham, 2005) listed below:

- 1) The preparation stage refers to the period before the interview is conducted. It entails determining the availability of the interviewees, ensuring that they understand the purpose of the interview and the nature of the research being conducted. The length of the interview must also be communicated as this could influence the demeanour of the interviewee.
- 2) The initial contact stage consists of interacting socially with the interviewee so that his trust can be obtained and rapport can be established.
- 3) The orientation entails the interviewer confirming the information that has already been shared, and to lead the interviewee into the actual interview.
- 4) The substantive stage consists of posing the interview questions whilst being attentive and patient. By being attentive allows the interviewer to identify cues which can be probed with further questions. This equips the interviewer to

structure the interview as a conversation and allows the interviewee to own this conversation.

- 5) The closure stage is used to review the insights that were gained from the interview and to summarize the findings shared by the interviewee. The interviewee is also encouraged to add any items the he feels were missed in the interview, but which would add value to the research. During this stage the interviewee is also thanked for his participation.

The five stages were consciously used during all the interviews that were conducted.

As mentioned, a pilot test was conducted on a small group to test the validity and reliability of the interview questions and to address any problems that may have arisen, before conducting the interviews with the selected entrepreneurs. Direct participation by the respondents was necessary (Zikmund, 2003) in the data collection process.

#### **4.10 Data analysis**

Clark (2006) indicates that there is no right way of performing analysis in a qualitative study and suggests a combination of narrative analysis, constant comparative analysis and content analysis and that the analysis process must run alongside the data collection process. Struwig & Stead (2001) also indicate that data analysis in a qualitative study is less separate than in quantitative studies in the sense that data gathering and data analysis can happen concurrently. The authors continue to report that, during the analysis stage, there should be no

missing data and that all the field notes, transcripts and documents are available and complete.

For this study all the recordings of the interviews were transcribed and computer-aided qualitative data analysis software (CAQDAS) system called Atlas.ti was used to group the data into themes and categories. Common responses were acknowledged and unusual insights were highlighted.

#### **4.11 Research Limitations**

The interpretation of qualitative information is typically judgemental, and as a result could be subject to interpreter bias (Zikmund, 2003). The non-verbal factors, which are vital components to relaying meaning, could not be captured in the interviews that were conducted via Skype, which is a computer software application which allows users to make voice calls over the Internet.

As discussed previously, the inherent weakness of the method of research chosen is that it only allows for a small number of entrepreneurs to be studied, due to the labour intensiveness of the data collection method (Ewings *et al.*, 1996). The general lack of a research culture in South Africa, in terms of willingness to participate, may affect the study negatively in terms of the expected response rate, likewise the time availability of entrepreneurs pose a major thread in representative response rates. Projecting data beyond the sample could be inappropriate. Similarly, the entrepreneurs selected for the semi-structured interviews may have opinions that could also be non-representative of all

entrepreneurs in South Africa. This study will endeavour to address these issues in a positive way.

#### **4.12 Comments on interviews**

In general the interviewees were very positive to the interview process and were willing to participate. This can be attributed to the good rapport that was established by the interviewer prior to the interviews being conducted. The disclosure that ethical clearance from GIBS had been obtained also assisted the interviewer in securing the meetings with the respondents. All the respondents were satisfied that their information (both personal and company) would be kept confidential. Almost all the interviews were completed within the scheduled time allocated for each meeting. Sufficient planning allowed the interviewer to be in control of the process and resulted in the interviews being completed on time. The results of the interviews will be presented in the following chapter.

## **CHAPTER 5: RESEARCH RESULTS**

### **5.1 Introduction**

This chapter summarises results from the primary and qualitative research intervention as obtained from the in-depth interviewing method applied to the indicated sample. The objective of the interviews was to gain a deeper understanding from South African entrepreneurs with regards to the value added by online social networking to the entrepreneurial process. The interviews were therefore structured with questions that would elicit information that would answer the five main research questions as listed in Chapter 3. The interviews followed the structure of the interview guide (see Annexure 1).

Each interview was recorded on an audio device and then transcribed. The large amounts of information that were generated from the interviews were analysed and major themes identified for discussion. The discussion of the results was broken up into two main sections:

1. Demographic details of each entrepreneur
2. Results of the five research questions

### **5.2 Overview of the entrepreneurs and demographics**

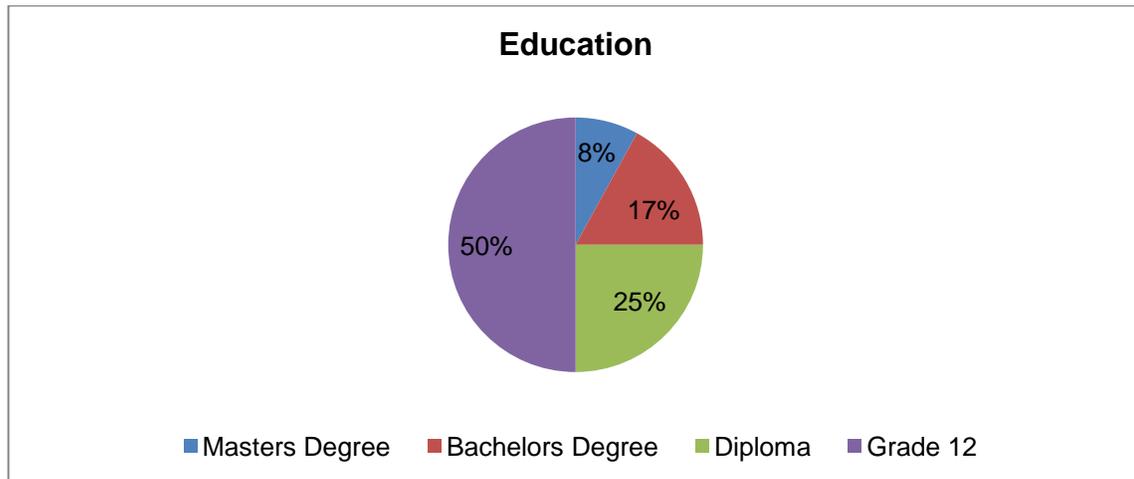
Figure 14 highlights the details of the twelve entrepreneurs that participated in the study. In order to preserve their anonymity the entrepreneurs have been classified from E1 to E12. As mentioned in Chapter 4, each entrepreneur was selected using purposive sampling.

**Figure 14: Entrepreneur Demographics**

Respondent	Gender	Age	Home Language	Highest Education	Years Experience	Relevant Industry	Phase
E1	Male	40	English	Grade 12	12	Vehicle retail sales	Growth
E2	Male	42	English	Grade 12	15	Retail	Growth
E3	Male	30	English	Grade 12	8	Advertising and media	Growth
E4	Male	40	English	Grade 12	12	Business services	Stabilization
E5	Female	52	English	Bachelor's Degree	10	Education	Survival
E6	Male	57	English	Bachelor's Degree	30	Manufacturing	Growth
E7	Male	58	English	Grade 12	20	Education	Maturity
E8	Male	61	Afrikaans	Grade 12	8	Retail	Growth
E9	Male	39	Afrikaans	Master's Degree	1	Retail and customer services	Start-up
E10	Female	56	Afrikaans	Diploma	14	Retail	Stabilization
E11	Male	43	English	Diploma	22	Manufacturing	Maturity
E12	Female	38	English	Diploma	3	Marketing and advertising	Growth

The entrepreneurs that were interviewed ranged from 30 years of age to 61 years. Nine entrepreneurs were male (75%) and three were female (25%), and the number of years entrepreneurial experience ranged from as little as one year to as much as 30 years. The number of employees per business ranged from as little as one to as many as 260. The entrepreneurs had varying levels of educational qualifications with six entrepreneurs (50%) citing to have a Grade 12 qualification, two had a Bachelor's Degree (17%), three had a Diploma or Certificate (25%) and one had a Master's Degree (8%).

**Figure 15: Educational qualifications of entrepreneurs interviewed**



The industries represented by the entrepreneurs ranged from a high precision engineering firm to a motorcycle retailer to an educational business services consultancy. The phase in which each business found itself was also captured, but it is important to note that this was based on the opinion of the individual entrepreneurs and not based on a scientific analysis. The results are highlighted in Figure 14 above.

### **5.3 Research Questions**

#### **5.3.1 Results for Research Question 1**

**Q1: Are South African entrepreneurs aware of the online social networking platforms that are available to them?**

The aim of this question is to determine if entrepreneurs are at all aware of the vast number of social networking platforms that exist and to determine which of these platforms are the most well known.

E1: *“I’m familiar with email, with the telephone, with Facebook, with Twitter...” “I also know of Mxit”*

E2: *“Facebook and Twitter. YouTube, I guess would also qualify”*

E3: *“I’m familiar with Facebook and Twitter...” “Skype as well”*

E4: *“So email is obviously there. Facebook, LinkedIn, Twitter, WordPress. Does that count?” “I know Blogger, TypePad and Firestring. I’d say those are the main ones”*

E5: *“Twitter and Facebook...” “Mxit. I’m not sure if it counts but probably email”*

E6: *“I’m aware of Facebook. And, and that’s really... I certainly don’t make use of any others”*

E7: *“The Facebook and the Twitter is relatively new to me. I don’t really give much attention to that. If I have to source, I usually have to use the Website”*

E8: *“Are you referring to the Internet and that sort of thing?” “I am aware of Facebook and Twitter which are the two big ones which most people have made me aware of”*

E9: *“Basically Facebook, Twitter, Skype, instant messaging, emailing for that matter” “Web pages, Websites. On Facebook also profiles and fan pages. Smsing I suppose”*

E10: *“Facebook, Twitter, MySpace... I don’t use much outside those”*

E11: “As far as Twitter goes, Facebook. Yes, pretty much those two really of the online communication” “Predominate use of the Internet, but more the, as we know it, the traditional media such as instant messaging or email” “Skype is an important one”

E12: “Well the ones I use are Facebook, LinkedIn, Twitter and Plaxo”

In summary, the entrepreneurs indicated that they were most familiar with Facebook, Twitter and Skype as online social networks. It is important to note that all the entrepreneurs cited e-mail and internet search engines as platforms that they use for the businesses. Figure 15 below shows the results.

**Figure 16: Online Social Networking Platforms known by entrepreneurs**

Entrepreneur	Facebook	Twitter	MySpace	Blogger	Skype	Mxit	LinkedIn	YouTube	Plaxo	Wordpress	Firestring	TypePad	Foursquare	Digg	Delicious	RSS Feeds	iTunes	Internet Search Engines	Email
E1	✓	✓				✓												✓	✓
E2	✓	✓						✓										✓	✓
E3	✓	✓			✓													✓	✓
E4	✓	✓		✓			✓	✓		✓	✓	✓				✓	✓	✓	✓
E5	✓	✓				✓												✓	✓
E6	✓																	✓	✓
E7	✓	✓																✓	✓
E8	✓	✓																✓	✓
E9	✓	✓			✓													✓	✓
E10	✓	✓	✓															✓	✓
E11	✓	✓			✓													✓	✓
E12	✓	✓			✓		✓	✓	✓							✓		✓	✓
	12	11	1	1	4	2	2	3	1	1	1	1	0	0	0	2	1	12	12

### 5.3.2 Results for Research Question 2

#### **Q2: Do South African entrepreneurs have the necessary knowledge and skills to make use of online social networking platforms?**

The purpose of this question is to test whether entrepreneurs have the ability and confidence to use the online social networks proficiently. The level of proficiency will also be explored.

E2: *“It depends on what perspective... as an entrepreneurial tool, no. I think there are some benefits to be had from them. So no, probably not. You know, my knowledge is gleaned from reading the newspaper and the odd journal I subscribe to and that sort of thing...”* *“From a general usage point of view, very basic knowledge, yes...”* *“It strikes me that none of them need any particular skill set. I think they have been punted at your average consumer and hence your average consumer with fairly average IT skills, telephony skills should be quite comfortable with them”*

E3: *“Probably not. Just because it’s something I’ve dabbled in but not taken any further”*

E4: *“So in terms of like the knowhow and in terms of how to use them, I’ve got sort of degrees of knowledge. So when it comes to Twitter, I have made tweets and I’ve got about three or four Twitter accounts. When it comes to following people and when it comes to searching, when it comes to hash tags I’ve got the sense of how to do that. With regards to LinkedIn I’m not a power user but I know how to*

*invite, accept or decline. To a less extent, Facebook. I look at Facebook quite a lot, but I don't actually contribute much to it"*

*E5: "Probably not, because I have no idea how Twitter works..." "I'd love to know but my kids think I'm an old granny so I don't even ask. But, I've just gotten onto Facebook so I think if I knew more , it could work very well but because I don't know that much"*

*E6: "I do use my computer to talk to customers or maybe suppliers if they're in another country. So yes there is some sophistication..." "I probably don't have adequate knowledge. I think you know, I'm just picking it up. It's the sort of thing that my children are very involved with. I'm not involved. It's something that's been happening for the last five years I would say, more or less..." "It's a generation thing without a doubt"*

*E7: "I don't think so. I refer to the younger generations like my sons and daughters and my IT guy for assistance. At this stage, where I am, I think, I'm still from the old school where I stick to what I know. And I'm quite comfortable of my ability to do currently what I'm doing and to source various things that need, well that a company requires as a whole"*

*E8: "No I don't think so. It's probably because my interest just isn't there. I don't have the desire to learn more than what I currently know. I know how to operate my computer and I can handle my personal matters on the Internet more that that I don't need"*

E9: *“From a personal point of view, I have a fair amount of experience and I have a fair amount of ability to use them. I think I need more information regarding using it efficiently for my business”*

E10: *“For day to day, personal usage, yes. For business purposes, I don’t think so”*

E11: *“If it’s the Facebooks, the Twitters or emails, sms’s and the cell phone then yes, I think we have. I think my age group is the borderline. The older generations don’t have the knowledge or skills and the younger generation, obviously they all know. I think we are fortunate to know the old school but also fortunate to take note and show interest in the new things as well”*

E12: *“Look, I think I’ve got enough to get by but its something that’s changing all the time. You’ve got to stay on top of it” “On the technical side I check with the consultants I use for help where specialist skills are needed, but I am able to post tweets and that sort of thing myself”*

### **5.3.3 Results for Research Question 3**

**Q3: Do South African entrepreneurs have access to the Internet in order to access the various online social networking platforms?**

This question aims to determine the level of access that entrepreneurs have to the Internet and to determine how they access the Internet and especially, social networking platforms. Any potential barriers to access will also be explored.

E1: *“We’re on the Internet all the time. We have an ADSL line and its unlimited”*

E2: *Well, we've got an ADSL line here at work. I have a 3G card and a wireless network at home* "With a modern lifestyle you're fairly well setup. Between a Blackberry and a laptop and a 3G card there really isn't a hindrance, you know. Wherever you go, you can pretty much get on."

E3: *"My mobile phone won't allow me to [access the Internet] and I've got ADSL linked to my PC, so rather than spending money on the cell phone as well, I just always keep it to one place..."* "So using 3G, well it's prohibitively expensive."

E4: *"So, I've got an iPhone which helps. I can access most of these things through my phone. I've got an iPad which gives me sort of even more access. I've got a wireless network at home and a computer set up there. I've got a laptop at work and the mobility of 3G wherever I go. So I'm always connected. 100% of the day"*

E7: *"On a daily basis I interact with the computer, well almost 24/7. I have an office here and I also have an office at home. So, when I'm finished here, then I'm back on the computer."* "We are connected via ADSL line"

E8: *"Well, I'm running my whole system off wireless. The server is basically a small notebook. All my point of sale terminals is small notebooks like that. So everything is running wireless."* "Obviously the e-mail is just a normal 3G connection [as well as] email and the website, but the Skype I do quite a bit of usage on the mobile as well. It makes it a lot more affordable when I'm Skyping on the mobile at the cost of about a cent a message"

*"Well, typically Skype is [on] permanently. My phone is always online for business as well as personal, and my e-mail as well. I'm on 24/7"*

E11: *“What we do is that we have the server running at work which is connected to an ADSL line giving access to all PCs in the workplace. We’ve been doing that for a year now. Before that was a similar wireless system to one giving all access, but at this stage, it’s through a server and it’s serving basically six, seven machines. We all have internet access”*

*“I have an iPhone. If I’m not near a computer it will connect wirelessly to the server here which is great”*

E12: *“It’s via IBurst, so wireless access” “I’ve got 3G. I also use my Blackberry, so I’ve got mobile”*

Physical access (in the form of internet access) to online social networking platforms does not seem to be a restriction to any of the entrepreneurs interviewed. Figure 16 below highlights the level of access.

**Figure 17: Level of access to the Internet**

Entrepreneur	ADSL Line	3G	Wireless	Mobile	Dial Up	None
E1	✓					
E2	✓	✓		✓		
E3	✓					
E4	✓	✓	✓	✓		
E5	✓					
E6	✓	✓		✓		
E7	✓					
E8	✓					
E9		✓	✓	✓		
E10	✓					
E11	✓	✓		✓		
E12		✓	✓	✓		
	10	6	3	6	0	0

When probed with regards to any factors that hinder Entrepreneurs from accessing online social networking platforms the respondents indicated the following

E1: *“Time!” “And my skills...”*

E2: *“I think I’d enjoy it more if it required less effort on my part”*

E3: *“I would say the amount of time it possibly takes because you’ve got to invest a lot of time into... you know, if you’re going to start a Twitter account about your business, you have to constantly Tweet basically to keep people interested in it because if you’re not active , then you’re wasting your time. So it takes a lot of time and effort to maintain”*

E4: *“The network’s too small [in South Africa]. I just don’t think enough people are actively using it enough. Will it happen? Sure. I don’t doubt it. I think some of it will replace email to some extent”*

E5: *“Time and not enough knowledge”*

E6: *“Probably I just don’t feel, you know ,the need to [use online social networking platforms] and certainly with my generation it’s a lack of knowledge thing”*

*“I think it could waste time. I think it’s fairly addictive these things. You don’t want to get too involved”*

E8: *“I have heard of pornographic things coming through on Facebook, and funny things that people want you to do, so I don’t even want to get involved with it. Maybe I’m wrong and the advantages are greater than the disadvantages”*

E9: *“At the moment, I just haven’t had time to really focus on that. As I said I am a start-up. There’s lots more hard, practical stuff that needs to be taken care of”*

E10: *“There’s just no interest, like I said”*

E11: *“Spam!” “If the World were an ideal place, you wouldn’t have people trying to sell you rubbish and trying to force things on you. You know, you really don’t want that. And then of course all the buggers that come along with this kind of thing as well. It’s not a nice sort of thing and unfortunately it eats up time”*

E12: *“Possibly laziness that I don’t want to admit to”*

*“I think everyone thinks social media is the next great thing but certainly there are some brands that I just don’t think it is for them. I just don’t think the relevancy is there for every single brand”*

#### **5.3.4 Results for Research Question 4**

**Q4: Do South African entrepreneurs make use of modern social networking platforms (in sharing information and obtaining valuable resources for their businesses)?**

The aim of this question is to firstly, determine if entrepreneurs are using online social networking platforms and participating in social media, and secondly to determine what entrepreneurs are using these platforms for. This question also aims to find out if social networking platforms are being used for opportunity recognition, resource allocation and innovation.

E1: *“I do not get involved in Twitter, Mxit or Facebook” “I feel, in our industry, we are extremely relations-based meaning that our process is to make friendship and to thrive out of that friendship in the business. MXit, Twitter and Facebook are impersonal ways of communicating. Email also all right but they take out the face. They take the voice away. They take the edge away and they actually become a way of either enhancing your business hugely or dissing [sic] it hugely. You know, you can have one wise ass on that, any of those networks, can just get an agenda and try and destroy you out of it. So we do not engage in those things.”*

*“I realize that your business can grow out of it. However, we are placing more emphasis on relational, on getting a guy in, on doing something like this, enjoying our time together. It has more value in the long term because we may deal with a guy for a number of years before we physically do a lot of business with him, you know, because we built friendship and bonds. Out of that, trust comes and that often opens up the business for us”*

E2: *“A minimal use of Facebook which irritates the hell out of me, and Skype”*

*“It just requires too much on your part. You actively have to log onto the internet, go somewhere, log onto Facebook, and I guess one of the inherent demands of social networking , it requires input from your part” “To my mind it just requires, you know, more than I am possibly prepared to give it”*

E3: *“If we look at Facebook, there are some media groups that I am joined to. So basically, if I have a job that I need help with, I can post it to that group. If somebody else has a job they need help with, they can post it on that group and*

*that way we can use it for collaboration” “You know, we’ve got guys in Johannesburg, in Durban and we’re all connected by Facebook. So, when we have jobs, we post it on there and everyone knows what’s going on”*

*“Skype is great for sharing a screen. So if I’m busy on an edit, and I’ve got a director that I work with who’s in Claremont, if he wants to see what’s going on I can share my screen via Skype. So I can basically edit and he can almost watch exactly what I’m doing on his PC via Skype”*

E4: *“Sporadically. We’ve got a Facebook page, we’ve got a fan page, we’ve got a Twitter account. We’ve made probably 70 posts I think or 50 posts or something like that, but none in the last six months because you start with the flow and then you just realize that it’s actually so slow in building that we kind of lose interest”*

*“Why is it so slow? I think there’s the normal bandwidth argument perhaps and I think it goes as far as the handset world. You know, the iPads and Androids and the Blackberries are still such a small representation of the market. I don’t think people think of social media as having anything to do with their careers whereas my US and European counterparts, people that I know through my various networks, they live on it. They work it. They use it. And that, that wave or function hasn’t got here yet”*

E6: *“I think to deal with problems and to keep in touch. That would be the main reasons. We have lots of partners in our business and one has to keep in touch with them you know, for business reasons, and to keep in touch from a social point of view because it’s important to socialize with these people as best I can” “I think*

*the main motivation is basically to have good working relationships, to understand each other. So it helps you in your dealings”*

E8: *“As I’ve already said, we don’t use these platforms”*

E9: *“I use, personally, Twitter, Facebook, obviously e-mail. I’ve got my own blogs. For business purposes we only use Skype... and a Website”*

*“I am currently constructing a Website so that needs a bit of attention right now. None of the others are currently used in business”*

*“Skype is mainly communication between branches and between employees and myself. Just an alternative to, to one-on-one side telephonic calls which is expensive. The other side, email which is sort of slow. So the Skype works perfectly”*

E11: *“Information transfer” “Typically, in the case of quotations, they will come through by email where before they’d post it to you or a driver would drop it off. You would then quote, fax it or something like that. To fax drawings is not [viable] it’s just a waste of time whereas now, in a pdf, you can get everything sent to you. You quote and sent it back to the guy. So, I think you used to get the personal interaction between the people, but the sort of information is transferred so quickly nowadays that there’s less room for error because information should transfer very quickly. You don’t have to wait [for information] to queue”*

E12: *“I’m really just trying to set myself up as a force leader in the digital space. So I use them to promote my own website and electronic services etc. The thing with*

*social media is you can't do hard plugs and blatantly try and sell your services with it, like buy my product sort of thing, but you can share useful information or provide content which is useful to your network"*

*"Social media is a slightly different animal simply because people use it to communicate with people of a like mind so that, your friends or business you know, stakeholders etc, people that is interested in the platform or trying to get information on a particular subject. So if you keep pushing your product and pushing your product, in some instances, you can alienate people. I mean, I think for example in selling life insurance it would be far better to give useful information you know, rather than saying please come buy my XYZ life insurance product. So I think it's because people use these social networking platforms to communicate with their friends. I mean, that's the main reason why they're there apart from launching a business relationship. It just needs to be genuine. If not, you'll find people start dropping off"*

When probed further, as to how online social networking platforms can be used to innovate, recognize opportunities and access resources, the respondents indicated the following:

*E1: "I don't know enough at the moment to fully answer your question, but I'm sure the potential is high. It's just, I think in a sense, we've limited ourselves to this line of communication mainly because it works for us. And because it works, we stick to the tried and tested formula"*

E2: *“By their very nature, I think they make a huge client base accessible to service providers. So I think using pop-up adverts, banner adverts, you know, depending on the different mechanisms these networks use I think you have the ability to get your message to the consumer” “Its more targeted”*

E3: *“If I had to look at Facebook and perhaps look at Twitter, if... because we shoot a lot of music videos, if we joined to a lot of fans following bands on Facebook and Twitter, we could almost see where they are and pitch ideas to them for music videos and generate business like that”*

E4: *“Yes, let me expand on that ever so slightly and say that I think Facebook and LinkedIn will play a part in recruitment going forward. There are also other applications. I’ve got a meeting today with [company name removed] and I’ve researched the guy I’m seeing totally through LinkedIn. I can see who his connections are etc. So, I’m really quite a lot more advanced than I would have been in the past in terms of having a meeting with somebody. His enquiry came through the Web which closes the loop”*

*“If we’re looking at new job candidates, we’ll go and look at Facebook and LinkedIn to see where they’re at”*

E5: *“Look, I don’t know because once again, I don’t have enough knowledge.”*

E6: *“The important part from a sales point of view is that we find that social networking sites, because our Website has a link through to Facebook, and all those, we find that if there is a trend that is established, we pick up on it, in the social media. Case in point is when we had the World Cup in South Africa,*

*pharmacies and shops ran out of earplugs and the pharmacists then started telling consumers to use this product called [name removed] to prevent you know from hurting your ears. That was immediately jumped on by our marketing department and was placed on our Website and in the normal media through advertising and that. So you can quickly respond to any market forces by following trends through social media”*

E7: *“Not in my business...”*

E8: *“I’m a bit careful in answering that, because I am a bit scared of Facebook and the likes”*

*“Because I am not aware of all the advantages of Facebook. I would like to reiterate that I am illiterate when it comes to Facebook etc. I don’t know what it can offer me”*

E9: *“It’s probably the part I need most direction with. I understand that one-to-one communication is part of the environment, but I don’t completely comprehend the mass out there and how to reach them. So its probably one of the areas I need most knowledge”*

E10: *“You could put it [your business] out there. Ask Questions of your friends or... and then people could help you make your product better”*

E11: *“You’re getting exposure which I think is great because your name is out there. They [potential customers] send stuff to you out of the blue and say ‘would*

*you like to quote on this?’ ‘is this something you do?’. You have the network in place where somebody’s looking for somebody to do work for them”*

*“We often need specialized materials. You tend to find people you know [through your social network] that have used certain materials and you can approach them and say ‘where did you get this?’ So I think it helps, it does benefit”*

*E12: “I know a number of people that use social media because of the one-on-one relationship, as much as you’re pushing out a message to people, they’re responding to your message, hopefully. And sometimes you can actually get some amazing ideas out of someone complaining. They have a problem where they’re complaining about something. It enables you to take those negative things and actually turn them into opportunities by just listening to your target audience speaking back at you. So that’s a very important thing”*

*“LinkedIn and Facebook allows you to identify exactly who you want to reach. You can actually pinpoint various sectors. It’s just about how you go about getting to the right person”*

### **5.3.5 Results for Research Question 5**

**Q5: Are these platforms adding value for the entrepreneur and/or his/her customers/suppliers?**

This question aims to establish if online social networking platforms are perceived by entrepreneurs to be valuable to their businesses, customers and suppliers. This

question also aims to determine if entrepreneurs believe there is a future for online social networking in the entrepreneurial process and in what way?

E1: *“Yes, definitely. Definitely. But we’ve got to just find a way , I guess to make it work for ourselves where it doesn’t take... Yes, where it adds to the, to our value of connecting with people, you know. Where it doesn’t take away that value. Where I’m dealing with a person that walks in here , I can shake his hand or give him a hug and say ‘howzit’ and that connection into his life and him into my life. If its enhancing that, yes it’s good. If not, then it’s taking personal input out and just making it like reading a page and making a decision on a page. Then no”*

E2: *“Yes, I think there must be a future. I think you’re dealing with the far more connected consumer now and if you can make some of those, those connections they make on an everyday basis, and use some of the viral marketing where, if you can appeal to someone and that person moves in a circle that have similar interests, you can use that person’s relationships with their circle to start spreading your message. And I think the effect of that can be, you know – I’m not sure what the maths are – but obviously you could have a fairly good kind of penetration using that person’s likes, which are shared with his circle and might sort of grow from there”*

E3: *“I do see a future but I don’t think it’s going to be... I don’t think it’ll ever be something that we can’t live without”*

*“I think it’ll always be a ‘nice to have’, a nice way to connect with people but it’ll never be such an integral part of people’s businesses that if, if something*

*happened and it was done away with, that all of the sudden, their business would collapse”*

*E4: “Yes, I mean, I think it’s just being plugged in. It just gives you more reach. It gives you... I suppose it also gives you a voice, in the computer deriving. It gives you a voice and it gives you an ear to the ground. You get a lot of different information coming at you. It’s not about information overload. I think it’s just you’ve got to put the right filters in place and social media helps that”*

*E5: “Oh absolutely, absolutely because I mean, that’s the young person’s tool. They don’t go out [anymore] these social networking tools, like Twitter and Facebook, they’ve just made the world so small. So you know, you can be here and contact anyone. It’s just, it’s just made the world so accessible”*

*E6: “Well, for myself, I don’t see a big future but I mean, again we, we go back to the generation thing. But the reality is that for young entrepreneurs, it must be something very beneficial I would say”*

*“For spotting trends maybe, and if you’re the first person there then it makes a big difference. Because if you don’t get there first, someone else will and it’s a whole battle as we know”*

*E7: “Yes, I do see that because if go back to what I said earlier on, the new generation...”*

E8: *“It can help someone... It can be advantageous for other companies, and for individuals, but I don’t believe, at this stage, that I will be signing up for a Facebook account”*

E9: *“Absolutely. There is a future. Not that I’m the best person to speak to, I mean I don’t think I’m going to be a huge social networking entrepreneur. It’s just not part of my life. But I believe in the possibility. I’m doubtful whether I’m going to be the driver of such a future. So it’s probably again looking for a resource to join our company in the bigger sense to be able to try something like that. But the focus right now is start-up and growth here. So we have a lot more hard operations stuff that we look at before we focus on that”*

E10: *“Yes I think so...” “Like I said, it would if you had a network for entrepreneurs, then it could definitely help you”*

E11: *“Definitely. I think linking people and linking different people’s skills by typing something on the internet, I think it, it just makes the world so small. You know, typically needing something, you email your mate. You say ‘we need this’ and ‘where can you get that done?’ They will give you another lead. And the time it takes is very little to find out who’s doing what and it quickly narrows things”*

E12: *“Oh, definitely. Definitely a future. I think, as I said, as a social media and the various platforms are growing. It’s definitely opportunities that are coming up and better ways to use them, those pages. I mean, if you come from a branding perspective, at this stage, I would say Facebook is quite limited on how beautiful you can make your page but with Twitter, there’s far more out there. So I’m sure*

*that things are going to change. But in terms of a brand awareness tool, it's, there's nothing that beats it because it's completely free. So that's a big thing. Yes, I think it's just going to go up and up. With broadband 4, now's the time to get involved if you can on these social pages and actually start to develop a presence now while it's starting to gather momentum. Rather be a leader instead of a follower"*

The relevant findings of the qualitative research process were presented in the sections above. The responses from each of the entrepreneurs was recorded, grouped and allocated to each of the five research questions. In the next chapter, the findings will be analysed and compared in context of the literature which was reviewed in Chapter 2.

## **CHAPTER 6: DISCUSSION OF RESEARCH FINDINGS**

### **6.1 Introduction**

This chapter discusses the research findings that were outlined and reported in Chapter 5 in light with the literature and the research questions. The interviews with the respondents provided an extensive set of data from which a series of themes were drawn providing insights into each of the five research questions.

The research results discussed in this chapter add to a better understanding of the literature regarding the use of online social networks as a medium that may or may not add value to the entrepreneurial process.

### **6.2 Research Question 1**

**Are South African entrepreneurs aware of the online social networking platforms that are available to them?**

This question sought to determine if entrepreneurs are at all aware of the vast number of social networking platforms that exist and to determine which of these platforms are the most well known. The results from the interviews with the respondents provided the following insights.

#### **6.2.1 Awareness**

From the literature review, 'awareness' refers to the ability to notice something and to gain an understanding thereof. With the insights gained from the interviews it is safe to say that the entrepreneurs have noticed the existence of online social

networking platforms, but that their level of awareness is quite limiting and that they have a very limited understanding of the platforms.

### **6.2.2 Awareness Frame**

The interviews revealed that all of the entrepreneurs are familiar with Facebook as a social network and during the interviews this platform was referred to the most. The level of awareness did vary between the entrepreneurs with some entrepreneurs actually having established fan pages on Facebook and others having only heard of Facebook, but never actually engaged with the platform. Twitter was the second most prominent platform with only one entrepreneur not citing as being familiar with it. Again, the level of awareness varied amongst the entrepreneurs with some expressing that they have opened Twitter accounts and made tweets and others only being aware of the platform but not having ever registered an account with Twitter. Skype was the third most prominent platform and five of the entrepreneurs confirmed that they actively used Skype as part of their daily operations. YouTube was the fourth most prominent platform and even though three entrepreneurs confirmed being familiar with the Website, only one entrepreneur confirmed having actually uploaded a company related video onto the platform.

Other social networking platforms that were mentioned included MySpace, LinkedIn, WordPress, Plaxo, TypePad, Firestring, Mxit, Blogger and Apple's iTunes. It is interesting to note that none of the entrepreneurs mentioned prominent platforms such as Digg, Delicious, Ning, Bebo or The Second Life.

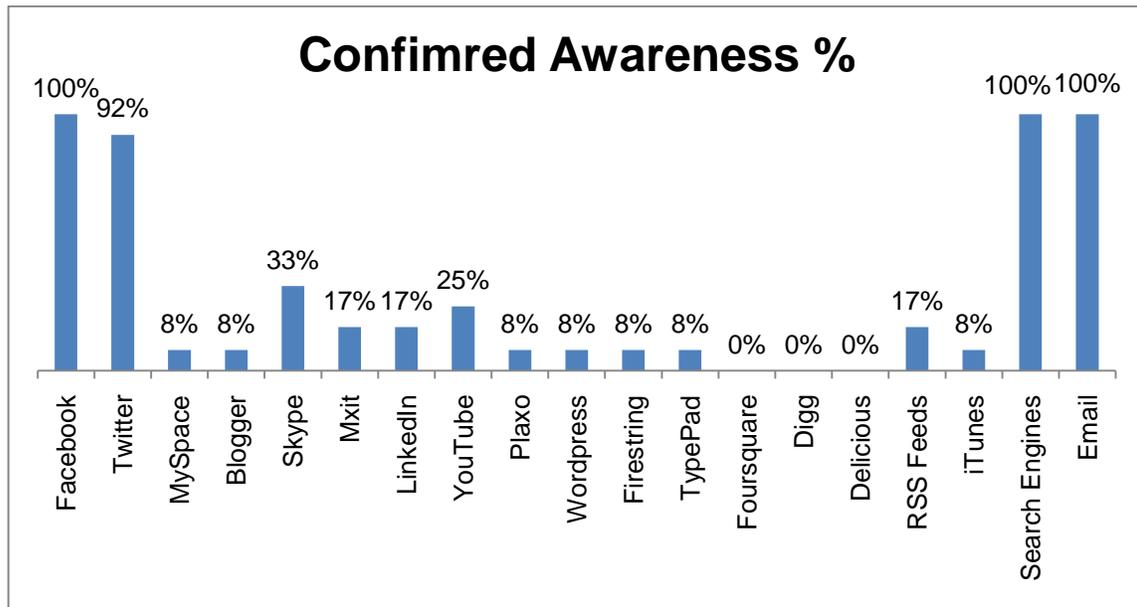
Geographically oriented platforms such as Gowala or Foursquare were also unfamiliar to the entrepreneurs (only one entrepreneur mentioned having heard of Foursquare).

The general impression from the interviews was that the vast majority of the entrepreneurs had heard of online social networking platforms in general but had certainly not done any in depth investigation into how these platforms function. Only a few of the entrepreneurs had actively engaged with the online social networking platforms and even then, the level of their engagement was limited to private social use. A small minority had cited that they had used online social networks for their businesses and even these mentioned that it had been on a very small scale.

### **6.2.3 Conclusion to the discussion of the research findings**

In summary, the status surrounding the awareness of the entrepreneurs interviewed can be summarized by the figures below. It could be assumed that Facebook and Twitter are the leaders in the current 'social networking war' and are enjoying the greatest levels of awareness from the entrepreneurs. The level of awareness that each entrepreneur possesses as in Figure 19 is a reflection of the impression that the entrepreneurs created during the interview process and not a scientific analysis. It was based on how comfortably each entrepreneur spoke about social networking platforms in general.

**Figure 18: Respondents Awareness % of Social Networking Platforms**



**Figure 19: Respondents perceived awareness levels**

Respondent	Very Basic	Basic	Fair	Good	Very Good
Entrepreneur 1	🔍				
Entrepreneur 2	🔍	🔍			
Entrepreneur 3	🔍	🔍			
Entrepreneur 4	🔍	🔍	🔍	🔍	
Entrepreneur 5	🔍				
Entrepreneur 6	🔍				
Entrepreneur 7	🔍				
Entrepreneur 8	🔍				
Entrepreneur 9	🔍	🔍	🔍		
Entrepreneur 10	🔍				
Entrepreneur 11	🔍	🔍	🔍		
Entrepreneur 12	🔍	🔍	🔍	🔍	

## 6.3 Research Question 2

### **Do South African entrepreneurs have the necessary knowledge and skills to make use of online social networking platforms?**

The purpose of this question was to test whether entrepreneurs have the ability and confidence to use online social networking platforms proficiently. The question also aimed to explore the level of proficiency that entrepreneurs have with regards to online social networking platforms.

#### **6.3.1 Knowledge and skills**

Based on the literature and the insights gained from Smith & Siegel (2004) 'knowledge' is defined as the information and understanding that an entrepreneur has gained through learning or experience. 'Skills' refer to the individual's (in this case the entrepreneur) ability to do something well due to the fact that he has learned and practised it. The feedback from the interviews suggests that entrepreneurs' knowledge regarding online social networking platforms is quite limited. This is confirmed through the following statements:

E3: *"Probably not" "Just because it's something that I dabble in but not taken any further"*

E5: *"Probably not because I have no idea how Twitter works".*

E6: *"I probably don't have adequate knowledge. I think you know it's a new generation thing" "I'm not involved. It's something that's been happening for [only] the last five years"*

E7: *“I don’t think so” “I refer to the younger generations like my sons and daughters and my IT guy for assistance” “I’m still from the old school where I stick to what I know”*

E8: *“No I don’t think so. It’s probably because my interest just isn’t there. I don’t have the desire to learn more than what I currently know”*

E9: *“From a personal point of view, I have a fair amount of experience and I have a fair amount of ability to use them. I think I need more information regarding using it efficiently for my business...”*

E10: *“For day to day, personal usage, yes. For business purposes, I don’t think so...”*

The general derived response trend seemed to be that the entrepreneurs, at best, had engaged with online social networking platforms on a personal level and had only gained a very basic skill set with regards to using these platforms. When specifically asked whether entrepreneurs would be able to use these platforms for business purposes the overwhelming sentiment was ‘No’. This was surprising as each of the entrepreneurs indicated that they had a ‘good’ level of technological proficiency and that each would be able to access the online social networking platforms. It does however support the findings by Herrington *et al.* (2008) who stated that entrepreneurs use their ICT mostly for sales and marketing, finance and accounting, human resources and administration, procurement and inventory management, and collaboration. It would appear that the entrepreneurs in this respondent group have all embraced ICT in their businesses, and have the

necessary skills to leverage the technology, but are not engaging with social networking platforms on the same level as the rest of their ICT activities.

The themes that emerged from the interviews (with regards to why the entrepreneurs do not seem to be fully knowledgeable or proficient with using online social networking platforms) will be discussed in the following section.

### **6.3.2 Factors affecting entrepreneur's knowledge and skills**

The interviews revealed that the level of knowledge and skills that entrepreneurs had with regards to utilizing online social networking platforms in the businesses was influenced by the age of the entrepreneurs. Five of the entrepreneurs (42%) indicated that they felt that social networking was something that was being adopted by a younger generation and that social networking was still a relatively new phenomenon. This is confirmed by Herrington *et al.* (2008) who states that younger entrepreneurs are more likely to embrace ICT than their older counterparts. It was worthy of note that all of the entrepreneurs had embraced the Internet and email (technologies that have been around for over 15 years) as part of their business practices but that there was still a bit of hesitance with regards adopting social networking on a similar level. It is also worth noting that only two entrepreneurs (17%) had started their business prior to the advent of the commercial Internet and email but that ten entrepreneurs (83%) had started their ventures prior to the emergence of online social networking platforms. This suggests that the entrepreneurs would adopt new technologies into their businesses, but that this was something that took a bit of time (almost as if the

technology needs to prove itself first). This could explain why the entrepreneurs felt they were fully proficient with using the Internet and email for business purposes, but not as proficient with regards to using online social networking platforms for similar purposes.

The literature suggests that 96% of Millennials (those individuals born after 1980) with Internet access have joined a social network (Qualman, 2008). As such, it is important to note that none of the entrepreneurs interviewed fall within this age group which reinforces the assumption that age is influencing the entrepreneurs' willingness to use the online social networking platforms. However, Qualman (2008) reports that the fastest growing segment in Facebook is 55 – 65 year olds which would suggest that age was not a factor in adopting social networking platforms. A possible explanation for this dichotomy is that South Africans may be slightly the slower than other parts of the World when it comes to adopting new technologies and that the 'early adopters' tend to be younger generations. What this means is that social networking could be adopted in larger volumes, but that it is going to take a bit longer, especially amongst the demographic group that the respondents represent.

Another factor that appeared to affect the level of skills and knowledge that entrepreneurs demonstrated was that of 'interest' in social networking. Four entrepreneurs (33%) indicated that (so far) they just had not been interested in exploring what online social networking platforms could do for their businesses. The general sentiment amongst all 12 entrepreneurs was that these platforms were primarily created for personal social interaction and as a result no real effort

had yet been put into using these for professional purposes. Seven of the entrepreneurs (58%) indicated that they were occupied with the day to day operations of their businesses and as such did not feel interested, or had the time, to explore online social networking as a potential business tool. This conflicts the findings reported by Deragon (2009) who stated that Social networking and social media saves time and money if it is used correctly. Again, it can be assumed that the low levels of knowledge about social networking have caused the entrepreneurs interviewed not to be aware of these benefits, and have resulted in the mindset being created that social networking cannot offer anything of interest on a professional level. Because these entrepreneurs did not express much interest in social networking it is safe to say that they would have not spent sufficient time practicing and learning what these platforms can do. One could assume that this has a direct impact on their existing knowledge and skills.

### **6.3.3 Conclusion to the discussion of the research findings**

In summary, the interviews highlighted that the entrepreneurs in this respondent group have all the required potential to become proficient with online social networking platforms, but that very few currently have the knowledge or skills to be classified as fully proficient. The basic technological skills required seemed to be present with all the entrepreneurs, but factors such as interest, time, and the perception that online social networking platforms are for younger generations, are impacting on developing the skills and knowledge to use these platforms effectively.

## **6.4 Research Question 3**

### **Do South African entrepreneurs have access to the Internet in order to access the various online social networking platforms?**

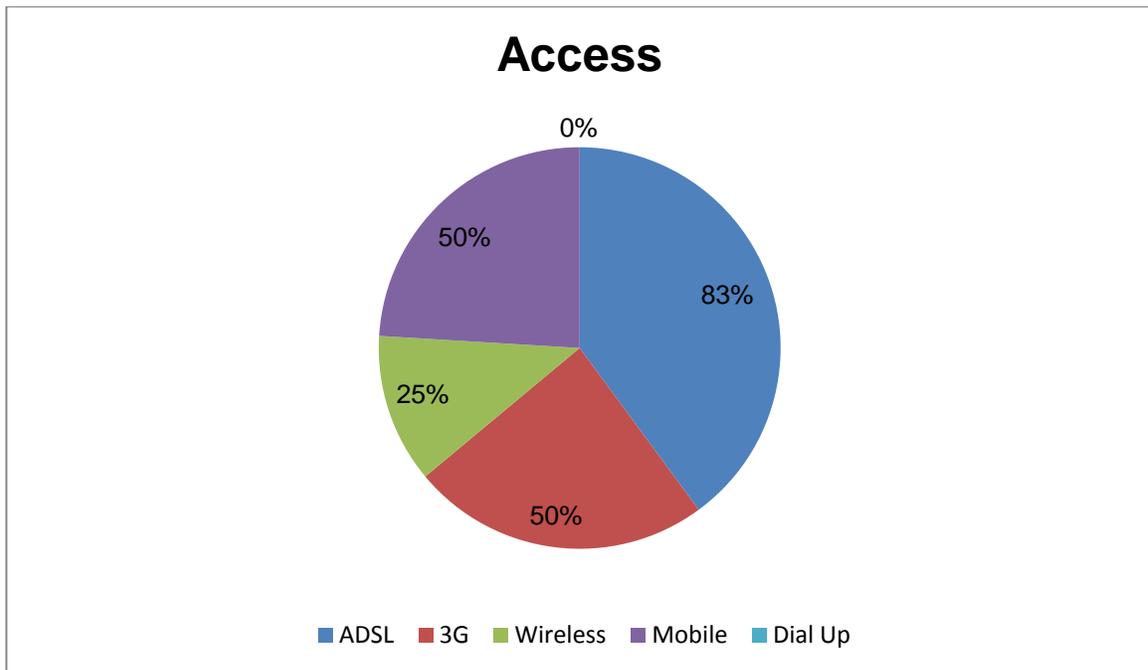
The purpose of this question was to determine the level of access that entrepreneurs have to the Internet and to determine how they access the Internet and especially, social networking platforms. The question also aimed to explore any barriers to Internet access that entrepreneurs may experience.

#### **6.4.1 Various ways to access the Internet**

The literature suggests that South Africa has very low levels of Internet access with approximately only 5 million active users (Goldstuck, 2010), which represents an approximate penetration rate of 10% of the total population. Dutta & Mia (2010) also indicate that South Africa is the 62<sup>nd</sup> most networked country in the World. Based on this information the assumption could easily be made that access to the Internet would be a problem for the entrepreneurs. The interviews however, painted a very different picture.

The twelve entrepreneurs that were interviewed all indicated that they had access to the Internet with 83% indicating they had an ADSL line, 50% indicating they also connected to the Internet via 3G, 25% also connected via Wireless. It is also worth noting that all the entrepreneurs had a mobile phone and that 50% actually used their mobile phone to connect to the Internet.

**Figure 20: Types of Internet access for the entrepreneurs that were interviewed**



These results may be interpreted as contradicting the findings of Goldstuck (2010) and Herrington & Kew (2008), however the following explanation could shed more light on the topic:

#### **6.4.2 Internet access crucial for competitiveness**

The feedback from the interviews clearly suggested that the entrepreneurs felt that Internet access was a crucial part of their business operations. Each of the entrepreneurs had good physical infrastructure and established client bases and were all in industries with high levels of competition. All of the entrepreneurs could be classified as opportunity-based entrepreneurs and as such, had started their

ventures because they saw a gap in the market (and not out of survival or necessity). The impression was created that in order for these entrepreneurs to compete effectively, that they would at least need access to the Internet and be able to communicate via email. The assumption could be made that in order for an opportunity based entrepreneur to be competitive (at industry, country and even international level) that it would be crucial for that entrepreneur to have some form of access to the Internet. The findings by Goldstuck (2010) and Herrington & Kew (2008) suggest that South Africans in general have limited access to the Internet and are lacking the required ICT or technological skills. It is therefore important to note that the entrepreneurs in this study could be more sophisticated than the norm, and may not necessarily be representative of the entire population. However, none of the entrepreneurs interviewed cited Internet access as a barrier to doing business. What is important to note though is that many entrepreneurs cited the high cost of bandwidth as something that they were not satisfied with.

#### **6.4.3 Conclusion to the discussion of the research findings**

In summary, the entrepreneurs interviewed do have access to the Internet and are accessing the Internet in many different ways (whether it is from a desktop computer, laptop or mobile device), but these entrepreneurs are wary of the high cost of bandwidth in South Africa, but are not allowing this cost to stop them from accessing the Internet.

## **6.5 Research Question 4**

**Do South African entrepreneurs make use of modern online social networking platforms (in sharing information and obtaining valuable resources for their businesses)?**

The aim of this question was to firstly, determine if entrepreneurs are using online social networking platforms and participating in social media. Secondly the question aims to determine what entrepreneurs are using these platforms for. This question also aimed to find out if social networking platforms are being used for opportunity recognition, resource allocation and innovation.

### **6.5.1 Are online social networking platforms used?**

From the interviews it was evident that eight of the entrepreneurs (67%) had engaged with online social networking platforms in at least some level. As discussed in Question 1 the most widely used platforms are Facebook, Twitter and Skype. Again, all the entrepreneurs indicated that they used the Internet and email as part of their business operations, but out of the 67% that had engaged with online social networking platforms, only half of them indicated that they had done so for business purposes and even then it was at a very elementary level.

The 33% of entrepreneurs that did not engage with online social networking platforms at all cited reasons such as lack of interest, the availability of time and perceived skill levels as reasons for not participating. These four entrepreneurs were also all above 40 years of age which could suggest that age is playing an

effect in the speed at which social networking is being adopted within entrepreneurial businesses within this respondent group.

### **6.5.2 What are the platforms used for?**

The results indicated that online social networking platforms are primarily used for personal purposes. The feedback indicated that entrepreneurs mainly used the platforms to share information about them, to connect with friends, family and acquaintances and to look for information. This confirms the findings in the Friendship 2.0 study (2010) which indicates that 75% of people who regularly accessed online social networks used the platforms to send messages to people and 61% used the platforms to search for people. All of this was at a personal level with very little engagement on a professional/business level. Communication was the primary activity on the online social networking platforms and this varied from posting notices on people's Facebook walls to responding to tweets posted by others.

The most prominent communication method amongst the respondents seemed to be through Skype. Skype was used for voice communication but also for instant messaging. The reason this platform seemed so popular was because of the low cost of using it and the fact that communication was instantaneous. It is important to note though that only one of the four entrepreneurs that had cited using Skype did so for business purposes, again reinforcing that these technologies are still being used for personal rather than professional reasons. Because the overwhelming sentiment from the respondent group was that online social

networking platforms were only being used for personal consumption the entrepreneurs were asked to think of ways these platforms could be used for opportunity recognition, resource allocation or innovation. The feedback was as follows:

E2: *“By their very nature, I think they make a huge client base accessible to service providers. So I think using pop-up adverts, banner adverts, you know, depending on the different mechanisms these networks use I think you have the ability to get your message to the consumer” “Its more targeted”*

E3: *“If I had to look at Facebook and perhaps look at Twitter, if... because we shoot a lot of music videos, if we joined to a lot of fans following bands on Facebook and Twitter, we could almost see where they are and pitch ideas to them for music videos and generate business like that”*

E4: *“Yes, let me expand on that ever so slightly and say that I think Facebook and LinkedIn will play a part in recruitment going forward. There are also other applications. I’ve got a meeting today with [company name removed] and I’ve researched the guy I’m seeing totally through LinkedIn. I can see who his connections are etc. So, I’m really quite a lot more advanced than I would have been in the past in terms of having a meeting with somebody. His enquiry came through the Web which closes the loop”*

*“If we’re looking at new job candidates, we’ll go and look at Facebook and LinkedIn to see where they’re at”*

E6: *“The important part from a sales point of view is that we find that social networking sites, because our Website has a link through to Facebook, and all those, we find that if there is a trend that is established, we pick up on it, in the social media. Case in point is when we had the World Cup in South Africa, pharmacies and shops ran out of earplugs and the pharmacists then started telling consumers to use this product called [name removed] to prevent you know from hurting your ears. That was immediately jumped on by our marketing department and was placed on our Website and in the normal media through advertising and that. So you can quickly respond to any market forces by following trends through social media”*

E10: *“You could put it [your business] out there. Ask Questions of your friends or... and then people could help you make your product better”*

E11: *“You’re getting exposure which I think is great because your name is out there. They [potential customers] send stuff to you out of the blue and say ‘would you like to quote on this?’ ‘is this something you do?’. You have the network in place where somebody’s looking for somebody to do work for them”*

*“We often need specialized materials. You tend to find people you know [through your social network] that have used certain materials and you can approach them and say ‘where did you get this?’ So I think it helps, it does benefit”*

E12: *“I know a number of people that use social media because of the one-on-one relationship, as much as you’re pushing out a message to people, they’re responding to your message, hopefully. And sometimes you can actually get some*

*amazing ideas out of someone complaining. They have a problem where they're complaining about something. It enables you to take those negative things and actually turn them into opportunities by just listening to your target audience speaking back at you. So that's a very important thing"*

*"LinkedIn and Facebook allows you to identify exactly who you want to reach. You can actually pinpoint various sectors. It's just about how you go about getting to the right person"*

A recurring theme from the feedback received pointed towards accessing the masses (which would be difficult through traditional means), being able to see what trends are developing locally and internationally and being able to access information in order to make informed decisions. This confirms the findings of Deragon (2009) who indicated that communication is about reach and that social networking and social media provide the means to effectively communicate with your target market in human, rather than institutional terms. It also confirms the statements made by Bernoff & Li (2009) who argue that social networking and social media benefit their user by connecting individuals, organizations and brands, accelerating the spread of information, and allowing collaboration with other online users or community members.

It is worth noting that most of the entrepreneurs were hesitant at first with regards to responding to this question and did not come up with these answers automatically. This could suggest that online social networking is still seen as a novelty and not the first port of call when it comes to looking for opportunities,

innovating or accessing resources. It also confirms the findings of Herrington & Kew (2009) who report that communities are still often suspicious of ICT usage and that trust needs to be built between the users and the service providers.

### **6.5.3 Conclusion to the discussion of the research findings**

To summarise, South African entrepreneurs have started to engage with online social networking platforms, but mostly for personal purposes and on a very elementary level. These platforms are mostly used to connect with friends and family and to share information or communicate. The general trend seems to be that online social networking platforms could be used for business purposes but that entrepreneurs are not entirely sure how. The literature suggests that networking is an integral part of the entrepreneurial process, and the impression gained from the interviews affirms this theory, but it is clear that, in South Africa, entrepreneurs still have a strong bias towards face-to-face networking, mainly because this is what is known to them and because it is what they trust.

## **6.6 Research Question 5**

**Are these online social networking platforms adding value for the entrepreneur and/or his/her customers/suppliers?**

The aim of this question was to establish if online social networking platforms are perceived by entrepreneurs to be valuable to their businesses, customers and suppliers. The question also endeavoured to determine if entrepreneurs believe there is a future for online social networking in the entrepreneurial process, and in what way?

### 6.6.1 The value added by social networking

From the interviews it was clear that South African entrepreneurs were still very much in the early stages of adopting online social networking platforms into their businesses. As discussed previously many entrepreneurs have used these platforms primarily for personal usage and the few that have tried using these for business purposes have done so on a very elementary level. As a result it is too early to say for sure whether entrepreneurs think that these platforms add value to their businesses.

Observations from the interviews, and especially the body language of entrepreneurs, suggested that there was a lot of uncertainty or even indifference when asked if these platforms were adding real value to their businesses, customers or other stakeholders. The conclusion can be made that entrepreneurs just don't know yet. An interesting observation on the matter was as follows:

*“Why is it so slow? I think there's the normal bandwidth argument perhaps and I think it goes as far as the handset world. You know, the iPads and Androids and the Blackberries are still such a small representation of the market. I don't think people think of social media as having anything to do with their careers whereas my US and European counterparts, people that I know through my various networks, they live on it. They work it. They use it. And that, that wave or function hasn't got here yet”*

This feedback would suggest that due to the relatively poor bandwidth infrastructure and high associated cost, that South African entrepreneurs have the

required infrastructure to access the Internet, but have been slower to adopt these platforms into their businesses. As a result it is just too soon to tell what value these platforms will add to entrepreneurs.

### **6.6.2 Is there a future for social networking within the entrepreneurial process?**

Every single entrepreneur responded positively when asked whether there was a future for social networking within entrepreneurship. However, most entrepreneurs did not have a clear indication as to how these platforms would add value, but were happy to acknowledge that it was a very prominent technology and that it would shape the way people communicated in future. In the literature Deragon (2009) indicated that there were ten reasons why people or organizations should use social media or online social networking platforms. Interestingly the entrepreneurs interviewed only echoed three of these reasons when asked whether there was a future for social networking within the entrepreneurial process. These three reasons were:

1. Entrepreneurs will find whomever they want to do business with somewhere online (in a focused approach).
2. People will find whatever knowledge they need about any market or any person online.
3. People can reach their targeted markets by simply engaging in the right conversations with the right people. This is regarded to be more effective than traditional 'above the line' advertising.

### **6.6.3 Conclusion to the discussion of the research findings**

In summary, the entrepreneurs interviewed were all positive that online social networking could play a future within ecology of the entrepreneur, but these respondents were uncertain as to how exactly this would happen. Acknowledgement that these platforms were still very new to them and that they were still slow in adopting these into their businesses played a large part in the uncertainty. The fact that there haven't been any real local examples of entrepreneurs that have transformed their businesses using social networking (unlike the numerous examples in the USA) could also be a reason why the adoption rate has been so slow.

### **6.7 Conclusion**

Overall, the findings from the research indicate that despite having physical access to the Internet and the necessary basic ICT or technology skills, the entrepreneurs are not fully aware of the online social networking platforms that exist, are not too knowledgeable on what these platforms can do for them as entrepreneurs, do not feel confident that they have the skills to use these platforms for business purposes and have been slow to adopt these platforms into their lives. Despite the findings in the literature, which argues for the benefits of using online social networking and social media, in practice (and based on the feedback from the respondent group) it would appear that it is too soon to determine if these platforms do add value to the entrepreneurial process.

## **CHAPTER 7: CONCLUSION AND RECOMMENDATIONS**

### **7.1 Introduction**

The following chapter will report the main findings of the research are highlighted. Thereafter recommendations are presented for implications to relevant stakeholders and lastly recommendations are made for future research

### **7.2 Research Project Review**

The main objectives and scope of the research project will be subsequently summarized.

The purpose of this study was to determine if online social networking adds value to entrepreneurs, and their stakeholders (internal and external), within South Africa. The research problem was triggered by the relatively low levels of entrepreneurship that exist within South Africa and the recent emergence of online social networking and social media. It necessitated a review of the body of knowledge embracing entrepreneurship, the entrepreneurial process and social networking.

Based on the literature reviewed there is a strong argument that suggests that entrepreneurship contributes to economic growth. There is also a school of thought that argues that entrepreneurship is subject to a very specific process. Social networking forms a part of this entrepreneurial process and entrepreneurs have used their social networks for opportunity recognition, innovation and

resource allocation. With the advent of the Internet and especially Web 2.0 a new online social networking culture has been established

The research design was qualitative and descriptive in nature (Zikmund, 2003). The research was performed making use of a primary instrument, namely semi-structured interviews. The semi-structured interviews were conducted with a select number of entrepreneurs. The reason for this was to get a better understanding of the issues faced by entrepreneurs (with regards to the five research questions) and to provide insights into the behaviour of entrepreneurs regarding the research problem. The unit of analysis was a South African entrepreneur and the sampling frame was the Western Cape and Gauteng. The semi-structured interviews with entrepreneurs were conducted using a non-probability purposive sampling technique (Zikmund, 2003). The interviews were recorded on an audio device and were then transcribed. A computer-aided qualitative data analysis software (CAQDAS) system, called Atlas.ti, was used to group the data into themes and categories. Common responses were acknowledged and unusual insights were highlighted. The responses were then analysed against the literature review.

### **7.3 Research Findings**

Although the respondents did not represent the entire population of entrepreneurs in South Africa, the results of the research provide insights into whether South African entrepreneurs are aware of the various social networking platforms that currently exist, whether they have the skills to use these platforms and whether they have physical access to these platforms. Insights were also

gained with regards to what entrepreneurs would use these platforms for, and if these platforms add any value to their businesses, customers or suppliers.

The insights were discussed in Chapter 6 and are summarized by Figure 22 below:

**Figure 21: Tabled Summary of research findings**

Research Question	Key Findings
<b>Q1: Are South African entrepreneurs aware of the online social networking platforms that are available to them?</b>	The respondents indicated a very basic awareness of the social networking platforms. Facebook, Twitter, Skype and YouTube were the most prominent.
<b>Q2: Do South African entrepreneurs have the necessary knowledge and skills to make use of online social networking platforms?</b>	The respondents all possessed the necessary ICT or technological skills but expressed that they did not have sufficient knowledge or experience in using online social networking platforms for business purposes.
<b>Q3: Do South African entrepreneurs have access to the Internet in order to access the various online social networking platforms?</b>	Despite the low levels of Internet penetration in South Africa (10%) all of the respondents indicated that they had full access to the Internet. Internet access was deemed to be a basic requirement in order to be competitive. The confirmed access did however not guarantee that the respondents were going to access the online social networking platforms. Factors such as time, interest, age and knowledge proved to be barriers to access.
<b>Q4: Do South African entrepreneurs make use of modern online social networking platforms (in sharing information and obtaining valuable resources for their businesses)?</b>	The respondents that indicated that they were using online social networking platforms confirmed that they did so for personal purposes and not for business purposes. The level of usage was very basic and in no way aligned to business goals, but rather on social communication.
<b>Q5: Are these platforms adding value for the entrepreneur and/or his/her customers/suppliers?</b>	The respondents all confirmed that online social networking platforms could add value. However, the entrepreneurs were not entirely sure of 'how'. The low levels of adoption however made the results of this question inconclusive

## 7.4 Recommendations for further research

There are a number of aspects of this research that could be expanded in order to enrich the findings. The following topics are suggested for further research:

1. A similar research project to this one, aimed at younger entrepreneurs (ages 18 to 30) to determine if these entrepreneurs are using online social networking platforms to aid their businesses and add value to their entrepreneurial processes.
2. A study of entrepreneurs that have adopted online social networking platforms for business purposes, and to determine if there has been an increase in business success (profitability) after the online social networking platforms were adopted.
3. A comparative study between South African entrepreneurs and entrepreneurs in developed nations to determine if online social networking platforms are being adopted more by entrepreneurs in other advanced economies.
4. A study of the factors that hinder social media usage and the role of stakeholders such as government, educational institutions, service providers and incubators in overcoming these hindrances.
5. Quantitative studies that could build on the findings of this research project and could quantify the results in great detail.

## **7.5 Concluding remarks**

In the researcher's view, entrepreneurship plays a significant role in the economic development of a country. The entrepreneurial process forms the platform from which many successful businesses can be created, and a clear understanding of this process, will aid the would-be entrepreneur in developing an economically viable business. The literature shows that networking forms a large part of this

process and leveraging off these networks can aid the entrepreneur tremendously. The past five years have seen the advent of Web 2.0 and the emergence of social networking and social media. In a very short period hundreds of millions of consumers across the World have started to engage in social networking and social media, which provides massive opportunities for entrepreneurs who are aware of these technologies and know how to leverage off of them. The results of this research project however, have shown that the respondents are slightly behind the curve when it comes to adopting online social networking and social media into their businesses. This, together with the low levels of entrepreneurship in South Africa, is of concern to the researcher as the belief exists that the adoption of online social networking and social media could help entrepreneurs to seize the opportunities that exist globally, and help the entrepreneurs to become truly competitive.

The contribution of this research should be to assist the various stakeholders within entrepreneurship to explore the potential benefits that online social networking and social media could provide, so that entrepreneurship within South Africa can be promoted and developed even further. The importance of entrepreneurship, and the emergence of the social media revolution, should not be underestimated.

Finally, it was a privilege to be involved in this research project and to engage with real entrepreneurs who are fuelling the growth of the South African economy.

## ANNEXURE 1

### Research Interview Guide

#### Section A – Demographic Information

1. What is your Gender?
  - Male
  - Female
2. What is your age in completed years?
3. What is your home language?
  - Afrikaans
  - English
  - Ndebele
  - Pedi
  - Sotho
  - Swati
  - Tsonga
  - Tswana
  - Venda
  - Xhosa
  - Zulu
  - Other
4. What is your highest formal educational qualification?
  - Grade 12 or less
  - Certificate or Diploma
  - Bachelors Degree
  - Honours Degree
  - Masters Degree
  - Doctorate
  - Other
5. How many years of personal entrepreneurial experience do you have?
6. Indicate which phases of the entrepreneurial process you are involved in
  - Conception / Start-up
  - Survival

- Stabilization
  - Growth
  - Maturity
7. Indicate which of the following industries you operate in
- Agriculture, Forestry, Hunting, and Fishing
  - Mining and Construction
  - Manufacturing
  - Transport and Communication utilities
  - Wholesale, Motor vehicle sales and repair
  - Retail, Hotels and Restaurants
  - Business Services
  - Healthcare, Education and Social Services
  - Customer Services
  - Other (Please Indicate)

#### Section B – Qualitative Questions

1. Which of the social networking platforms are you aware of or familiar with?
2. Do you think you have adequate knowledge of social networking platforms? Please explain.
3. Do you think you have the required skills in order to use social networking platforms proficiently? Please explain.
4. Which social networking platforms do you currently use?
5. What do you primarily use these social networking platforms for?
6. How do you access these social networking platforms?
7. How often do you access these social networking platforms?
8. What benefits do you think social networking platforms offer you as an entrepreneur?

9. Please describe any factors that hinder you from using social networking platforms.
10. How do you think social networking platforms can be used to:
- Identify opportunities?
  - Access resources?
  - Innovate in your business?
11. What measures should be in place in order to increase the effective use of social networking platforms by entrepreneurs?
12. Do you see a future for social networking within entrepreneurship? In what way?

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