



University of Pretoria

**The role of social capital, social networks and incubation in launching and growing a new venture**

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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**

The challenges faced by early-stage entrepreneurs are well researched, however, the role played by an entrepreneur's social capital, social network and incubation in moving the business along the entrepreneurial process, still needs to be better understood. The objective of this study was to show that with successful networking and the use of social capital, the total early-stage entrepreneurial activity rate of South Africa could be increased.

A qualitative research design was employed whereby 12 in-depth interviews were conducted. Three themes emerged from the data analyses that are the utilisation of social capital, social networks and incubators in firstly launching and growing ventures.

The key findings were, firstly, that incubation should form part of an early stage entrepreneur's social capital. Secondly, those entrepreneurs benefited from their social capital and incubator in terms of tangible and intangible resources. Finally, the entrepreneurs persevered as a result of the advice, encouragement and validation that they got from their networks.

### **Keywords**

Social capital, social network, entrepreneurial process, incubation and total early-stage entrepreneurial activity.

## **DECLARATION**

I declare that this research 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



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**Tebatso Matlala**

**07<sup>th</sup> November 2012**

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# **The role of social capital, social networks and incubation in launching and growing a new venture**

## **1. CHAPTER1: INTRODUCTION**

### **1.1. Background to the Problem**

The Republic of South Africa is faced with the challenge of having low total early-stage entrepreneurial activity (TEA) rate (Herrington, Kew, Simrie, & Turton, 2011). According to the Global Entrepreneurship Monitor (GEM) Report, the Republic of South Africa is below that of its emerging markets counter-parts, Brazil, Russia, India and China, known as the BRIC group of countries; however, India did not partake in 2011 (Herrington et al., 2011). Although the South African TEA rate increased to 9, 1% in 2011 compared to 8, 9% in 2010, it is still below that of Brazil 28% and China 48%, but better than that of Russia, which is 4, 6% (Herrington et al., 2011).

By drilling deeper into the components that make up the TEA rate as shown in Table 1.1, one can see where the real problem lies for South Africa. The findings by Herrington et al. (2011) showed that the South African TEA rate was stagnant between 2010 and 2011. The nascent stage of the entrepreneurial process refers to businesses that have been in existence for at least three months. New businesses are considered to be from three months to three and a half years and after that, businesses are considered established (Herrington et al., 2011; Newbert & Tornikoski, 2012). The question then arises is how does the country increase its TEA rate and increase the various entrepreneurial activity rates? One school of thought is for entrepreneurs to use their social capital and social networks to grow their businesses.

**Table 1.1: Total Early-Stage Entrepreneurial Activity Rates**

<b>Entrepreneurial Stage Rate</b>	<b>Year 2010</b>	<b>Year 2011</b>
TEA	9,1%	8,9%
Nascent	5,1%	5,2%
New firm activity	3,9%	4,0%
Established	2.1%	2,3%

*( Adopted from Herrington et al., 2011, p.4.)*

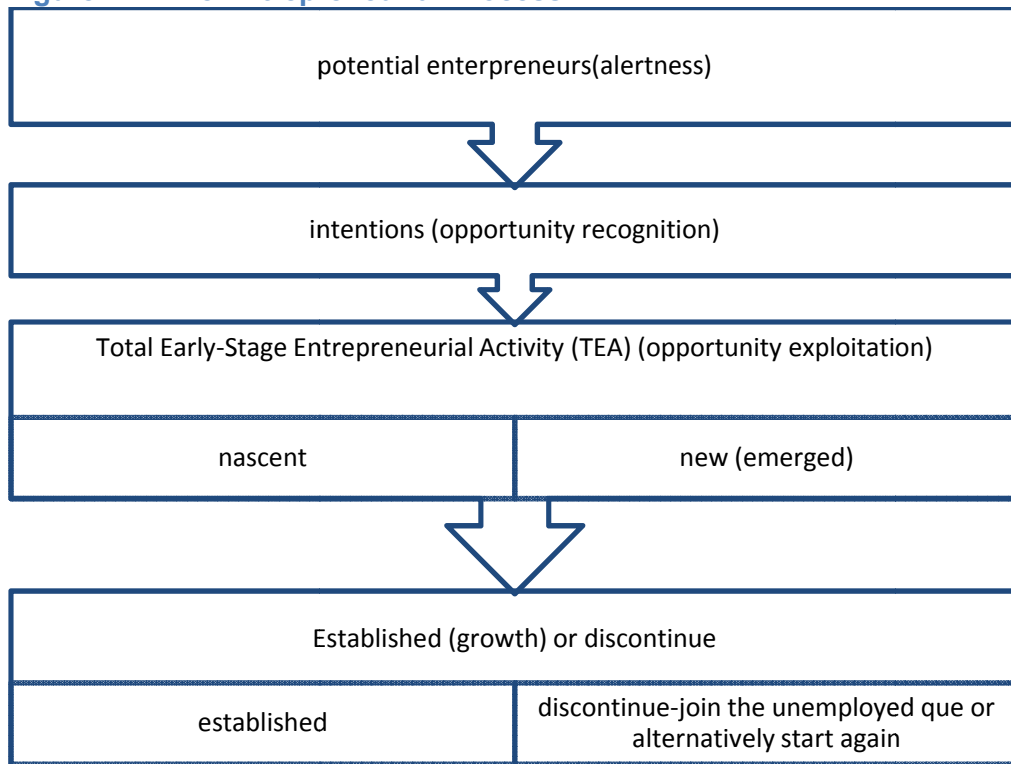
However, before the question posed above can be answered, there is another problem facing South Africa, which is its high unemployment rate. This stands at 25% of the total potential labour force of 17 million people in 2012 (Statistics South Africa, 2012). According to the GEM Report on South Africa, youth unemployment rate is estimated at 48% of the people under the age of 34 (Herrington et al., 2011). It follows then that these unemployed individuals either become discouraged and defined as economically inactive or opt for other forms of making a living such as entrepreneurship (Herrington et al., 2011). This study argues that the unemployment rate could be reduced if entrepreneurs used social capital to identify and exploit opportunities.

The theoretical base for this study is that social capital and social networks could be used to form bonds or bridges for the entrepreneur to exploit in order to gain resources (De Carolis, Litzky, & Eddleston, 2009; Santarelli & Tran, 2012), knowledge (Kreiser, 2011), innovation (Harryson, 2008), and funding (Zhang, Souitaris, Soh, & Wong, 2008; Santarelli & Tran, 2012). These resources are crucial during the launching and growth phases of a new venture (Newbert & Tornikoski, 2012).

The entrepreneurial process, depicted in Figure 1.1, has been described as consisting of potential entrepreneurs, who pose beliefs and attitudes that lead to intentions, followed by nascent actions, both new and established (Herrington et al., 2011). Furthermore, nascent entrepreneurs are those who have three months experience running their businesses. New business owners have between three months and three and a half years of business experience (Herrington et al., 2011). On the other hand, Newbert & Tornikoski (2012) described the phase after nascent as “emerged”, by which time the entrepreneurs have made their first sale, hired employees and received external financing. Finally, established entrepreneurs are those who have businesses

that are older than three and a half years (Herrington et al., 2011). On the other hand, Webb, Kistruck, Ireland, and Ketchen Jr (2009) described the entrepreneurial process as consisting of alertness, opportunity recognition, followed by exploitation and thereafter the growth stage.

**Figure 1.1: The Entrepreneurial Process**



*(Based on Webb et al., 2009; Herrington et al., 2011; Newbert & Tornikoski, 2012).*

Networks were mapped to the entrepreneurial process firstly by Jack, Dodd, and Anderson (2008) and Newbert and Tornikoski (2012), who likened the process to an ecosystem that has a temporal evolution. Secondly, during the intention or start-up phase entrepreneurs have to overcome early challenges on how to exploit the opportunity that they have identified (Jørgensen & Ulhøi, 2010; Zhang et al., 2008). Thirdly, during the growth and stability phases, businesses can develop through stronger networks and the introduction to new and often weaker networks (López-Morell & O’Kean, 2008; Tolstoy, 2010; Vascilchenko & Morrish, 2011). Lastly, networks can be either formal or informal and can be introduced through formal networks such as incubators (Bøllingtoft & Ulhøi, 2005; Chandra, He, & Fealey, 2007; Chandra & Chao, 2011) or as formal supporter networks to the entrepreneur business (Newbert & Tornikoski, 2012).

The significance of business incubators is that they offer entrepreneurs access to resources such as office space, access to skills that the company does not possess, a network of other entrepreneurs to collaborate with, as well as other networks that the incubator may have (dti, 2010; Bøllingtoft & Ulhøi, 2005). Further, by being in incubation, new ventures can grow their revenue and employment. Government funded incubators in South Africa showed a growth in incubatees' revenue of, on average 56%, and employment levels grew by 32% between 2011 and 2012 (SEDA, 2011/12). As a result, the unemployment rate could be reduced significantly if the TEA rate increases significantly. Currently there are 32 government-funded incubators in South Africa and the plan is to increase the number to 42 by the end of March 2013 (SEDA, 2011/12).

## **1.2. Problem Statement**

Given the background discussed above, it follows that South Africa's stagnant TEA rates (Herrington et al., 2011) and the country's high unemployment rate (Statistics South Africa, 2012), are two challenges that face decision-makers in the country. These TEA rates can be enhanced initially by developing an entrepreneur's social capital, social networks and using incubators.

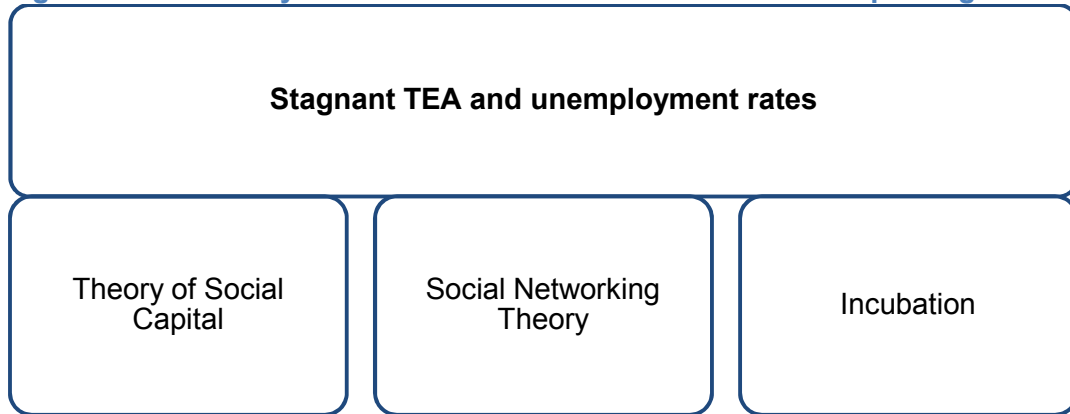
The social capital theory holds that actual and potential resources can be derived from social networks (De Carolis et al., 2009). Further, the critical factor lies in the nature of the relationships within the network (De Carolis et al., 2009) and the trust element within those relations (Verhoef, 2009; Westlund & Adam, 2010). The relations can be either in the form of bonding, where networks are strong, or in bridging the gaps in weak networks (De Carolis et al., 2009).

Secondly, the social networking theory holds that networks are flexible systems with actors (McCarthy, Pitt, Campbell, van der Merwe, & Salehi-Sangeri, 2007), whose participation is voluntary (Zhang, et al., 2008). It further states that some of the benefits of the networks are access to resources (Kreiser, 2011). Jack et al. (2008) added that networks are living beings that consistently evolve during the entrepreneurial process and can be either homophilous or heterogeneous.

The last theoretical pillar for resolving the research problem is that of incubation. The theory of incubation states that incubation can nurture and accelerate the growth of newly launched ventures (Bøllingtoft & Ulhøi, 2005), by giving them access to

resources offered under one umbrella (Chandra et al., 2007). It is to this end that the research problem is postulated; underpinned by three theories (Figure 1.2) and the research will seek to find answers to these postulations.

**Figure 1.2: Summary of the Research Statement and its Underpinning Pillars**



### **1.3. Research Objectives**

The main objective of this study is to investigate the roles social capital, social networks and incubation play in moving ventures along the entrepreneurial process. Further, the characteristics of the networks used by the incubatees during the various stages in the entrepreneurial process will be investigated. To achieve this objective, the following research questions were formulated:

- How did the entrepreneurs use their social capital to launch and grow their business ventures?
- How did the entrepreneurs adapt to the changes in their social networks over the entrepreneurial process?
- To what extent did business incubation contribute meaningfully to the entrepreneurial process?

### **1.4. Motivation for Research**

The role of networks and networking during the entrepreneurial process has previously been investigated in South Africa by, firstly, Brundin, Wigren, Isaacs, Friedrich, and Visser (2008), who looked at triple-helix networks that comprised universities, industry and government co-operation. Secondly, de Klerk and Kroon (2008) investigated the networking objectives of entrepreneurs and found that their main objectives were to

increase profits, discover new opportunities and gain access to resources that they did not have. In addition the study recommended that entrepreneurs should communicate their objectives both internally and externally in order to achieve their goals (de Klerk & Kroon, 2008). Thirdly, Verhoef (2008), studied the role of social networks in the Afrikaner community of South Africa that led to the development of investment firms such as Sanlam. The investment firms' objectives were to invest on behalf of a the Afrikaans speaking community members (Verhoef, 2008). Fourth, Potgieter, April, Cooke, and Lockett (2006), investigated resource-based theories and social network analysis to understand how organisations evolved over time. The conclusion was that organisations needed a hybrid of the two theories: that is socially-complex resource combinations that could be used to solve and adapt to problems; and organisations that were able to do this and thus build a competence that competitors would find hard to replicate. Lastly, McDade and Spring (2005) studied the characteristics of new generation entrepreneurs' networks in ten African countries including South Africa. They found that these entrepreneurs were successful in creating intra- and cross-national networks that further strengthened private sector growth in Africa.

The findings by Newbert and Tornikoski (2012) were that there was a need to understand better the value added by the supporter networks to entrepreneurial growth. Further, there were boundaries with regard to the extent that supporter networks could add to the growth of a nascent entrepreneur. Thus there was a need to investigate further what is important for the emergence of nascent entrepreneurs. Ventures that did not pursue networking were found to be highly likely to fail as they missed out on economic benefits that could be derived from networks (de Klerk & Kroon, 2008). However, the study did not focus on the role that social networks play in the entrepreneurial process. The study by Durbach and Parker (2009) did shed some light on the type of networks that can be formed; but it failed to acknowledge the types of networks that are necessary for a new entrepreneurial venture.

## **1.5. Research Scope**

The scope of this research is limited to participants that are in an incubator that currently has 192 incubatees that qualify as emergent entrepreneurs. The intention of the Juventud Incubation Programme (pseudonym) is to recruit 100, 000 entrepreneurs residing in the Gauteng Province of South Africa and to mentor and coach them into

becoming successful entrepreneurs. The sample used consisted of 12 participants drawn out of a total population of 192.

## **1.6. Report Layout**

The report layout is as follows:

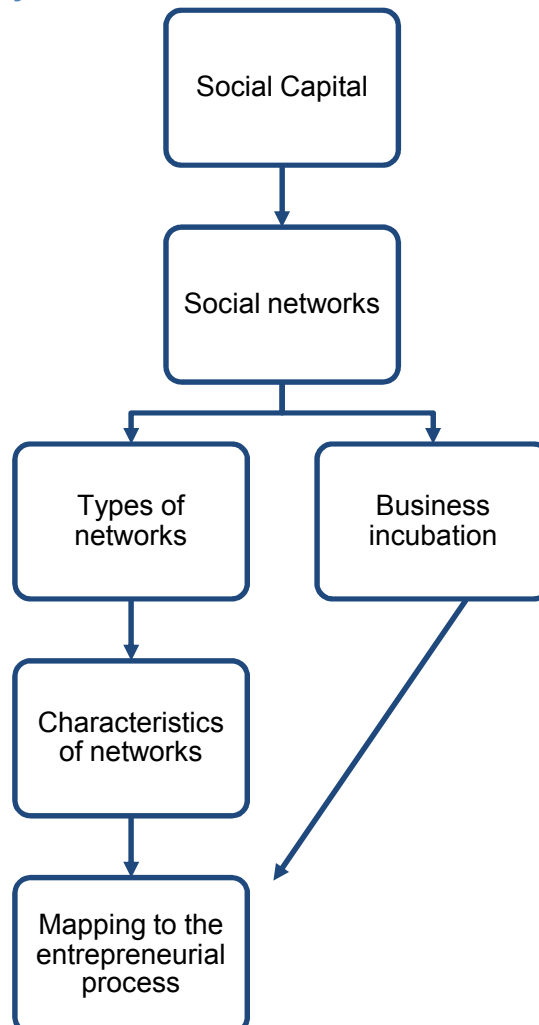
- Chapter 2: Literature Review
- Chapter 3: Research Questions
- Chapter 4: Research Methodology
- Chapter 5: Results
- Chapter 6: Discussion of Results
- Chapter 7: Conclusion

## 2. CHAPTER 2: LITERATURE REVIEW

### 2.1. Introduction

This chapter is a review of the literature that forms the theoretical base of this study. The social capital theory is explored, with particular focus on the social network dimension. It concludes by building a case for the need for formal networks such as incubators, through which entrepreneurs can exploit synergies in order to grow their businesses. This will ultimately result in job creation. The summary and flow of the literature review is depicted in Figure 2.1.

**Figure 2.1: Summary and Structure of the Literature Review**



## **2.2. Social Capital Theory**

### **2.2.1. Definition of social capital**

Social capital was defined as the sum of the actual and potential resources obtained from social networks (Zhang et al., 2008; Verhoef, 2008). The theory further postulates that social networks have value that is realised through the use of resources to achieve objectives, social support, business engagement and productivity (Verhoef, 2008). De Carolis et al. (2009) argued that social capital was based on the good will that resulted from social relations that are mobile. Furthermore, social capital is characterised by the entrepreneur attaining the resources, influence and sponsorships that are needed to launch a new venture (De Carolis et al., 2009). Social capital was measured by the benefits realised from strong and weak networks (Santarelli & Tran, 2012); a concept that will be explored in further detail in subsequent sections.

There are two major types of social capital; namely bonding and bridging (De Carolis et al., 2009). The bonding type of social capital pertains to the collectiveness of the relations in the network. A typical bonded social capital is dense, with the members of the network having similar beliefs and behaviours in pursuing their goals (De Carolis et al., 2009). The second type, of bridging social capital, is about individuals' success rate measured against the number of connections or the size of their networks (De Carolis et al., 2009).

The bridging theory holds that entrepreneurs use their individual networks to launch a new venture and the benefit of the bridging approach is that they gain access to information and influence or power through the network (De Carolis et al., 2009). Social capital has two dimensions; namely, the social network and the relational capital where the latter focuses on the relations between the members of a social network (De Carolis et al., 2009). The first dimension, which is social network, is central to the social networking theory and will be explored further along with the relational dimension.

Social capital differs from social networks in that it encompasses not only the individuals, organisations or objects in the network as described by McCarthy et al. (2007), Newbert and Tornikoski (2012) and Potgieter et al. (2006), but the social networks and their characteristics, that are reciprocity and trustworthiness (Verhoef, 2008). In addition, trust is the single most important measure of the effectiveness of the social capital of an individual or organisation (Westlund & Adam, 2010).

### **2.2.2. Characteristics of social capital**

Newbert and Tornikoski (2012), Potgieter et al. (2006), and Verhoef (2008) said that social capital is characterised by the existence of trust and reciprocity within the network. In addition, trust is the single most important measure of the effectiveness of an individual or organisational social capital (Westlund & Adam, 2010).

Trust, at the macro or market level, refers to the fulfilment of contractual obligations between organisations and results from previous interactions by the actors in the social network (Westlund & Adam, 2010). At the meso or regional level, trust tends to be an average of the heterogeneity of the networks and often conceals the differences that could exist in the networks (Westlund & Adam, 2010). Chan and Tan (2009) found that at a micro level, networks consisted of individuals and firms, whose performance resulted from their human and cultural capital as well as the firms' ages and sizes. Further, at the firm level, there was a strong link between social capital and firm performance (Westlund & Adam, 2010). A common theme that emerged at all levels was that trust was based on the previous history of interactions between the actors in the network (Westlund & Adam, 2010).

De Carolis et al. (2009) studied the influence of social capital and cognition in networks. Their argument is that social capital and cognition enhance entrepreneurs' risk propensity and confidence. The social cognitive theory on social capital states that entrepreneurs are likely to ignore research into the failures of new ventures and that the risk propensity is based on their ability to take decisions even when market conditions are uncertain (De Carolis et al., 2009). Social capital alone is insufficient to drive nascent entrepreneurs to pursue their ideas in growing their businesses. As a result, entrepreneurs need cognition of their illusion of control over their skills, abilities, knowledge, and risk propensities (De Carolis et al., 2009). Contrary to the finding of De Carolis et al. (2009), Westlund and Adam (2010) argued that an organisation's aims in pursuing social capital were to maximise returns to the owners. The argument is that the motive of entrepreneurial organisations' for networking was for economic returns and a need to improve their social standing (Westlund & Adam, 2010).

Jack et al. (2008) also studied social capital by focusing on the spatial level, defined as regions of a country. The aim was to study the connection between social capital and

economic growth across countries. The key findings were that the link was not clear at national level, owing to factors such as differences in regions within a country, and sub-cultures or networks that might exist in a particular area of a country (Jack et al., 2008). However, spatial networks fall outside the scope of this study and will not be explored further.

### 2.2.3. Summary of social capital theory

To conclude, social capital is either in the form of bonding or bridging and has two dimensions that are social networks and relational capital (Figure 2.2). Social capital occurs at various levels, and organisations tend to pursue social capital for economic purposes. The measures of social capital are trustworthiness and reciprocity that form the basis for social network theory (Newbert & Tornikoski, 2012; Potgieter et al., 2006). The next section focuses on the social network theory, its characteristics, and reasons for pursuing social networks.

#### Figure 2.2: Summary of Social Capital Theory

##### Social Capital Theory

- It is about attaining actual and potential resources (Zhang et al., 2008).
- It is about attaining influence and sponsorship from the network (De Carolis et al., 2009).
- It is used for achieving business goals, support, engagement and higher productivity (Verhoef, 2008).
- Benefits arise from both weak and strong networks (Santarelli & Tran, 2012).
- It can be either bonding or bridging in nature (De Carolis et al., 2009).
- The two dimensions are social networks and relational capital (De Carolis et al., 2009).
- It is measured by trustworthiness and reciprocity that occur at three levels:
  - Macro level-market level
  - Meso level-firm level
  - Micro level-individual level (Newbert & Tornikoski, 2012; Westlund & Adam, 2010; Verhoef, 2008; Potgieter et al., 2006).

- Gives sense of control, and higher risk propensity (De Carolis et al., 2009).
- 

### **2.3. Social Network Theory**

The following section discusses the social network theory that was derived from the social capital theory. The networking theory was discussed in the context of the entrepreneurial process and the networks' characteristics, such as closure or range and their uses.

#### **2.3.1. Definition of a social network**

A social network is a flexible system through which actors or agents interact with each other (Potgieter et al., 2006). A network is the relationships that exist between objects, individuals and organisations called actors or agents (McCarthy et al., 2007). Networks are also defined as conduits or channels that provide access to people who possess certain resources that may be of interest to the entrepreneur (Newbert & Tornikoski, 2012). Zhang et al. (2008) stated that networks could be either direct or indirect, with the former referring to having prior relations with the members of the network and the latter acquired through referrals. It follows then that social networks are the number of informal and formal ties that individuals possess or have access to (De Carolis et al., 2009). Lastly, networks may be intra or inter-organisational (de Klerk, 2010).

Potgieter et al. (2006) stated that because of the complex character of social networks, the characteristics of these networks are often through interconnected organisations that have a high degree of interaction with each other. There are temporal changes to social networks, meaning that over time the actors in the network change, adapt and grow their networks (Potgieter et al., 2006). These networks are either directional or non-directional, with the former requiring a close relationship whereas the latter are more about proximity rather than closeness (McCarthy et al., 2007). Furthermore, directional networks do not require reciprocity (McCarthy et al., 2007), in contrast to the case postulated in social capital theory (Verhoef, 2008). Jack et al. (2008) argued that networks add to the entrepreneurial capacity of capabilities through assets such as human capital, market, financial and technical capabilities of an organisation.

Chen and Tan (2009) stated that networks occur at three levels, namely the micro, meso and macro level. Westlund and Adam (2010) defined these levels to be at the

national macro, regional meso and firm micro At micro level, networks manifest themselves as individuals and firms with similar characteristics such as socio-demographic, human and cultural capital, industry, firm age and size (Chen & Tan, 2009). At the micro level, a firm's human capital, culture, use of technology and its age and size are the fundamental characteristics (Chen & Tan, 2009). Networks at the meso level are characterised by ethnic diversity, strong and weak networks, brokerage and closure, resources and the size of the network itself (Chen & Tan, 2009). At the macro level, networks take the form of a context such as globalisation, institutional contexts of host and home countries and the ethnic community (Chen & Tan, 2009).

Social network theory differs from resource-based theory in that the latter focuses on the role of tangible and intangible assets in an organisation's success (Potgieter et al., 2006). Tangible assets refers to visible assets such as equipment, infrastructure and patents to name but a few, whilst intangibles are the human resource skills that an organisation posses (Potgieter et al., 2006). The theory holds that organisations' learning rates through their human resources are what will pull them through uncertain times (Potgieter et al., 2006). This contradicts the social capital theory that advocates for the entrepreneurs' sense of their control and risk propensity (De Carolis et al., 2009; Westlund & Adam, 2010).

### **2.3.2. Networks and the entrepreneurial process**

Slotte-Kock and Coviello (2010) argued that studies in networking focused on how networks influence the entrepreneurial process or how the entrepreneurial process influences network development. According to Jack et al. (2008), the entrepreneurial process consists of the start-up, establishment and growth phases. The entrepreneurial process depicted in Figure 2, consists of the entrepreneurial alertness, opportunity recognition, opportunity exploitation and growth at the firm level (Webb et al., 2009). Slotte-Kock and Coviello (2010) on the other hand, described the entrepreneurial process as consisting of conception, commercialisation, growth and stability. The authors connected the network development process to the entrepreneurship process; between conception and commercialisation, there is variation in networks; from commercialisation to growth, there is a selection of networks; and lastly, between the growth and stability phases there is retention of networks (Slotte-Kock & Coviello, 2010).

Networks can lead to the decision whether to launch a new business or not, by giving access to the resources necessary for the identification of opportunities, and access to resources that are crucial to every start-up business (Jack et al., 2008). Further, Jack et al. (2008) added that networks are important to the entrepreneurial process through providing a framework in which to organise resources and match them with opportunities that arise. In the literature, research into networks was from a structural perspective (Jack et al., 2008), as opposed to an entrepreneurial process perspective, which states that networks evolve over time as the venture grows (Potgieter et al., 2006).

### **2.3.3. Characteristics of networks**

Networks can either be strong or weak, with the former being characterised by high levels of interaction and dependence, whereas the latter bridges structural holes within the members of a network (Kreiser, 2011). These characteristics are equivalent to those of social capital as defined by De Carolis et al. (2009); that are bonding and strong, or bridging and weak. Further, networks could be either internal or external to the organisation. The former refers to the networks focused on the collectiveness of the network called bonding (de Klerk & Kroon, 2008; Kreiser, 2011). The externally focused networks on the other hand are more about the resources that an organisation can acquire via the networks that it has created and its position within a network, and Kreiser (2011) referred to this as a bridging network. Other views on networks are that of firms with different ownership types such as family businesses and state-owned enterprises require a different network configuration as the relationships are largely closed or brokered (De Carolis et al., 2009; Dess, Pinkham, & Yang, 2011).

According to Slotte-Kock and Coviello (2010), there are three perspectives on network research: namely social, business and entrepreneurial. These could be differentiated by several characteristics. Firstly, the social networks perspective emphasises the identification and measurement of network characteristics in the influence of structural change (Slotte-Kock & Coviello, 2010). Secondly, the business network perspective argues for the 'how' of establishing, building and maintaining relationships in creating a positioning within a network (Slotte-Kock & Coviello, 2010). Lastly, the entrepreneurial network perspective seeks to identify the type of networks required at different stages of the entrepreneurial process (Slotte-Kock & Coviello, 2010). The three perspectives by Slotte-Kock and Coviello (2010) could be mapped onto the entrepreneurial process

with the social networks mapped to the potential stage, business networks to the intentions and nascent stage, and entrepreneurial networks on the established stage. For the purposes of this study, social networks encompassed all three perspectives.

#### **2.3.4. Network range and closure**

From the section above, one of the characteristics of networks is that they are either strong or weak. Kreiser (2011) referred to the openness of the network as either network range or network closure. The latter, network closure, is defined as the extent to which strong networks exist between the different members of the network. Strong networks usually require frequent interaction between the members. Closed networks are about the cohesion that exists between the network members with regard to the vision that they may share and often tend to exhibit similar behaviours (Kreiser, 2011). Furthermore, the cohesiveness of the network leads to further networks with other strong networks that may not have existed before. The emphasis is on the third party adding to the strength of the strong networks (Kreiser, 2011). Jack et al. (2008) added that being part of a strong network has the benefit of brokered relations by the individuals who already form part of the organisation's network.

Closed networks are further characterised by the need to have trust and reciprocity among the network members and this may lead to sharing of information such as successes and failures of the respective members (Kreiser, 2011). Jack et al. (2008) stated that closed networks are characterised by conflict avoidance. Individuals tend to cooperate even when the networks have outlived their usefulness (Jack et al., 2008).

Network range on the other hand refers to the number of networks that an organisation has connections with (Kreiser, 2011). Weak networks are characterised by infrequent meetings and the relations are not as intimate as in closed networks. Kreiser (2011) further argued that the benefit of weak networks is that of the exchange of a diverse set of information and it is up to the participating organisations to use that information as they see fit. As a result, the networks often have structural holes that are bridged by weak networks that are similar to bridging type social capital described by De Carolis et al. (2009). Certain organisations see this gap and take advantage of it by being the link that was missing, and are referred to as network brokers (Kreiser, 2011; Santarelli & Tran, 2012). The use of sub-networks can strengthen weak networks and the actors in the sub-networks could be different from those in the main networks, such as in the

formation of joint ventures or building closer relationships with suppliers (de Klerk & Kroon, 2008).

To conclude, Santarelli and Tran (2012) recommended that social capital be measured through the benefits that arise from strong or weak networks. The findings suggested that entrepreneurs benefited more from weak networks than from strong ones. Examples that were cited included subcontracting to organisations to which the entrepreneur had a weak relationship, a finding similar to that of de Klerk and Kroon (2008). Santarelli and Tran (2012) added that resources such as loans from family with whom an entrepreneur had a close relationship, demotivated the entrepreneurs from pursuing opportunities that would assist in repaying loans. This was a result of people in a close network not expecting to be paid back, which is not the case when loans are granted by people within a weak network (Santarelli & Tran, 2012). Access to funding is only one of the various resources that an entrepreneur can gain from a network. The next section details with the uses of networks and the benefits thereof to the entrepreneur.

### **2.3.5. Uses of networks**

Kreiser (2011) advocated that networks could be used to acquire resources through knowledge acquisition and knowledge integration; that is also referred to as knowledge exploitation. The type of resources that an entrepreneur could access, include learning, innovation, access to capital and exploitation of opportunities (Kreiser, 2011; Newbert & Tornikoski, 2012). However, networks are only useful if they give access to better resources than the ones that the entrepreneur or the organisation currently has access to (Newbert & Tornikoski, 2012). Exploitation of opportunities could lead to high growth rates for the organisation resulting from the number of networks that an organisation is exposed to (Kreiser, 2011), and the opportunities that it can acquire (Newbert & Tornikoski, 2012). Further, Newbert and Tornikoski (2012) advocated that entrepreneurs should have large networks as they offer access to more people who may have the resources that they require. Jack et al. (2008) stated that networks could be used to gain market insights or as a form of market research.

Harryson (2008) developed a framework for the exploration and exploitation of innovation that highlights the strength of a network and how it could be used in cross-level networks. The interpretation of the framework is, firstly, that small and weak

networks are suitable for exploring new inventions, described as creativity networks. Secondly, large and strong networks are suitable for the exploitation of that innovation, called process networks (Harryson, 2008). The transformation networks interlink with the creativity and process networks, and are suitable during the development phase of the entrepreneurial process (Harryson, 2008; Jack et al., 2008).

Networks could offer entrepreneurs access to financial resources to launch a new venture through either strong or weak networks (Santarelli & Tran, 2012). The major benefit was that in certain industries entrepreneurs could gain from subcontracted work from weak ties (de Klerk & Kroon, 2008; Santarelli & Tran, 2012). In addition, funding for a venture through weak networks tended to be more stringent, with pressures to repay the investment. Funding from strong networks such as families and friends limited the entrepreneur's inclination to repay the funds and their commitment to the new venture (Santarelli & Tran, 2012). Generally, friends or family members are relaxed with regards requesting the entrepreneurs to repay the loans (Santarelli & Tran, 2012).

### 2.3.6. Summary of social network theory

Social network theory is summarised in the figure below (Figure 2.3).

#### Figure 2.3: Summary of Social Network Theory

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- Definition of Social Network Theory:
  - It is a flexible system with actors (Potgieter et al., 2006).
  - It is about the relationships that exist between the actors (McCarthy et al., 2007).
  - The relations could be either direct or indirect (Zhang et al., 2008).
  - Temporal changes can occur in networks (Potgieter et al., 2006).
  - Relations occur at three levels-macro, meso and micro (Chan & Tan, 2009).
  - Focus is on tangible and intangible resources needed for a venture's success (Potgieter et al., 2006).
- Networks and the entrepreneurial process
  - Focus was on network development and its influence over the entrepreneurial process (Slotte-Kock & Coviello, 2010).
  - Networks can influence decision to launch a new venture and mode of

entry into the market (Jack et al., 2008).

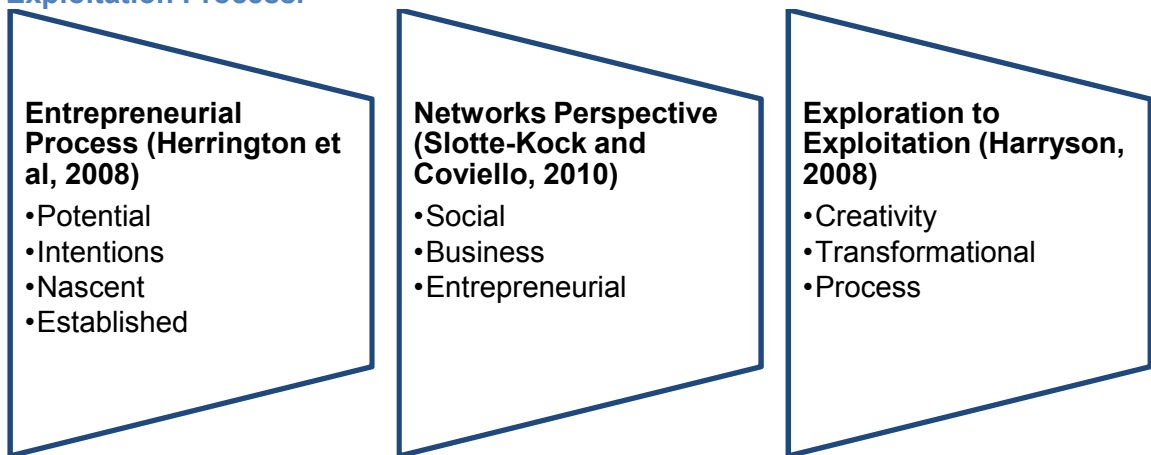
- Characteristics of Networks:
  - Networks can be either weak or strong (Kreiser, 2010).
  - Networks can be intra- or inter-organisational (de Klerk & Kroon, 2008; Kreiser, 2010).
  - An entrepreneur can have either social, business or entrepreneurial networks (Slotte-Kock & Coviello, 2010).
  - Network closure refers to strong networks where trust and reciprocity exists (Kreiser, 2011; Jack et al., 2008).
  - Network range refers to the number of weak networks that an entrepreneur possesses (Kreiser, 2010; de Klerk & Kroon, 2008).
- Uses of networks
  - Networks provide access to resources required to launch a new venture (Kreiser, 2011), innovation, capital, knowledge and new opportunities (Kreiser, 2011; Newbert & Tornikoski, 2012).

#### **2.4. Mapping Networks to the Entrepreneurial Process**

The definition of the entrepreneurial process by Herrington et al. (2011) is utilised in this section. The mapping of the process refers to linking network types to each phase. This section further emphasises the role that each network type plays in either launching, growing and avoiding the failure of a new venture. Lastly, the school of thought that networks can be a barrier to business success is contrasted with those that stress its importance to such success.

Harryson (2008) stated that small-weak networks lead to innovation, referred to as creativity networks, and large-strong networks lead to the exploitation of that innovation, referred to as process networks. Slotte-Kock and Coviello (2010) broke down networks into social, business and entrepreneurial, that could be mapped or linked to the entrepreneurial process depicted in Figure 2.4. Lastly, participation in either type is at the discretion of the entrepreneur (Zhang et al., 2008) and largely depends on the objectives of the networker (Slotte-Kock & Coviello, 2010), and the benefits that might arise from the networking activities (Newbert & Tornikoski, 2012). However, the role played by each type of network and the utilisation thereof during the entrepreneurial process remains unexplored; and discussed further below.

**Figure 2.4: Mapping the Entrepreneurial Process to the Networks and the Exploitation Process.**



### 2.4.1. Networks as living beings

Jack et al. (2008) argued that networks are living beings that constantly need to change, grow and develop over time. The study focused on the life cycle that a firm goes through: that is pre-start up, establishment and growth (Jack et al., 2008). The key findings of Jack et al. (2008) are that over time, networks are transferable from the entrepreneur to managers as the firm grows. These networks are also a fertile ground for innovations, as was shown in subsequent studies by Jørgensen and Ulhøi (2010). The other finding by Jack et al. (2008) was that these networks were stable and consistent over time. Newbert and Tornikoski (2012) however, found that networks evolved over time because of the diminishing returns from established networks as nascent entrepreneurs grew through the entrepreneurial process.

According to Jack et al. (2008), the external environment influences the type of networks or the mode of networking a business or entrepreneur undertakes. The networks mimic the entrepreneurial environment or the ecosystem of the entrepreneur. Other factors that influence the networking environment are the entrepreneur's social class, ethnicity (Hingley, Lindgreen, & Beverland, 2010) or gender (Jack et al., 2008). These types of networks are called homophilous networks that means they have an affinity for sameness; and for entrepreneurs to succeed there was a need to expand the organisation's current networks by meeting as many new individuals as possible (Jack et al., 2008). Newbert and Tornikoski (2012) argued that as these networks evolve, they can become multiplex and the benefits can extend beyond access to single resources to multiple resources, innovations or products. This, translated in the conversion of previously strong networks to much weaker networks, meant that these

were often characterised by less trust than there would have been in the older strong networks ((Newbert & Tornikoski, 2012)).

#### **2.4.2. The role of networks in venture formation**

The study by Jørgensen and Ulhøi (2010) argued for the need for building networks early in the formation of a new venture. The approach used was for networks to expand the capacity for innovation in a venture, through taking advantage of technological opportunities instead of specific products. This would also add to an enterprise's learning, through early interactions with other enterprises (Jørgensen & Ulhøi, 2010). Jack et al. (2008) argued that by being part of a strong network, new information regarding a product or service could be shared amongst the network participants.

Network development during the establishment phase tended to be speculative, flexible and more inclined towards exploration. This meant that often entrepreneurs participated in weak ties in addition to strong ties (Jack et al., 2008). Newbert and Tornikoski (2012) argued that during the commercialisation process, the networking often took place through trial and error as the entrepreneur explored the types of resources needed by the organisation. Consequently the networks tended to be weak and the likelihood of gaining resources or exploiting an opportunity through the networks was unknown (Newbert & Tornikoski, 2012). Entrepreneurs' efforts tended to be immense in transferring relations with customers to the employees and bringing the organisation's employees into the network (Jack et al., 2008).

Zhang et al. (2008) argued that early network development could benefit entrepreneurs in financing new ventures. Their study focused on the factors influencing a prospective entrepreneur to finance a new venture by using existing networks as opposed to other investors. The contribution from this study is that an entrepreneur's social capital can be used to access investors and that financing could be accessed through social competence, i.e. an entrepreneur's behaviour. Ultimately, the financing model must be one of choice rather than the only option (Zhang et al., 2008).

During the intention phase, the use of social networks mitigates early stage risks for the foundation of a new business and often leads to cooperation (Jack et al., 2008). During the start-up phase, much of the entrepreneur's time allocated towards maintaining these networks and often the networks are weak as the entrepreneur joins whichever

network it is possible to enter (Jack et al., 2008). Newbert and Tornikoski (2012) argued that the size of the network determined the amount of resources an organisation could acquire and gain access to other networks. Further, by accessing a larger network, a new venture was likely to move from the nascent stage and grow into the emerged stage (Newbert & Tornikoski, 2012). Through the management of networks, entrepreneurs could find that they are able to discover new opportunities, acquire new resources and manage their firms better (Newbert & Tornikoski, 2012). To conclude; a new organisation's resource requirements will determine how large the network should be and at what rate the network should grow, because it is only through network growth that more resources can be acquired (Newbert & Tornikoski, 2012).

#### **2.4.3. The role of networks in the growth and stability phases**

Vascilchenko and Morrish (2011) investigated the role of entrepreneurial networks in the internationalisation context, by using a process-orientated approach. The key findings were that entrepreneurs use social networks to explore and exploit opportunities. Further, the argument put forward was that networks could render opportunities for exploitation, which can be an unsystematic process of identifying opportunities (Vascilchenko & Morrish, 2011). It is noteworthy that network influence starts at the pre-growth stage of a venture life cycle (Vascilchenko & Morrish, 2011; Harryson, 2008).

Jack et al. (2008) argued that at pre-growth stage of the entrepreneurial process, an organisation's networks tended to be strong used at the high level in the organisation, i.e. at senior management or leadership level. Furthermore, employees shared strong networks with customers, and there was constant reconfiguring to focus on the future and the organisation's role in the networks. The strong networks added to the organisation's growth through brokering new networks that could be strong immediately, or become weaker at the time when the organisation's potential to grow became stronger and it could gain via innovations in products and services (Jack, et al., 2008).

Tolstoy (2010) added that the role of networks in the internationalisation context was to understand the regional markets. A gap in the literature was identified with regard to the lack of understanding of regional networks and the benefits that they can bring to a venture (Tolstoy, 2010). A structural model approach was used that has network

development, knowledge combination and knowledge creation as its key components. Through its application, the findings were that foreign network development is vital to knowledge creation, and that this development assists firms to identify access, to share and to integrate the knowledge (Tolstoy, 2010). However, the locus of control tended to be in the external networks as opposed to being internal to the firm so that it could have an influence over its network connections. (Tolstoy, 2010).

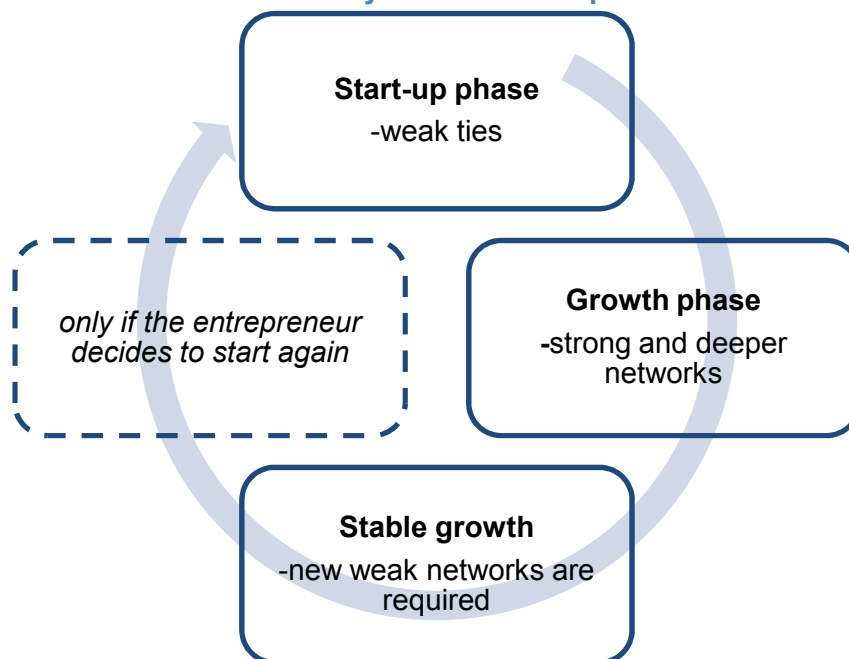
In addition to the findings by Tolstoy (2010), Jørgensen and Ulhøi (2010) found that spatial or regional networks could limit the diversification of knowledge sharing capabilities. To overcome this limitation, Jørgensen and Ulhøi (2010) recommended that an enterprise should expand its networks beyond its current geographical region. To conclude; the study found that weak networks were a prerequisite for knowledge sharing, learning and being innovative, whilst strong networks on the other hand focused on formal support to new ventures. The findings support the argument by Harryson (2008) that there is a need for the use of both creativity and process networks, of which the former is suitable for launching a new venture where exploration is prevalent.

López-Morell and O’Kean (2008) studied the case of Rothschild in Spain. Although the study looked at the period from 1835 to 1931, it is still relevant today. The study concluded that heterogeneous social networks channelled decision-making, information and influence, with the benefit to Rothschild that it consistently received high-quality information that it could then exploit (López-Morell & O’Kean, 2008). Thus, a stable network system benefitted a well-heeled entrepreneurial activity

Jack et al. (2008) also argued that at the growth stage of the entrepreneurial process, the development of new networks was there to meet the practical needs of the business. Further, these networks were matched to specific needs, such as the need for acquiring new customers, innovation or human capital (Jack et al., 2008). The relationships tended to be multiplex (Jack et al., 2008), such as those investigated by Brundin et al. (2008) that looked at the relations between the State, Academia and Industry in fostering growth and sustainability. In addition, as a firm grows, the networks become more inter-organisational rather than just between individuals (Jack et al., 2008).

Restructuring of networks takes place when the benefits accruing from earlier networks reach their limit (Jack et al., 2008). The life cycle approach that is advocated by Jack et al. (2008) can best be represented by the model in Figure 2.5, that shows that network types need to be matched to the stage at which the business finds itself in the entrepreneurial process. To avoid the death stage, the entrepreneur needs to be proactive in maintaining new networks and converting them from weak to strong to achieve growth during the stable stage (Jack et al., 2008). Newbert and Tornikoski (2012) argued that nascent entrepreneurs are typically resource-poor and their emergence largely depended on the organisation’s ability to acquire new networks prior to the diminishing of benefits gained from existing networks. Acquisition of new networks is fundamental to avoiding the failure of a new venture (Jack et al., 2008).

**Figure 2.5: New Venture Life Cycle and the Required Networks at Each Stage.**



*(Based on Jack et al., 2008; Newbert & Tornikoski, 2012)*

#### **2.4.4. Networks as barrier to market entry**

There are other schools of thought that argue against assertions that social networks enhance business success such as Egbert (2009), Hingley et al. (2010), and Hochberg, Ljungqvist, and Lu (2010). The arguments are that incumbents of networks reacted strategically to new competition, or the threat of new entrants into the network (Hochberg et al., 2010). Egbert (2009) argued that strong networks could constrain success because they come at a price that an entrepreneur cannot afford. Often the

entrepreneur is unable to access a network. In addition, closed networks can lead to high prices and some networks being amenable to corruption (Egbert, 2009).

Hingley et al. (2010) shared the same school of thought, based on the findings of a study into barriers to network innovation. The study focused on the fresh produce market in the United Kingdom, where the farmers are predominantly white and the wholesale and other intermediaries are predominantly Asian. Hingley et al. (2010) concluded that where ethnic entrepreneurship is strong there could be barriers to whole industry integration because of poor motivation for network collaboration. Their contribution to the body of knowledge is that there needs to be integration of networks, accompanied by education, to ensure that the development of network collaboration (Hingley et al., 2010).

#### **2.4.5. Summary of mapping networks to the entrepreneurial process**

To summarise this section, small-weak networks lead to innovation and large-strong networks lead to exploitation of that innovation (Harryson, 2008). There are temporal changes to networks because of declining returns from the time invested in maintaining mature networks (Newbert & Tornikoski, 2012). Factors that influence the networking environment are the entrepreneur's social class, race, gender, and leads to either the network being heterogeneous or homophilic (Jack et al., 2008; Hingley et al., 2010). On the role of networks during the launch stage, network development should take place as early as possible (Jørgensen & Ulhøi, 2010). These networks can help mitigate for early stage risks (Jack et al., 2008). During the growth stages, the networks tend to be strong and are at the firm level as opposed to the individual level (Jack et al., 2008). Furthermore, at this stage network development should expand beyond the region where the firm is currently doing business (Jørgensen & Ulhøi, 2010). The new venture life cycle model shows that the death stage could be avoided by seeking new networks when the benefits from the current network are diminished (Jack et al., 2008). Lastly, networks can become a barrier to entry for new venture if the incumbents chose to exclude the venture from the network and the exclusion could be because of the factors that influence the networking environment (Hingley et al., 2010).

## 2.5. Previous Social Networks Research in South Africa

Literature on social networks and networks in general, includes studies by McDade and Spring (2005), Potgieter et al. (2006), Brundin et al. (2008) and Visser (2008), de Klerk and Kroon (2008), Verhoef (2008), Durbach and Parker (2009), de Klerk (2010), and Slotte-Kock and Coviello (2010). McDade and Spring (2005) studied the African entrepreneurial landscape, including South Africa, with particular focus on the characteristics of business networks. The key finding that is relevant to the spatial network literature, was that entrepreneurs pursued cross-national commercial ventures that strengthened growth led by the private sector (McDade & Spring, 2005).

The study by Potgieter et al. (2006) focused on the resource-based theory versus social network analysis views on organisation. The key findings were that organisations' competitive positions founded on assets, resources, resource combinations and organisational competencies; and that organisations that were able to integrate these were able to differentiate themselves from competitors (Potgieter et al., 2006).

Brundin et al. (2008) studied the triggers and barriers for growth by focussing on the triple helix networks between the state, academia and industry. The key findings that had implications for the players in the network were, firstly, that universities should only act on signed agreements. Secondly, governments need to ensure the training of civil servants so that they are able to engage with individuals and organisations. Thirdly, there should be better communication between the tripartite groups, especially communication coming from industry. Fourthly, the players should create an enabling environment by understanding each other. Fifthly, governments should exhibit visible leadership and that there should be cross-sector engagement. Finally, the tripartite players should learn through trial and error (Brundin et al., 2008).

Verhoef (2008) studied nationalism, social capital and the economic empowerment of the Afrikaner people in South Africa. The key findings were that the Afrikaner elite used their social networks to establish a successful investment company. The critical success factor was to use these networks in a closely-knit community to transform what was essentially a savings vehicle into an investment firm (Verhoef, 2008). This study highlighted the need to transform an organisation over time, as the needs of the people and the marketplace changed.

The study by de Klerk and Kroon (2008) investigated using networks to enhance business success. The key findings were; firstly, that businesses that were not networking tended not to gain a competitive advantage over others. Secondly, business owners and managers cited profit making as their primary objective in networking. Thirdly, smaller networks were preferable to those that had a large number of participants. Finally, networking was a process that an organisation needed to go through (de Klerk & Kroon, 2008).

Durbach and Parker (2009) analysed the types of corporate networks that exist in South Africa at directorship level. Corporate networks are characterised by either clustering, with strong relationships, or by being random, with weak relationships. The key finding was that corporate networks tend to be bipartite, meaning that organisations of one type are associated with those from another type, i.e. directors' networks linked to the networks of other directors who serve on different boards as well as in different industries (Durbach & Parker, 2009).

De Klerk (2010) focused on networking practices as part of the skills set of managers. The findings were that networks can be informal, can be either internal or external, the networker needs to be adaptable, inclusion into a network depends on an entrepreneur's business acumen, successful networking can lead to better company performance and that it can start at any age. These findings highlight the role and importance of individual entrepreneurs in building their own networks (de Klerk S. , 2010).

To conclude, recent literature researching networks or networking in South Africa has focused on spatial networks, acquisition of resources, heterogeneity or homogeneity of networks, corporate networks and the skills of networkers. However, the role that each plays in launching and growing a new venture remains unexplored.

## **2.6. Incubation**

### **2.6.1. The role of incubation to new venture formation**

Business incubation was defined as an economic development tool that provides business support services to accelerate the growth of entrepreneurial organisations

(Bøllingtoft & Ulhøi, 2005). Business incubators are also organisations through which entrepreneurial companies can access resources, services and networking that can assist businesses through the vulnerable start-up phase (Chandra et al., 2007). Incubators nurture start-ups or nascent entrepreneurs by creating and offering resources, which allow the exploitation of synergies that exist between the incubator and the venture and amongst incubatees (Bøllingtoft & Ulhøi, 2005). There are two incubation models; firstly, those that offer office space to nascent entrepreneurs, and secondly, those that foster venture creation and growth (Jørgensen & Ulhøi, 2010).

Bøllingtoft & Ulhøi (2005) have further argued that there are various types of incubators that include science and research parks, innovation centres, techno poles and networked incubators to name but a few. Their key finding was that the objectives of these incubators were similar in that they provide a supporting infrastructure in order to reduce failure rates in the case of new venture creation. Opportunities offered by incubators related to the objective of the incubator programme. For instance, a private incubator were profit driven and incubatees often achieved better success rates, if not better profitability than their counterparts in non-profit driven incubators (Bøllingtoft & Ulhøi, 2005). Further, incubatees in profit driven incubators maintained their entrepreneurial flair, enjoyed economies of scale and had access to other formal networks.

Incubation networks could be multiplexed; and internal or external to incubatees, i.e. the networks are intra- or inter-organisational (Bøllingtoft & Ulhøi, 2005). Chandra et al. (2007) further added that these types of incubators were market orientated and proactively sought internal and external resources to the benefit of incubatees. Lastly, the networks offered the opportunity for collaboration to take place between incubatees, because they operated under one umbrella (Chandra et al., 2007). Literature on the benefits derived from being in incubation is largely descriptive, and focuses on analysing efficiencies and the services being offered (Bøllingtoft & Ulhøi, 2005), rather than how incubatees take advantage of these benefits to grow their businesses.

According to Chandra and Chao (2011), business incubations are hybrid, span organisational boundaries and can act as conduits for acquiring tangible and intangible resources. Further, tripartite relationships between the public, government and university can form incubators (Chandra & Chao, 2011). The objectives of such

incubators is to foster economic development and job creation as entrepreneurs employ more people as the business grows (Chandra & Chao, 2011). This finding further supports the study into networks by Brundin et al. (2008) on the triple helix networks that exist between industry, government and universities in South Africa.

Successful incubation requires adaptability so as to act as an ecosystem that creates networks between actors such as government, businesses, entrepreneurs and other institutions that could provide entrepreneurs with resources (Chandra & Chao, 2011). Incubators that are successful, also offer entrepreneurs access to organised networks and this differentiates them from those that offer basic services and office space (Chandra et al., 2007). These free market orientated incubators facilitate knowledge sharing and innovation, in a similar fashion as to how weak networks do (Chandra et al., 2007).

Incubators further facilitate the acquisition of intangible resources such as networking skills that should be available from the beginning (Chandra & Chao, 2011) and human resources to assist the growth of the businesses (Potgieter et al., 2006). Chandra and Chao (2011) stressed that the incubatees should have better access to these intangible assets after commencing with the incubation program. However, the downside of incubation is that there could be an over-reliance on the tripartite relations to foster growth in an organisation (Chandra & Chao, 2011).

Other schools of thought question the validity of the successes attributed to incubators. Tamasáy (2007) argued that even in the presence of incubation, some of the new ventures would never have launched. In addition the effectiveness of the incubation programme should be measured on a “before and after” basis (Tamasáy, 2007), as opposed to the benefits derived during the incubation programme. This view is substantiated by the noticeable difference in the before and after performances in the region where the incubator is located, or within the ventures that participated in the incubation program. Tamasáy (2007) found that business incubators provided little stimulus to venture creation, and secondly, that the likelihood of the survival of the venture was not supported by the evidence, neither for innovation nor venture growth. Lastly, Tamasáy (2007) found that business incubators had a minimal impact on regional economic development and the higher the number of current incubators, the lower the probability of a new incubator succeeding.

Newbert and Tornikoski (2012) described nascent entrepreneurs' networks as being of a supportive nature that offered access resources and the acquisition of new networks that lead to further network growth. In addition, nascent entrepreneurs' resource requirements varied depending on the venture type and subsequently the supporter networks required would be different (Newbert & Tornikoski, 2012). Acquiring resources through new supporter networks comes at a cost that the nascent entrepreneur cannot carry, such as attending industry networking functions or exhibitions (Newbert & Tornikoski, 2012). Formal networks acquired through incubators could lessen this burden on entrepreneurs and incubator managers could arrange networking sessions and exhibitions (Newbert & Tornikoski, 2012). Access to a large number of networks and frequent meetings with connections could enhance the value of the resources acquired through the networks (Newbert & Tornikoski, 2012).

### **2.6.2. Juventud Incubation Programme**

The Juventud Incubation Programme is a public-private incubator, which was established in 2011. The programme intends recruiting about 100 000 young entrepreneurs who reside in Gauteng and to mentor them in becoming successful entrepreneurs.

Incubatees are both graduates and non-graduates, who may be in formal employment with a business on the side, or working in their own businesses. The programme offers them the opportunity to achieve the objectives that social capital and social networks develop over time and that can play a great role in enhancing the TEA rate. With the current group being the first group, it makes this study unique in that it studies both entrepreneurs' networks through the entrepreneurial process and the role that the incubator has played to date.

### **2.6.3. Summary of business incubation**

The literature on business incubation can be summarised as follows; firstly, incubators provide access to resources, services and new networks (Chandra et al., 2007). Secondly, incubators facilitate environment conducive for collaboration in exploitation of synergies amongst incubatees (Bøllingtoft & Ulhøi, 2005). Thirdly, incubators provide access to intangible assets post the launch stage of a new venture (Chandra & Chao,

2011). Lastly, at the macro level business incubators can drive economic development and stimulate job creation in a country (Chandra & Chao, 2011).

## **2.7. Conclusion and Implications of the Literature**

This Chapter focused on the literature on the social capital theory, social network theory and the role of incubation over the entrepreneurial process. The characteristics of social capital include the size of the network, the heterogeneity of the network whether it is bonding or bridging, and the trustworthiness of the individual actors in the network and the reciprocity thereof. Social networking on the other hand focuses on the role that the networks play in launching and growing the business, through the tangible and intangible resources that an entrepreneur can access. It further focuses on the network-range or closure characteristics common in networks. Lastly, incubation on the other hand, offers entrepreneurs opportunities to collaborate with fellow incubatees, other structured resources and access to new networks.

In Chapter 1 the research problem statement was that South Africa has a low total early-stage entrepreneurial activity rate compared with other countries considered emerging markets. Furthermore, the growth in the TEA and the unemployment rates has been stagnant between 2010 and 2011. It was postulated that the problem could be overcome by practising the theories of social capital, social networks and incubation. Entrepreneurs could play a role in addressing the two problems by using their social capital, social networks and by joining an incubation programme as detailed in Figure 2.6.

It follows then that this research will study the roles that social capital, social networks and incubation play in launching and growing a new venture. To achieve the objectives three Research Questions were derived in Chapter 3 and through the research methodology in Chapter 4, data was collected and analysed in Chapter 5.

**Figure 2.6: Linking the Theories to the Research Problem**

<b>Research Problem: Stagnant TEA rate and high unemployment rate in South Africa</b>		
<b>Theory of social capital</b>	<b>Social network theory</b>	<b>Incubation</b>
<ul style="list-style-type: none"> <li>-actual and potential resources</li> <li>-influence and sponsorship</li> <li>-support, engagement and productivity</li> <li>-benefits can be derived from weak and strong networks</li> <li>-SC can bond or bridge gaps in networks</li> <li>-social networks and relational capital are paramount.</li> </ul>	<ul style="list-style-type: none"> <li>-the relationships in the network</li> <li>-direct and indirect relationships</li> <li>-macro, meso and micro level relationships</li> <li>-tangible and intangible resources</li> <li>-when to use weak (closed) and strong (range) relationships</li> <li>-use of intra- and inter-organisational networks</li> <li>-use factors that influence the networking environment to your advantage</li> <li>- develop networks as early as possible during the entrepreneurial process</li> <li>-develop spatial networks</li> <li>-use other networks to overcome barriers to other networks.</li> </ul>	<ul style="list-style-type: none"> <li>-utilise the resources on offer</li> <li>-utilise the services provided by the incubator</li> <li>-develop new networks</li> <li>-collaboration with other incubatees</li> <li>-exploit synergies with fellow incubatees</li> <li>-utilise intangible resources on offer</li> <li>-use the incubator to maintain the sustainability of the business and hire more employees.</li> </ul>

### 3. CHAPTER 3: RESEARCH QUESTIONS

#### 3.1. Introduction

From the discussion in the literature review regarding the theories of social capital and social networks and the practices observed in the formal networks, three research questions were formulated. It was postulated that by understanding better the answers to the research questions, the challenge of a stagnant TEA rate that encompasses the nascent and new entrepreneur stages could be resolved. Further, this resolution should increase success rates and enable new ventures to move towards the established phase.

To this end, the research questions below will form the basis of this research.

#### 3.2. **Research Question 1: How did entrepreneurs use their social capital to launch and grow their business ventures?**

The objective of this research question was to find out the extent that entrepreneurs used their social capital during the early stages of the entrepreneurial exercise, De Carolis, et al., (2009). Further who formed part of their networks (Chan & Tan, 2009), the trustworthiness thereof (Verhoef, 2008) and their choice of use of bonding and bridging networks (Santarelli & Tran 2012)?

#### 3.3. **Research Question 2: How did the entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?**

The objective of this research question was to gain a better understanding of how the characteristics of an entrepreneur's social networks changed during the entrepreneurial process. The focus was on the size of the networks (Newbert & Tornikoski, 2012), perceptions of the benefits of networking, network ranges and closure (Kreiser, 2011), and the extent of the heterogeneity of the networks (Jack et al. 2008; Hingley et al., 2010).

**3.4. Research Question 3: To what extent did business incubation contribute meaningfully to the entrepreneurial process?**

The main objective of this research question was to find out what role the incubation programme played in growing business ventures (Chandra et al., 2007), and the nature of the collaboration amongst individual incubatees (Bøllingtoft & Ulhøi, 2005).

## 4. CHAPTER 4: RESEARCH METHODOLOGY

### 4.1. Summary of the Research Methodology

The research methodology recommended was exploratory and qualitative in nature, with written or transcribed data, together with the use of expert interviews in order to gain rich insights (Saunders & Lewis, 2012). The research questions formulated in Chapter 3 required a qualitative approach towards gaining deeper insights and understanding. In-depth expert interviews were conducted with 12 participants from the Juventud Incubation Programme. The data was recorded by means of interviewer's notes and a digital voice recorder. The data was analysed by coding it into themes based on meaning, linguistic, bricolage and hermeneutics. Communicative and pragmatic validation methods were used to test the validity of the data.

### 4.2. Motivation for Qualitative Research

Qualitative research entails utilising techniques that do not rely on numerical measurements; firstly by discovering ideas, then by observing and interpreting the results (Zikmund, Babin, Carr, & Griffin, 2010). In addition, Saunders and Lewis (2012) define exploratory studies as those seeking to gain general information about a topic. However, some of the answers may be tentative in addressing the research questions. Further, exploratory studies involve studying the nature of the phenomena in their natural setting by looking at characteristics and qualities that cannot be quantified (Leedy & Ormond, 2013).

This study was exploratory in nature as its aims were to gain new insights by first asking broad questions and then more focused questions that would address the research objectives in a new manner (Saunders & Lewis, 2012). Secondly, exploratory studies through data collection involved interviewing participants, the results of which were subjective, and the researcher had to be intimately involved and the sample sizes needed to be small (Zikmund et al., 2010).

Zikmund et al. (2010) stated that there are four orientations in conducting qualitative research, namely phenomenology, ethnography, grounded theory and case studies. Firstly, phenomenological research is whereby the behaviours of human beings are studied on the bases of how they react to the physical environment, objects, people

and situations (Zikmund et al., 2010). Leedy and Ormond (2013) further stated that phenomenological studies seek to understand perceptions, understandings and observations from the viewpoint of the participant in the field that is being researched. As a result, this necessitates the use of in-depth expert interviews in order to collect the data. Secondly, ethnographical research is whereby human beings are observed in terms of their social culture, ethnicity, nationality or even organisational culture (Zikmund et al., 2010). Thirdly, grounded theory involves interviews based on historical information, or by the human subjects providing the researcher with information about themselves prior to the interview (Zikmund et al., 2010). As a result, the interview questions should be formulated specifically for each participant in the research sample, based on the historical data that has been provided. Zikmund et al. (2010) further stated that the commonly used questions in the grounded theory orientation are around 'the what', and when it comes to 'the how', it is more about how the participant is differentiated from others. Finally, a case study in business research focuses on a particular organisation, and tends to overlap with the other three orientations of qualitative research (Zikmund et al., 2010).

The first orientation, phenomenology, was adopted for this study, as it was considered appropriate for addressing research questions that focus on the entrepreneurial environment. Further, the use of in-depth interviews allowed for the recording of verbal responses and also observation of non-verbal responses (Zikmund et al., 2010; Saunders & Lewis, 2012).

#### **4.3. Unit of Analysis**

The unit of analysis was the piece of data that categories or codes would be attached to for data analysis purposes (Saunders & Lewis, 2012). From the unit of analysis, themes or patterns were derived in order to describe the data. With the research method being qualitative in nature, with a small sample size, generalisations cannot be made (Saunders & Lewis, 2012). However, the research findings are applicable to the entrepreneurs, early-stage entrepreneurial ventures and the incubator.

#### **4.4. Population**

Zikmund et al. (2010) defined the population of a study as group of participants who shared a common set of characteristics. The population in this study consisted of 192 incubatees from the Juventud Incubation Programme. Currently there are 1000

incubatees on the programme at various stages of the entrepreneurial process; however for the purposes of this study the population is 192 entrepreneurs who fit the criteria of the sampling frame that is discussed in the next section.

#### **4.5. Sampling**

This section discusses the definitions of a sample and the sampling frame. It further details the criteria used in selecting the sample. A random sample of 12 entrepreneurs was selected for the interviews.

##### **4.5.1. Sampling frame**

Saunders and Lewis (2012) define a sample as a subgroup of the population. It follows then that the sampling frame is a list of criteria on which basis the sample was drawn from the population (Zikmund et al., 2010; Saunders & Lewis, 2012). The criteria were based on the definition of an emerged or established entrepreneur; that is an entrepreneur who had been in business for a period exceeding three and half years (Herrington et al., 2011). The criteria for the sampling frame were as follows:

- that the entrepreneurs had to have been in business for at least three years,
- their businesses must be generating revenue,
- the owners must be between the ages of 18-35 years.

##### **4.5.2. Sampling method**

The initial sampling method was a self-selecting approach, whereby possible participants within the population were asked via email if they would make themselves available for interviews (Saunders & Lewis, 2012). However, this approach yielded no responses.

As a result, a convenient sampling technique was adopted irrespective of the disadvantage of it being unrepresentative (Zikmund et al., 2010), and a second round of emailing took place, whereby the sample was selected based on participants residing in Johannesburg area, and an attempt was made to get an industrial spread in the sample. This is called quota sampling and utilises some of the characteristics of the population to sample (Saunders & Lewis, 2012). Zikmund et al. (2010) defined the quota sampling technique as the judgement method because the researcher's

impression that the sampling method is representative, could be false and findings could be biased.

The quota sampling also failed to yield the desired sample size, so finally, the purposive method of sample selection was utilised. Saunders and Lewis (2012) described this as a method that requires researchers to use their own judgement to select the sample based on a certain characteristics. The characteristics here were that the entrepreneurs be younger than 35 years and have been in business for at least three years, i.e. young-established entrepreneurs.

Taking into account the above definitions, the sampling method that was eventually utilised was a hybrid between random and purposive methods. The reason for using the two techniques is that the sample could be spread across sectors of the economy or the age group of 18 to 35 years.

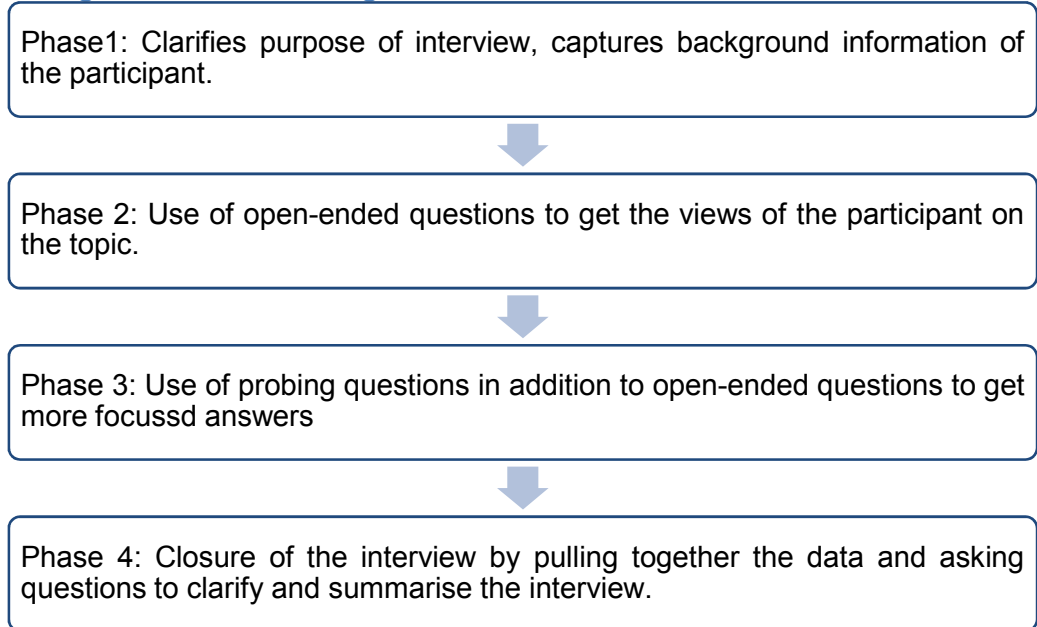
#### **4.5.3. Sample size**

The purposively selected quota sample consisted of 12 established young-entrepreneurs who reside in Gauteng (Appendix 2). In terms of demographics that were agreed to be disclosed (Appendix 3), the sample consisted of nine males and three females; four were from the information and communication technology (ICT) sector, four from the services sector, two from the manufacturing and engineering sector and one from the financial sector. The sample size was manageable in terms of getting through the interviews given the time constraints for the completion of the study.

#### **4.6. Research Instrument**

A six step process for preparing for interviews, recommended by Kvale (2007), was adopted. The process entailed formulating the themes with which to analyse the data, designing the questions, designing the interviews, analysing the results, verification of the results and reporting. A four phased approach to interviewing was adopted in this study, see Figure 4.1, that included an introduction in Phase 1, the development of the interview in Phase 2, the central core in Phase 3 and interview closure in Phase 4 (Gillham, 2000).

**Figure 4.1: Interviewing Process**



*(Adopted from Gillham, 2000)*

#### **4.7. Data Collection Method**

There are three methods for collecting qualitative data, firstly through in-depth interviews, secondly, through conversations and lastly through semi-structured interviews. Zikmund et al. (2010) described in-depth interviews as a one-on-one interview usually used for case studies, whereby questions that are asked can be followed up with more probing questions to get more details. The second method, being conversations, is an informal data gathering method that involves a discussion around a relevant subject (Zikmund et al., 2010). Lastly semi-structured interviews are in written form, whereby the respondent answers questions on paper in response to the questions being asked (Zikmund et al., 2010). The interviewing method that was chosen in this study was in-depth expert interviews so as to allow the respondents to answer the questions in their own words, with the interviewer's role being to guide the conversation towards achieve the objectives.

The data was recorded using both the interviewer's hand written notes and a digital voice-recording device. According to Zikmund et al. (2010) the best practice during the interview is to record the responses during the interview by means of the interviewer's hand-written notes. In addition the interviewer should use probing questions whenever the answers were unclear and to test if what was being described by the interviewee was the reality and not perceptions (Zikmund, 2010). Saunders and Lewis (2012) argue

for flexibility in questions to allow the interviewer to vary the order of questions and focus on areas that the interviewee was willing to share more on, in order to gain deeper insights. The interview questions in the discussion guide (Appendix 1) were formulated to capture data that answered the research questions stated in Chapter 3, which were derived from the theoretical base in Chapter 2. The interview questions are based on the findings from the literature as outlined in Table 4.1.

**Table 4.1: Mapping Interview Questions to the Literature**

<b>Interview Question</b>	<b>Relevant Literature</b>
2	Zhang et al. (2008)
3	de Klerk & Kroon (2008), López-Morell & O'Kean (2008)
4	Verhoef (2008)
5	De Carolis et al. (2009), de Klerk & Kroon (2008), López-Morell & O'Kean, (2008), Newbert & Tornikoski (2012), Zhang et al. (2008)
6	Jack et al. (2008), Newbert & Tornikoski (2012)
7	Jack et al. (2008), Newbert & Tornikoski (2012), Zhang et al. (2008)
8	Jack et al. (2008)
9	Jack et al. (2008), Hingley et al. (2010), Verhoef (2008)
10	Hingley et al. (2010), Jack et al. (2008), Verhoef (2008)
11	Hingley et al. (2010), Jack et al. (2008), Verhoef (2008)
12	Jack et al. (2008), Verhoef (2008)
13	Verhoef (2008), Westlund & Adam (2010)
14	de Klerk & Kroon (2008), López-Morell & O'Kean (2008), Verhoef (2008)
15	Westlund & Adam (2010)
16	de Klerk & Kroon (2008), Egbert (2009)
17	de Klerk & Kroon (2008)
18	de Klerk & Kroon (2008), Egbert (2009)
19	de Klerk & Kroon (2008), Egbert (2009)
20	Hingley et al. (2010)
21	Bøllingtoft & Ulhøi (2005), Chandra & Chao (2011), Chandra et al. (2007), Newbert & Tornikoski (2012)
22	Bøllingtoft & Ulhøi (2005), Chandra et al. (2007), Hingley et al. (2010), Newbert & Tornikoski (2012)
23	Chandra et al. (2007), Newbert & Tornikoski (2012)

24	Bøllingtoft & Ulhøi (2005), Chandra et al. (2007)
25	Bøllingtoft & Ulhøi (2005), Chandra et al. (2007), Chandra & Chao (2011)
26	Chandra et al. (2007)
27	Chandra et al. (2007), de Klerk & Kroon (2008), Jack et al. (2008)
28	de Klerk & Kroon (2008), Jack et al. (2008)

#### 4.8. Data Analysis

This section discusses the process followed in analysing and coding the data. A six-step process was followed and four modes of data analysis recommended by Kvale (2007) and a fifth by Zikmund et al. (2010) were utilised. Codes were developed, as shown in Table 1, to be utilised in deriving the answers to the research questions from Chapter 3. Lastly, the section concludes by discussing the validation of the findings, and the presentation thereof in Chapter 5.

##### 4.8.1. Analysis process

Kvale (2007) recommended a six step process to analyse the findings of qualitative research. The process involves firstly letting the participants describe their own world and secondly, allowing the participants discover new relationships during the interview. Thirdly, the interviewer should condense and interpret the meanings of what the participant is describing during the interview. Fourth, the recorded interview should be analysed by the interviewer alone. The fifth step would involve the re-interview of any participants after an analysis has been done and if there is a need for further clarification; there were no re-interviews as the data that was collected was considered to have answered the research questions satisfactorily. Lastly, both the interviewer and the participant should take action during the interview as new insights are gained, such as further probing (Kvale, 2007).

Kvale (2007) further recommended four modes for data analysis that could be used in an interview; meaning, focusing on language, bricolage and theoretical reading (Kvale, 2007). According to Kvale (2007), the meaning mode of analysis includes coding, condensing and interpreting the meaning of what was said. The second mode of analysis requires a focus on language, whereby the linguistic characteristics of the interviews are analysed (Kvale, 2007). The third mode, bricolage, required constructs to be developed from the data that is available (Kvale, 2007). The last mode, theoretical reading, refers to a mixed technical discourse (Kvale, 2007). This method

allows the interviewer to manoeuvre freely by looking at interesting passages of the conversation and to capture key understandings in order to bring out connections and structures within the interview (Kvale, 2007).

Zikmund et al. (2010) added a fifth mode to those of Kvale (2007), called hermeneutics, which involves analysing texts by drawing meaning from what the participant said. These meanings are then connected into themes that will form a measurement unit in the form of text in a passage (Zikmund et al., 2010). In addition, the content analysis involved the identification of patterns, themes and biases that came up in the data (Leedy & Ormond, 2013). In-depth expert interviews were utilised, as a result a combination of meaning, linguistic, bricolage, theoretical reading and hermeneutics were used to understand the phenomenological results.

#### **4.8.2. Data coding**

Zikmund et al. (2010) defined data coding as the process of assigning a non-numerical score, or, alternatively, character symbols to qualitative data for further analysis. In qualitative research, the object of coding is to transfer meanings accurately and to contextualise responses (Zikmund et al., 2010). Saunders and Lewis (2012) referred to codes as categories that described the qualitative data. Furthermore sub-codes could be utilised such as a unit of data; for example a sentence or a paragraph that answered the question being asked (Saunders & Lewis, 2012). The data coding method that was used in this study was according to key terms and phrases that emerged from the literature relevant to each Research Question as depicted in Table 4.2 below.

**Table 4.2: Codes and Sub- codes for the Data Analysis**

<b>Research Questions</b>	<b>Code</b>	<b>Sub-codes</b>
1-How did the entrepreneurs use their social capital to launch and grow their business ventures?	Resources	Equipment, funding, sponsorship
	Type of people in network	Friends, family, colleagues, beliefs, ethics, risk taking
	Trust	trust
	Frequency of meetings	Daily, day, week, month, interaction
	Support	support
	Promise	Promise
	Weak	weak
2- How did the entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?	Characteristics	Adapt, behaviour, casual, close, change competition, culture, direct, diverse, ethnicity, family, formal, indirect, influence, informal, open, race, suppliers
	Networks help grow business	Assist, creativity, enhance, expand, exploit, funding, grow, ideas, identify opportunities, information, knowledge, launch, marketing, money, partnership, pursue, referrals, sharing, skills, start, suggestions
	Barrier to entry	Access, barrier, challenge, lost out, missed out, social standing, threat
	Gains	Advice, encourage, validation, resources
	Change overtime	Changed, same, different
	Reduce costs	Cheap skills, free resources
	Incubation programme	Juventud, incubation,
3-To what extent did business		

incubation contribute meaningfully to the entrepreneurial process?	Gains from incubator	Collaboration, human resources, joint ventures, mentor, networking skills, participation, resources, services, share ideas, synergies, transfer
	Consultants	Consultants, managers

Saunders and Lewis (2012) recommended that coding be done in text or through the use of computer-aided qualitative data analysis software (CAQDAS) that allowed for quotes to be generated based on the codes that were developed. In this study the audio recorded data was transcribed into text format by a qualitative transcribe expert, and the coding was done through the use of the student version of ATLAS.ti qualitative data analysis software. The ATLAS.ti software allows for the hermeneutic coding of both text and audio; however only text was used in the software. The audio and handwritten notes were only used to clarify passages that were not clear from the transcripts.

#### **4.8.3. Validation**

Saunders and Lewis (2012) defined validity as the accuracy of the findings being what they were supposed to be. Data validation entails testing whether the data collection method collected the intended data and whether the findings are accurate (Saunders & Lewis, 2012). The first validation method that was used was that of communicative validity in order to test the knowledge of the claims made by the participant during the interview (Kvale, 2007). The second validation method was pragmatism, which means observing the body language of the interviewee can reinforce what was said (Kvale, 2007). This requires the interviewer to focus closely on the reactions and overall actions of the interviewee (Kvale, 2007).

Data validation was the last stage of data analysis and in Chapter 5 the research findings are presented in aggregated format based on the themes that were observed from the data captured during the interviews. In writing up the research findings, Zikmund et al. (2010) recommend the use of quotations to enrich these findings and argued that the use of quotations in the passages in the results section; i.e., Chapter 5 should be determined by the frequency of use by other interviewees. Zikmund et al. (2010) further recommended that when using quotations one should look for commonality and also look for differences of opinions even if the statements sound similar (Zikmund et al., 2010). To this end the results were grouped according to the themes that emerged irrespective of whether they were in agreement with other interviewees' responses.

#### **4.9. Research Limitations**

From the literature review, research design and the utilised sampling and data collection methods the limitations that were encountered were, firstly, that there could be bias in terms of the data collection because all the interviewees resided in Johannesburg. Secondly, there could be bias in the data collected because the interviewees shared similar characteristics or could have been influenced by being incubatees on the Juventud Programme. Thirdly, the convenient sampling method meant that not all views from the given population were represented. Finally, the interviewees' reluctance to share certain information, such as turnover, which was considered sensitive, might have led to an imbalance in the findings.

#### **4.10. Conclusion of the Research Methodology**

A qualitative research design was chosen for the research questions formulated in Chapter 3. The research instrument utilised was in-depth interviews with the use of probing questions, in addition to those on the interview guide, to clarify responses. Lastly, the data was analysed using the codes and sub-codes that were developed as summarised in Table 4.3.

**Table 4.3: Summary of the Research Methodology (Consistency Matrix)**

Research Question	Research Design and Methodology	Research Instrument	Data Analysis/ Data Coding	Relevant Literature
Research Question 1: How did entrepreneurs use their social capital to launch and grow their business ventures?	Qualitative In-depth interviews.	Interview Question: 2, 5, 7, 8, 11, 12, 13 & 28	Resources, type of people in network, trust, frequency of meetings, support, promise, weak	De Klerk & Kroon (2008), De Carolis et al. (2009), Jack et al. (2008), López-Morell & O’Kean, (2008), Newbert & Tornikoski (2012), Verhoef (2008), Verhoef (2008), Zhang et al. (2008), Hingley et al. (2010), and Westlund & Adam (2010),.
Research Question 2: How did the entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?	Qualitative In-depth interviews.	Interview Question: 3, 4, 6, 9, 10 & 14 to 19	Characteristics of networks, networks help grow business, barrier, gain, change overtime , reduce costs	De Klerk & Kroon (2008), Jack et al. (2008), López-Morell & O’Kean (2008), Verhoef (2008), Egbert (2009), Hingley et al. (2010) and Newbert & Tornikoski (2012)
Research Question 3: To what extent did business incubation contribute meaningfully to the entrepreneurial process?	Qualitative In-depth interviews.	Interview Question: 20 to 27	Incubation programme, gains from incubator, consultants	Bøllingtoft & Ulhøi (2005), Chandra et al. (2007), de Klerk & Kroon (2008), Jack et al. (2008), Hingley et al. (2010), Chandra & Chao (2011), Chandra & Chao (2011) and Newbert & Tornikoski (2012).

## 5. CHAPTER 5: RESULTS

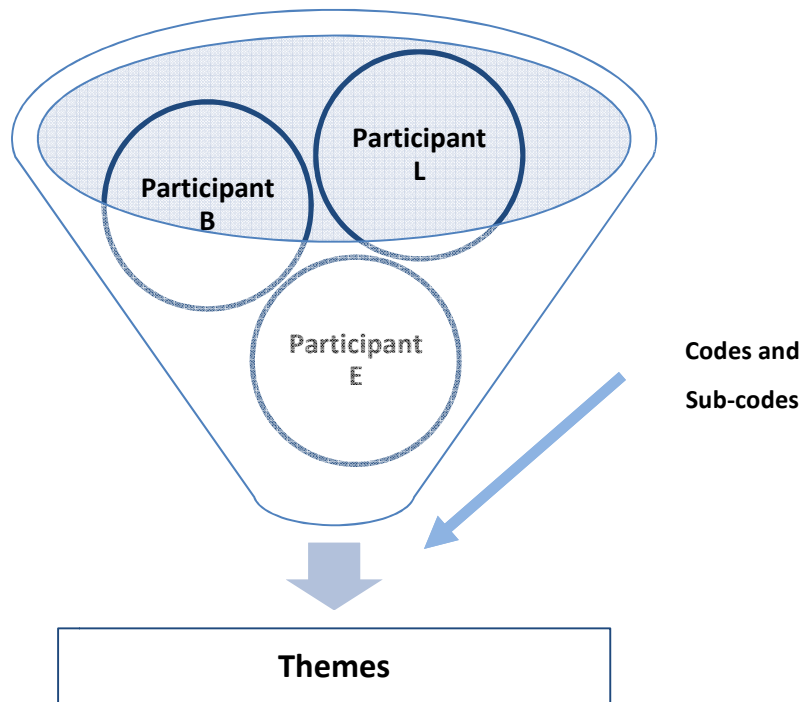
### 5.1. Introduction

The research sought answers to three questions.

- Research Question 1: How did the entrepreneurs use their social capital to launch and grow their business ventures?
- Research Question 2: How did the entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?
- Research Question 3: To what extent did business incubation contribute meaningfully to the entrepreneurial process?

This results presented here were derived from the data analysis of handwritten notes and transcribed audio data collected from 12 interviews. The transcribed data was analysed using codes and sub codes from Table 4.2 and were captured in ATLAS.ti software to generate the emerging themes (Appendix 4). The theme generation method illustrated below in Figure 5.1.

**Figure 5.1: Illustration of Theme Generating Method**



Considering that, the study utilised hermeneutics to derive meaning and patterns referred to as themes (Zikmund et al., 2010); the results are presented according to the emergent themes. Where quotations are used the symbol [ ] denotes words that were added to enhance the meaning and the symbol (...) is used where words were edited out. Further, they are quoted as the entrepreneurs said them. If words were added to enhance the meaning of the quotation, sic is used. The quotations are numbered as Excerpts for referencing in this chapter and subsequent ones.

## **5.2. Sample Description**

The sample consisted of 12 entrepreneurs, who were between the ages of 25 and 36 years, with an average age of 31, who were based in Johannesburg, as shown in Table 5.1 and

Table 5.2. The duration of the interviews ranged from 30 minutes and just over one hour. The demographics pertaining to the sample are as follows:

- Race: All participants were black.
- Gender: Three were females and nine males.
- Years in Operation: On average, the companies had been operating for three and a half years.
- Working experience: The average working experience was nine years including the years as an entrepreneur.
- Ownership: 58% of the businesses were wholly owned by the interview participants, whilst 42% had business partners who were either their life partners or friends,
- Multiple businesses: One was involved in another business; three had previously been involved in failed ventures.
- Number of employees: The average number of employees was two and they were employed on either a part time or a full time basis.
- Revenue: Two participants opted not to disclose their revenue, two had not generated any revenue in 2012, and the remaining eight had generated revenues ranging from R20, 000 to R1, 5 million per annum.
- Period in incubation: The average period in incubation was six months.

**Table 5.1: Sample Description and Background Details**

Participant	Gender	RACE	Age (years)	Highest Level of Qualification	Industry	Product/ Service provided
<b>A</b>	Female	Black	29	Matric	Arts and Culture	Modelling agency & media production company
<b>B</b>	Male	Black	26	National Diploma: Small Business Management	Service	Market Research & setting up new businesses
<b>C</b>	Male	Black	30	Matric	ICT	Software Development
<b>D</b>	Male	Black	25	Matric	Service	Graphic design & Digital Printing
<b>E</b>	Male	Black	25	Grade 11	ICT	Access control software development & cloud computing (previously had a clothes retailing business)
<b>F</b>	Female	Black	33	Matric	ICT	Internet cafe
<b>G</b>	Male	Black	35	Degree: Social Science	Service	Music recording, voice over advertisements
<b>H</b>	Male	Black	35	Matric	Financial Service	Business registrations, tax returns, bookkeeping (previously had a construction project company)
<b>I</b>	Male	Black	36	Matric	Service	Recycling of glass, paper, plastics (previously had a poultry business)
<b>J</b>	Male	Black	31	Matric	ICT	Customised software development, graphic design, PC repairs
<b>K</b>	Female	Black	31	Matric	ICT	Communications, Public Relations, Exhibitions (previously had an interior decor business)
<b>L</b>	Female	Black	31	Degree: Bachelor of Arts	Service	Linguistic service to children

Table 5.2: Background Information on the Businesses

Participant	Where is the business located?	How old is your company? (in years)	Ownership %	How many years working experience do you have? (in years, including business experience)	Number of Employees (excluding owners)	Part-time (PT) or Full Time (FT)	Revenue per annum (optional question)	Interview Location	How long have you been in the incubator? (months)
<b>A</b>	Sunninghill	3	Modelling agency (100%), Production (33%)	10	4	PT	R 400 000	Sunninghill	6
<b>B</b>	Devland	3	100	4	1	PT	R 20 000	Randburg	7
<b>C</b>	Linksfild	5	50	8	0	n/a	zero in current financial year	GIBS, Illovo	4
<b>D</b>	Rosettenville	3	100	10	4	FT	R1, 2 million	GIBS, Illovo	10
<b>E</b>	Midrand	5	100	9	2	PT	zero in current financial year	His home, Midrand	4
<b>F</b>	Soweto	4	100	8	3	FT	did not disclose	Soweto	6
<b>G</b>	Orange Grove	3	55	13	5	PT	did not disclose	GIBS, Illovo	5

H	Spruitview	3	50	11	0	n/a	R5,000 since beginning of November 2011	Spruitview	7
I	Rand Leases (West Rand)	4	100	13	2	FT	R50,000	Westgate Mall	4
J	At clients' offices & uses restaurants	4	100	5	2	PT	R30, 000	Westgate Mall	7
K	Bryanston	3	51	11	1 (prefers to outsource)	FT	R1,5 million	Wanderers Club	5
L	Thembisa, Alexandra, Rosebank	2	100	9	2 (FT), 10 (PT)	PT & FT	R40, 000	Sandton	4

### 5.3. Emerging Themes

From the interview data that was collected, themes were developed using codes as depicted in Figure 5.1. These were ranked according to how often they emerged within an individual transcript and across the 12 interview transcripts as depicted in Table 5.3 for Research Questions 1: How did the entrepreneurs use their social capital to launch and grow their business venture, and Research Question 2: How did the entrepreneurs adapt to the changes in their social networks over the entrepreneurial process?. For Research Question 3: To what extent did business incubation contribute meaningfully to the entrepreneurial process, the interview transcripts were edited to only reflect the interview segments where questions were asked regarding incubation. The codes for Research Questions 1 and 2 were added to those for Research Question 3 to derive the theme.

The themes that emerged were, firstly, the utilisation of social capital was enhanced by the resources, type of people in their networks, trust and the frequency of their meetings. The second theme was the utilisation of social networks that were derived from the nature of the relationships in the networks, how networks helped businesses grow, and networks being barriers to entry. The third theme was the utilisation of the incubation programme and was derived from what the entrepreneurs said that they had gained by being incubatees; the encouragement, validation and mentorship that they had received and finally, what they wished to receive from the incubator.

**Table 5.3: Code Ranking to Derive Themes**

<b>Research Questions</b>	<b>Code</b>	<b>Sub-codes</b>	<b>Frequency of code</b>
1-How did the entrepreneurs use their social capital to launch and grow their business ventures?	Resources	Equipment, funding, sponsorship	159
	Type of people in network	Friends, family, colleagues, beliefs, ethics, risk taking	86
	Trust	trust	74
	Frequency of meetings	Daily, day, week, month, interaction	65
	Support	support	21
	Promise	Promise	6
	Weak	weak	4
	Characteristics	Adapt, behaviour, casual, close, change competition, culture, direct, diverse, ethnicity, family, formal, indirect, influence, informal, open, race, suppliers	481
	Networks help grow business	Assist, creativity, enhance, expand, exploit, funding, grow, ideas, identify opportunities, information, knowledge, launch, marketing, money, partnership, pursue, referrals, sharing, skills, start, suggestions	320
	Barrier to entry	Access, barrier, challenge, lost out, missed out, social standing, threat	68
2- How did the entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?	Gains	Advice, encourage, validation, resources	37
	Change overtime	Changed, same, different	19
	Reduce costs	Cheap skills, free resources	15

3-To what extent did business incubation contribute meaningfully to the entrepreneurial process?	Incubation programme	Juventud, incubation,	109
	Gains from incubator	Collaboration, human resources, joint ventures, mentor, networking skills, participation, resources, services, share ideas, synergies, transfer	28
	Consultants	Consultants, managers	2

#### **5.4. Theme 1: Utilisation of Social Capital**

##### ***Research Question 1: How did the entrepreneurs use their social capital to launch and grow their business ventures?***

Social capital was defined in Chapter 2 as the sum of the actual and potential resources obtained from social networks and that there are two types of social capital, bonding and bridging. Further, social capital was measured by the trustworthiness and reciprocity that existed amongst the actors in a social network. The aim of this research question was to find out, firstly, the characteristics of the entrepreneurs' social networks, and secondly, how they used those networks to launch and grow their businesses.

##### **5.4.1. Characteristics of the people in the network**

The networks of nine respondents consisted of fewer than ten people when the respondents launched their businesses and they would meet them frequently. From Table 5.4 it can be seen that network sizes started small but had grown over time. Further, it seems that the people who formed part of the original network had changed in nine of the 12 cases. Participants G and L could not recall how big their networks were when they launched their ventures nor could they indicate the current sizes of their networks. Two respondents claimed to have very large networks consisting of up to 5000 individuals, largely on social media such as Face Book. It was not clear from their responses to what extent they interacted with these individuals.

**Table 5.4: Size of the Entrepreneur's Network**

Participant	Size of Network		Have the people changed or remained the same? (same or different)
	Launch Stage	Current	
A	<10	<12	Same
B	no network	5000	Different
C	5	5 to 10	Same
D	50-100	smaller	Same (but smaller)
E	4	15	Different
F	1	grown	Different
G	1200 (on Face Book)	5000	Those that he interacted with are still the same, about 1000.
H	3	grown	Different
I	No one	10	Different
J	10 to 20	grown on Twitter & Face Book	Different
K	10	not grown	Different
L	not sure	not sure	

#### **5.4.1.1. Composition of the network**

In analysing how the entrepreneurs utilised their social capital, the following characteristics of an entrepreneur's social network emerged. The type of people that formed part of the entrepreneurs' network is detailed in Table 5.5. Six of the respondents stated that the people who formed part of their network were friends. Six said that they were family members; three said they were ex-colleagues; three said they were people from their community; one said that they were former employers and Participant I said he that he did not have a network when he launched his current venture. However, in the previous venture Participant I's network had consisted of family.

**Table 5.5: Types of People in the Network**

People in Network	Participants who mentioned the type of people
Friends	A, C, D, E, F, G, H, J, K & L
Family	B, D, E, J, K & L
Ex-colleagues	G, J & L
Ex-employers	K
People from the community	C, E & G

Participant K was asked why her network had not grown in size. She said that her focus was on getting higher margins instead of getting higher revenues that might come with an expanded network. She said the following to substantiate this view:

1. The advice in mind of the previous owner... [who] has expanded before... according to his analysis it is not worth it, it is probably better to maintain what you have and make sure that you excel at that, because you end up chasing these high turnovers but your margin becomes [lower] ... So at the end of the day you are just chasing your tail kind of thing (Participant K).

Although Participant L had said she was unsure of the size of her networks, she did mention that they had similar characteristics. Furthermore, she mentioned that in addition to interacting with individuals, she also networked at the firm level as the following excerpt asserts:

2. We actually...are very similar...we...all studied the same thing [course] more or less, we all linguists and language teachers... Have worked for education [a] institutions – whether a school or university. We understand the importance of education... Then other network would be schools... (Participant L).

#### **5.4.1.2. Beliefs of people in the network**

In terms of the beliefs of the people in their networks, the participants had the following to say:

3. Characters are similar, very similar. I don't know their beliefs really (Participant B).

4. Well the majority of the people in our [including business partner] network go to the same church so we believe the same stuff basically (Participant C).
5. I've got my own beliefs and I've got my own trades that I follow and also because of my standards... (Participant D).

Participant G said that although most of the people in his network shared similar beliefs to his, he networked across all cultures and religions. He said:

6. ...[the network] was pretty much people from church, close friends, people who I sang with in the bands that I have been involved in and people who I have previously worked with in the corporate sector (Participant G).
7. To me it does not matter if a person is a Jew or Muslim, as long as they bring business its fine... (Participant G).
8. ...most of the guys that I interact with are Christians...but there are people that are not that we have to work with, look in business it really does not matter...whether you are a Christian or not...( Participant G).

However he did point out there were differences between religions in terms of business principles and that the Jewish and Muslim communities had religious networks whereas:

9. ...I find that Jews and Muslims are very good in terms of business principles, they are very conservative and very business savvy...unfortunately that has not developed much in the Christian circles, we are still trying to find a way of developing that (Participant G).

Participant H said the following on the beliefs of the people in his network:

10. Most of them are religious but they are not naive, they understand that the only way to do business is not only through the church, they understand that you have to go out and seek to get something. Most of my guys are religious but they are running businesses and they can differentiate between business and church (Participant H).

To summarise, the participants' networks were small; less than ten people when they launched their businesses and 58% of those in the network had changed since then. Further, the people who formed part of the participants' networks were family, friends, former colleagues and community members. In later sections, the closeness of these relationships will be analysed together with other characteristics such as trust, and the gains derived from social capital.

#### **5.4.2. Frequency of meetings**

The meetings with people in the networks varied from participant to participant, as is shown in the quotations in Table 5.6. Two said they interacted with the people in their network on a daily basis, two said it was weekly, whilst a further two said it was monthly. Participant B reported the longest period between meetings, when he said that he interacted with the people in his network every two months. Participant E said that it was not that often and did not quantify the frequency of the interactions. Participant G mentioned he interacted with his network on Face Book without indicating the frequency of the interactions. Participant I did not have a network when he started and Participant L did not recall the size or the frequency of her interactions with her network.

The participants were asked how often they interacted with the people in their current networks in order to determine their dependency on the networks. Four participants said that they interacted on a weekly basis with their current networks, and one said it was on a monthly basis. Participant G said that the level of interaction had not changed, whilst Participant J said it had become less due to his being in Johannesburg and the people in the network residing in Bloemfontein, Free State Province. Participant A, H, K and L did not indicate the level of frequency of their current interactions.

To conclude; the frequency of meetings between the participants and their networks varied from daily to every two months in the beginning. Currently none of the participants mentioned a period longer than a week would pass without interacting with their networks.

**Table 5.6: Frequency of Meetings at Launch of the Venture and Current Meetings**

Participant	Launch Stage	Frequency of meetings (based on quotations)	Currently
A	... It is more than once a month, for the model agency we saw and we interacted...		[similar]
B	Once every two months.		It is more than in the beginning...the interaction has increased and obviously the network has gotten bigger now itself.
C	I didn't really interact with them – maybe once a month.		It is still once a month.
D	we interact with others on a weekly basis where we tend to		We meet weekly. It's a social meeting...
E	Most of the time it was not that often, they had their own busy schedules and stuff you know.		In a week it will be about four of them... Unless I wanted to speak to you about something and we then needed to confirm something, then it might be twice.
F	We would talk telephonically, still now – he is still my friend...About twice a day.		Right now each and every week...
G	Mostly the ones I interact with are on Face Book, I have managed to link all the other networks to pages and you update on one page and it basically does all the rest...		It's the same, I keep in contact with people, I make sure that things don't die.
H	... on the websites like Linked in and... personally it would be weekly...when [I] go meet the guys and discuss things...		[similar]
I	[did not have a network when the venture was launched]		Maybe once a week.
J			Maybe because I stay in Jo[hannes]burg or we don't interact on a regular basis...
K	... we are talking friends here...on a weekly basis you can say.		[similar]

### 5.4.3. Trustworthiness and reciprocity

When asked about trust within a network, participants had opposing views. Seven would only do business with people that they trusted, whilst others said that they would do business with anyone as long as it is above board and it was about money. Participant A was adamant that she was careful in choosing who to speak to particularly around the ideas that she might have. She said the following:

11. ...like I can't talk to you about my winning idea for taking over the world and then the next thing you are doing it. So I think it is very important to trust people and also just to trust people so that when they say things to you, you believe them and its going to be good for you (Participant A).

Participant C on the other hand said that for him it was important that there was trust in order to do business with that person. Participant G stated that trust was important for building relationships and supported this view (Excerpt 12).

12. Trust is very important, you want to build trust and have strong relations, people in the music industry do not build strong relations and there is such a lack of professionalism in general, people do not adhere to business principles (Participant G).

Participant K's comments were quite interesting on the subject of trust in networks. Having acquired the company that she currently owns, she struggled to establish relationships with the people in the business networks that she inherited. However, she found that people started becoming open and doing business with her once she retained the previous owner on a consultancy basis. Because of the language issue, the previous owner being Afrikaans, people in her new network preferred to interact with her. She said:

13. ...the guy we bought the business from is Afrikaans. I find a lot of customers, for example in the Northern Cape...we have a very loyal client and I think they have always bought from him because he was Afrikaans and will probably understand their social background and things like that...when I profile the people that order from us, it is Afrikaans people. So since we took over [the business] they have come out and said they will support us because our strategy then is to keep the guy as a consultant in our company, so after

realizing that there is that trust because of the Afrikaans [language] (Participant K).

On trust being reciprocal, Participant I said he believed the people in his network trusted him. He explained in the following way:

14. We trust each other because company [name withheld] used to give me R20 000 to ...buy [material] without even signing...contracts...they just gave me [the money]...and they would come...collect [the money later]... (Participant I).

Participant I further said that he reciprocated the trust shown in him by also trusting others and gave the following example

15. ....even if the guy is doing whatever...as long...as I know that on a certain date...[he will be able] to bring back [the] money...there are some...people who I have worked with who I don't know what's their reputation but...I managed to work with them and...had no problems (Participant I).

Other Participants, D and E, stated that they knew they were trustworthy when other people trusted them with their business ideas. Participant D stated that these people shared their ideas with him even though he could potentially be their competitor. Participant E, on the other hand, stated that they trusted him because some of them had invested in his business based on knowing him and not necessarily having looked at the business plan to see the economic merits of the business. In addition, his comments linked to the next theme, which is on what the entrepreneurs gained from their networks.

16. I have an investor...I presented the [business] idea to her, it was good but I was short of capital... she did not know what was going on but she trusted me with big money to put in, since she wanted to put it in and I was able to put the trust back (Participant E).

Participant J believes that trust is not a given and that it should be built and that people should prove themselves. He said:

17. It has to be built, I haven't done it before but if I do then I think it has to be built before, you have to prove to me. It is quiet tricky, I don't know if they trust me or not but I don't think they do actually? (Participant J).

Participant J also believed that distance or lack of interaction with people in the network on a regular basis could lead to people trusting you less. He had the following to say:

18. ...I was in Bloem[fontein], 2 or 3 months back and a friend of mine has got his own business, so we were bouncing ideas and then you could see that he wanted to tell me something but he was reluctant, so I wouldn't say that, I would say that he doesn't trust me that far, if that answers your question, maybe because I stay in Jo[hannes]burg or we don't interact on a regular basis, I don't know what but before we used to *gooi* [share] ideas to each other (Participant J).

Participant L believed that one had to trust the people in the network for the following reason:

19. You have to, you have to trust them. They have to be ambassadors of the business (Participant L).

Participant B said that he would do business with people that he did not trust (Excerpt 20).

20. ...some characters would say one thing and do another thing. You get people like that. So I trust some of them, some I don't trust... Those that I trust I trust completely, those that I don't I just maybe can replace them (Participant B).

Participant F on the other hand had learned not take people at face value from a past experience that nearly got him arrested. He described this experience as follows:

21. One day there was a guy who was selling a play station [a gaming console]...we thought lets buy it so we bought it, a year later the police came in to say – guys you bought a stolen play station so I have to arrest you...since then I learnt that you don't have to trust anyone (Participant F).

Participant H said it was difficult to identify who was trustworthy or not. He had the following to say:

22. ...when it comes to business, it's not easy to identify who your enemy is, but if you know who he is one way is to try and have rules or controls to make sure that person does not penetrate your territory...Yes we also understand that people don't do thing[s] according to the book either (Participant H).

To summarise, trust is not guaranteed in networking, one has to work on relations and build trust, whilst others would do business with people they did not trust. The interesting issue mentioned was the need to have a homophilous network, so that the actors could see similarities between them and people in their networks. On trust being reciprocal, there was agreement that when people trust you they share sensitive information and at times invest in your business. Where there was trust with customers or suppliers, there would be upfront payments and dealings based on verbal understanding or a handshake.

#### **5.4.4. Gains from social capital**

This section details the gains that the entrepreneurs received from their social capital. Following from Chapter 2, one of social capital's characteristics is the ability of the entrepreneur to attain resources, influence and sponsorship. Furthermore, the gains that can be made from social capital are either tangible or intangible. The results on the gains made by the participants from their social capital are presented below.

##### **5.4.4.1. Tangible resources**

Some of the gains from the entrepreneurs' social capital included start-up equipment such as laptops, whilst others received funding. Those that received funding included Participant E (Excerpt 16), Participant J (Excerpt 23) and Participant K who said she received money from her husband to acquire her current business.

23. ...my family invested in me, they gave me money to buy laptops and all the equipments that I needed (Participant J).

Participant A, who acts as an agent for budding models, said that she received sponsorships from clients when she was hosting events in exchange for exposure at the event. She had the following to say:

24. One of our sponsors is [name withheld] and we...ask them for gifts... we got all these amazing gifts and we would go to agents and be like hi, this is who we are and every time we leave them we are now on their books... you can see we are making an effort, we are not giving you money, whatever...So that definitely helped and that was because of people that we knew and the relationship[s] that we had built with the woman at [that company] otherwise we would have literally had to have gone out and bought, 30 sets of gifts and that is how we have cut costs (Participant A).

Participant B said that he received money for petrol and for cell phone costs. Participant G on the other had gained access to music recording equipment. He said:

25. There is a company called [name withheld] that...runs most of the facilities at the [name withheld] studios. The deal there is that you walk in and you tell whoever is there... [that] I would like to...use the facilities and... Speak to one of the students, for them it is practical experience and you negotiate with them how much you want to pay... to do a live recording...The other option is to hire...the equipment... [at own cost] (Participant G).

Those that did not gain tangible resources had several reasons for what they said. Participant F chose not to seek funding from his network because he believed that the investors could recall their loans at any moment and the business could find itself in a financially difficult position. He had the following to say:

26. I think I had that perception that if you borrow money from other people when it comes to, say they need that money you will be in trouble, so I had to decide to do it on my own (Participant F).

Participant H said he did not gain any tangible resources from his network for the following reason:

27. No, this business does not need much capital, as long as we have the computer and the skills; those are the main things (Participant H).

To summarise, the tangible resources that were gained were in the form of capital investment into the business, access to equipment that the company did not have and sponsorships. Those that said they did not gain any tangible resources said that this was because they chose not to seek investment in the business and that the nature of their business did not require any tangible resources.

#### **5.4.4.2. Intangible resources**

The first intangible resource that the entrepreneurs mentioned was encouragement, advice and validation; secondly, there were referrals, thirdly they gained knowledge, and fourthly access to human resource skills that they had not previously possessed.

Concerning encouragement, advice and validation, Participant C shed some light on the role that family plays in encouraging entrepreneurs to launch their own businesses. He was encouraged by his mother, who was also an entrepreneur. In addition to family, Participant J for instance, was encouraged by his former colleagues, friends and parent who offered their skills when the business required them. Further, his mother played an essential role in encouraging him when he lacked motivation and was facing an uphill battle as is evidenced by the following quote:

28. ...this whole idea of starting my own business it emerged while I was working at [company name withheld]...and then some of my friends encouraged me...my family encouraged me, then some of my friends are graphic designers...my mother sometimes she...encourages me, sometimes I feel like giving up and then she is there for me...she is my support system so to speak they are the ones who encouraged me... (Participant J).

Participant A shares the sentiments detailed in Excerpt 28, saying that she also got encouragement from her friend. Her friend convinced them to start their own agency and she said:

29. ...a friend of ours kind of convinced us that we should have an agency, so he is kind of the reason that it is around, because we were going to have a smaller scale... business and he [asked] her “*why [are] you... limiting yourselves?*” (Participant A).

Participant H also got advice from a business man that he says he admires, who said to him:

30. ...your business must be a need [for] other people, it must be something that people has a need for, for instance...everyone has to do tax [returns], whether you like it or not...small businesses [and] most people do not...know how to get to the bottom of it (Participant H).

In addition to encouragement, Participant B mentioned that he gained validation from his network. Some of the people in the network were entrepreneurs and by observing them, he could gain the following:

31. What I gained from those people was...validation that I should go for it, so the drive and of wanting to do it...I could see them doing it so it made it easier for me to believe that I could also do it (Participant B).

The second intangible resource was referrals. Participants H and L said that they gained referrals from their networks that resulted in business for them. In the case of Participant L, she mentioned that people from her former employers referred potential customers to her:

32. ...most people phone the language school [previous employer] for...courses, but it doesn't offer courses for kids, it is only for adults. So they refer them to me (Participant L).

In addition to the above, having friends in the same industry has its own benefits. Participant A's friends got the word out about her business, which she said was much better than cold calling or sending strangers' emails. She said the following on her friends getting the word out:

33. ...I would speak to my friends in the industry...I would then ask them if we could follow them around or do an interview, so using the network of people... [I managed to get] my content...out (Participant A).

The third intangible resource was knowledge. Participants G and D mentioned that they gained knowledge from their networks. Participant G stated that through sharing of information he could grow as a person and that they actually grew together. Whilst

Participant D, said that he not only gained encouragement but gained experience as well through the people he knew, which showed him how to do things:

34. I gained experience...I started out without knowing most of these things. And people [would] say to him *“You have potential come and see how I do this”*, and that’s how I could learn... (Participant D).

Furthermore Participant D used his social network to test his creativity when he bounced his ideas off his network. He also viewed them as allies, mentors and people that he could look up to as the passage below shows:

35. ...that’s when I normally find out that actually to [be] more creative I need to get their opinions... [on] how to make it better, how good it is and I found that the impact always comes from other people because their ideas will be [in the form of comments such as] *“This colour is not good, you can do better with this colour or you can remove that shape and you can do it this way.”*...I consult my social network... [They are] people who are close allies [in] my business, who understand my business, [they are] my mentors, people who I look up to (Participant D).

The fourth intangible resource was access to skills that the participants did not possess. Participant L not only gained in terms of critical skills for the business, but they came at no charge and she was very appreciative of that. She said that her sister did the bookkeeping for her:

36. She does my books. Actually she volunteers to do my books; I don’t pay her because I don’t have money to pay her. Actually...the finance part she has been 100% helpful (Participant L).

Participant I who had a previous venture, which was successful but later failed in Kwa-Zulu Natal, had a contrasting view. He said that when he relocated to Johannesburg it was about starting all over again in a different city, let alone a different province:

37. ...when I arrived here [Johannesburg], I had no accommodation, what happened is I had to go and stay somewhere, in the police stations, and I had to think of how I was going to make money, how I could survive here. So then I

had to go and stay in a flat just for a few weeks and that is where I realised I had to start the business, I had to start collecting plastic for myself...I educated myself by knowing that this is the kind of plastic that they require by moving around...and checking those people who are buying plastics and what kind of plastics they require (Participant I).

This finding is supported by Participant F's assertions that he did not gain anything from his network during the early days of the business:

38. ...I don't think I got that much support from people when I started, I had knowledge from my previous company which is (name of company removed)...I saw the need to bring it to the location [township] because I had seen that we did not have technology access (Participant F).

In addition to Excerpt 28, Participant J said that he gained a lot from his mother but chose not to use her for other things. This was to prove to himself and others that he could do it on his own, as Excerpt 39 below shows:

39. ...it's like something [a goal] that I set for myself, I don't want the help in that way...I don't want to use their money in that way, I want to do this by myself...this is something like a milestone for me so to speak, I am just proving to myself that I can do it (Participant J).

The view of proving yourself is supported by Participant I whose family believes people should build their own networks. This also sheds light on how he could get up after a failed venture to build another one (Excerpt 34). He said:

40. My parents are very good [in] business, they...own...a farm, but we believe each and every individual in the family should stand on his own, and no one should rely on somebody else...that is our belief at home (Participant I).

To summarise; resources that entrepreneurs gained from their networks were largely intangible, such as advice, encouragement, validation and knowledge. The tangible assets were financial resources, human resources and the necessary equipment to deliver their product or service. However, there were those who did not derive any benefits from the networks, be it by choice or family values that had been instilled in them.

## **5.5. Theme 2: Utilising Social Networks**

### ***Research Question 2: How do entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?***

This research question investigated how the entrepreneurs used their social networks during the entrepreneurial process. A social network was defined as a flexible system that allowed actors in a network to interact with each other and further, the focus was on the nature of the relationships that existed between individuals and organisations. It was on this premise that the results presented were based on questions relating to the nature of the relationships that existed and how they had helped the participants to grow and sustain their ventures.

#### **5.5.1. The nature of the relationships in the network**

This section presents the results for the type of relationships that exists in the networks. From Chapter 2 networks could be homophilic or heterogeneous, network-range or closure.

##### ***5.5.1.1. Heterogeneity and homogeneity***

On the type of networks that existed, Participants A, B, G and L had homophilic networks made up of people who worked in the same industries, studied at the same educational institutions and worked in the same organisations (Excerpts 2, 3, 8 and 28). Participant E stated that he networked with people from various religions, non-religious people and politicians. However Participant E did not mention if the characteristics of the politicians were similar to his or not. He had this to say about why he networked with politicians:

41. You must understand in business there is always politics...They are very...decent people, they go out...don't sit back and expect things to come to them, they stand up for what they want. They are always willing to push an extra mile (Participant E).

Participant D's network had characteristics similar to those mentioned above, in that the members of his networks were self-driven with a lot of enthusiasm.

### **5.5.1.2. Close relationships**

Participant J said it was mostly his friends that he would use as a sounding board to test his ideas. He added that some of them actually competed against him. He said:

42. ... [It is] like a competition kind of thing...Well like he is doing his own stuff, I am doing my own stuff, [to see] who is going to get to the top (Participant J).

Participant B said that he interacted with other entrepreneurs who were also his competitors; this would happen once in two months or so. Further, those people that formed part of his informal network were from his university days.

43. I interact with other entrepreneurs only when I go to Pretoria to register companies... that is when I would meet other people who provide a similar product, so that would then be maybe once in sixty days...And then I guess my varsity peers also, for bouncing [off] ideas...So I guess there was a bit of...an informal network (Participant B).

However, his comments were not corroborated by the other two participants who had gone to institutions of higher education, Participants G and L, who said nothing about networking with people they had met at university.

### **5.5.1.3. The role of behaviours**

Concerning the behaviour of the people in a network, Participant C was introduced to a new network. His business partner introduced him to his father's network. However, Participant C was reluctant to tell his partner to change his behaviour that he felt was inappropriate towards the network that has been brokered. He said:

44. ...my business partner is quite informal...it is always casual with him... Even the client we have now, it is his father's friend... (Participant C).

When probed further it became clear that he relied a lot on his business partner, who mostly brought in the clients. He went on to mention the reason why he had not grown his personal network and giving some insight into the personality of the networking individual, he said:

45. It is still small, still around five or ten [people in the network]. The reason why the network hasn't grown...I am not a people person... (Participant C).

In comparison with the type of behaviour shown in networking by Participant C, another entrepreneur, Participant H, focused on having respect for the people in the network and this manifested itself in respecting each other's time; for instance:

46. ...they [his contacts] are very busy people... [If] we [set] an appointment [and] they will not be able to make the time...they will call you in time and say that they don't think they will make it. That is what I...like...we respect each other's time (Participant H).

To summarise; the nature of the relationships in the networks differed from participant to participant. Firstly, four participants mentioned that they had homophilous networks, the other eight had heterogeneous networks; secondly, the relationship could be either close or casual as shown by the types of behaviour that were described. In the case of homophilic networks, the people in the network had a shared history of interaction at a point in time, whilst those with heterogeneous networks realised that their success relied on networking with different types of people. Lastly, there were those who required that there should be respect for the individuals in the network.

### **5.5.2. Networks help businesses grow**

This section details how networks can help to grow a business. This was derived from analysing how the entrepreneurs exploited their networks in order to grow their business and how they used them to reduce the running costs of their businesses.

#### **5.5.2.1. Growing the business**

Participant E said that he gained from the people he sold to, who would spread the word about his business. Participant D, who said that he had joined a certain network that sold on other members' behalf, supported this view.

47. I joined a group called... [Name withheld]...In this group...of entrepreneurs...we become sales persons for each other...I sell your business and you sell my business...we tend to source [business for the] services [that] you offer [and]

what products do you have and we take them out. [When] I see a need for that product then I...go and market it... (Participant D).

Participant G said that his networks would often volunteer to assist him whenever he hosted music events. Furthermore, through his network he managed to access music recording studios at a Music College, at a lower rate than he would have if he had to hire the studio. The only cost that he had was to pay the students at that college in exchange for practical experience (Excerpt 25).

Participant A had a friend who bought into the company and became a business partner. Further, she used her friend's brand and reputation to get her business going as is evidenced by the comment below:

48. Well with the production company and with the media company a really good friend of mine took the company from when I was running it, it was formal... bought into the company, spent money [on] making sure we could make content...and [with] him being... established... brand also helps grow it [the business] because I don't know as many people as he does and he can ... put us in touch with people (Participant A).

Participants E and F stated that the people in their networks would do marketing for them. The most commonly used method of marketing was by word of mouth, but some went to the extent of distributing flyers on their behalf. Participant F also stated that one of his contacts got him a free advertising slot on two radio stations. He said:

49. ...one day I had to go to [radio station name withheld] FM and [name withheld] FM to spread the news that I had opened an internet café...I had a friend there...I asked about the information on how do you advertise for a business...I did not pay for advertising (Participant F).

Participant K said that her network played a role in the initial sales that she made in her previous interior decorating business (Excerpt 50). In the current business her ex-employers (Excerpt 51) became part of her network by coincidence and now source their supplies from her. With regard to the two benefits she said:

50. ...friendship[s] definitely played a role because our very first few transactions were really about friends who heard from friends that we had that product (Participant K).

51. My ex-employer actually is one of my clients, by coincidence actually; it is not someone I persuaded, they have been trading with this company for a while so I met with the lady... she was obviously shocked that I have now become a part of [the] company that supplies them! (Participant K).

In contrast, Participant L cautioned against using networks to source business. In her case, an agent in her network would source business on her behalf but charge a much higher rate than she would. She said that this had a reputational risk for her, because she was seen as expensive when she is not, and she had insisted on knowing how much they were keeping for themselves. She details it in the quote below:

52. ...we had [an] agent saying they will bring 100 students from China to come and learn English in SA [South Africa], and they charge them triple what we charge... in the beginning you will think it is just business but it could actually cost your business...end, because of the shady side of things. If I were to partner with people, I need an honest partnership. If you are charging people, doing a 40% mark up, tell me (Participant L).

To summarise the findings; one participant was assisted by a friend who drove the business in its early days, secondly networks provided access to marketing channels and were themselves marketing channels and lastly the first few sales can be made to the individuals in the network. However one participant cautioned that when one did not have control over what the network did it could ruin one's reputation if they linked one's venture to their shady dealings.

#### **5.5.2.2. Reducing Costs**

On how networks can reduce the costs of doing business, Participant A said that her business received sponsorships and free marketing from time to time (Excerpt 24). Participant E, who had run a venture retailing clothes prior to venturing into software programming, said that word of mouth reduced the cost of doing business because of the following:

53. All of a sudden...people who wanted clothes started phoning...me rather than me phoning them. The more people I had the [lower] costs [became] (Participant E).

Participant J said his major costs were sourcing supplies of the components that make up a computer. He said that his contact would often recommend which supplier he should use, based on pricing.

Participant L said that her network helped reduce the cost of doing business because she actually gained business through referrals from her ex-employers (Excerpt 32) and her sister did her bookkeeping for her (Excerpt 36). Further, her sister suggested the following to her in order to reduce the costs:

54. My sister is one of the people who gave me an idea *“Why don’t you teach one of the English courses to bring down your costs?”* (Participant K).

In addition, Participant L said that the people in her network had become her employees, to whom she paid a lower rate compared to what they would be paid at other companies. She said to this effect that:

55. Well my proposal was that they would be paid, I can’t pay them what the University pays them...I just think it is not as time consuming to teach kids although some people would disagree; they don’t require much preparation for [the kids]... actually I do pay them less...I pay them much less and I have actually spoken to them, I cannot afford to pay them more (Participant L).

In explaining further why the people in her network would work with her even when they were getting paid much less, Participant L said it was because of having known them for a long time and sharing the same passion for teaching:

56. ...I have a very committed, reliable team, who understand. Actually I have realized that most of the people I work with, we don’t do this for money, because we actually don’t get paid much, we believe in what we do, we believe we can actually drive social change through language teaching. So I think they are more like me, I mean I have worked with these people for eight years at [name withheld]. Most are committed to good education, quality education for all (Participant L).

Although Participant L's network helped her to reduce her costs, some of the people did not reduce costs of doing business. She cited people in the network that became her customers and knowing their underprivileged background, she offered courses at a discounted rate than she would charge other children from more privileged backgrounds. She said:

57. ...I accept a lot of kids who don't pay, especially for the English courses. If their parents come to me and say "*I can only pay R200 instead of R800*" I understand. I grew up there, I know the situation, I know how my parents struggled to take me to these kind of things, let's say 'enrichment courses for English'. So for English I do, most of it is just volunteering (Participant L).

Another participant said that their network had helped in providing working capital. This reduced costs as he did not have to raise the necessary funds from the bank where they would have charged him interest. In Excerpt 14, Participant I explained how people in one's network could give your business credit in order to bridge the venture's working capital needs.

A surprising finding on the questions asked around networks assisting to grow businesses and reduce costs, was that networks could also assist in non-business-related activities. Participant L said that her network assisted her in uplifting the community where she came from. She said:

58. ...the library is in Polokwane, it is in Limpopo [Province]. I am originally from there, and one of the first schools I attended still didn't have a library 19 years after democracy! So I organized like a book project and parents at this school and my close community, donated books. People at [former employer], I even launched the idea at [that company], my [ex] colleagues, people I knew, FB [Face Book] friends, helped me collect books and launch this library (Participant L).

To summarise the results on how networks helped the participants to reduce their business costs are as follows:

- Spreading the word.

- Access to free advertising and can actually market your products for free;
- Recommendation on which suppliers to use;
- Offering their skills at a lower rate compared to what they charge in the open market;
- Networks can reduce costs related to sourcing new business, your clients come to you instead of you going to them; and
- They can also assist in other non-profit generating initiatives that a venture is involved in.

### **5.5.3. Not having access to networks as a barrier to market entry**

This section details the results on how networks can become a barrier to market entry for many an entrepreneur. From Chapter 2 lacking access to strong networks could constrain an entrepreneur's success and homogenous networks, such as those based on race, could also exclude entrepreneurs from gaining access to that network. The results are presented below and, some offer insights into how the entrepreneurs overcame the challenge; that is if they actually did overcome the challenge.

Participant B did say that there were certain networks that he could not access, and mentioned what it was that he lost out on by not being part of a particular network (Excerpt 59). He went further and suggested that it could be because of being infamous for lacking commitment that might be the reason he does not have access to those networks (Excerpt 60).

59. In terms of revenue, in terms of growing...it[not having access to a network] has limited me as an individual, as an entrepreneur, [mostly] for revenue [growth] (Participant B).

60. ... [Because of] the reputation...I could [not] access the network because for me the biggest challenge as an entrepreneur is commitment really. I understand the resource and every other thing but commitment was really tough for me, but maybe because I am this type of person... [Who lacks commitment] (Participant B).

Participant D on the other hand did not view not having access to a certain network or an individual as a barrier to his success. He chose a positive point of view and said that it was rather a learning curve by saying:

61. I'd say I lost out on a lot of ground basically in terms of the introduction of new networks...I was reluctant in joining the network...because I figured out that people were already established in those networks...it made me realise and also put in place the ways to go [about] network[ing] without failing and I set parameters in terms of understanding what other people have gone through and not to fall into the same place [trap] that they fell in...I wouldn't say I lost, it was a barrier, it was a learning curve (Participant D).

Participant E on the other hand said that not having access to an industry specific network, he had missed out on gaining new information, the opportunity to learn how to do things in the IT industry and make more money. However, he did say that what he had realised was that these barriers could be overcome once one had a client base, by saying:

62. I lost out on a lot on the technical side of it and having a full understanding on how these things work, the knowledge behind it and the knowhow. And how the industry operates... I lost opportunity to earn money and to network. If you have clients base it easy for you to start things and start moving (Participant E).

Participant F's experience is slightly different to those mentioned above. He lost out on what he considered a good deal to buy new computers to replace the old ones in his internet cafe, because he neither had the required funds nor knew of a person who would have been willing to lend him the funds (Excerpt 63). Further, that meant that he had to make do with the old computers whilst people waited in long lines for their turn to use the computers and this did affect the amount of revenue that he could make (Excerpt 64).

63. ...there was this one guy [who]... told me that he can give me 5 printers, 7 pc's [personal computers] and 7 laptops... we would...negotiate when it comes to money [the price]...but the problem was that I did not have money, I lost that deal (Participant F).

64. ...if you look at my business right now you will see that I have got a few computers and a few laptops and sometimes we have a lot of customers who want to access the internet and they end up sitting there waiting for someone to

finish. If I had bought those pc and laptops everyone could be accommodated (Participant F).

Participant G agreed with Participant E and F to a certain extent. Once one had built relationships it was easier to gain access to other networks. He realised this after missing out on music deals because his company was not sizeable enough to be noticed by the larger music groups. He said:

65. I could not get access to [music company], I have a contact at [company name withheld], a guy who is in the artist and repertoire department...I gave him my product...to pitch...to [the music company]... it's been more than a year and I am still waiting [for a response], you don't want to call them too much because they end up avoiding you (Participant G).

Participant G further explained that by not accessing that company he was forced to go back to full-time employment (Excerpt 66).

66. ...so if I had access to the channels for distribution it would have made things easier for me, I would have had access to the people... [to] get...the product out there, it would have made a huge difference; I had to go back to full time employment because there was not enough money in the business (Participant G).

Participant G further shared some of his understanding about how a person's social standing played a role in whether you are included or excluded from a network. He added that exuding success and the type of vehicle one drives could open doors. He said:

67. I think your social standing has a lot to do with – the more influential or successful you are businesswise [or] people think you are, like you drive a Range Rover, they can... open doors for you and you can have access to people which not everyone has access to...I have a friend who has contacts with big government people and because of that she can talk to the premier and the premier calls her back. So if she wants to do a show on [name withheld] he will phone the [relevant] minister and arrange and he has to charge a lesser price because it comes from the minister. Once you have built relationships with

influential people it makes it easier to get access to different clients and different markets (Participant G).

Participant H said that he was excluded from a professional association for accountants because he did not possess the right qualifications. In his opinion, industry association offer opportunities to network with fellow professionals. He took it in his stride to endeavour to get the qualification that would open opportunities for him. He said:

68. I am still working on that [qualification], I have two options, in order to be an accountant you must be able to be registered [or get] someone... who has a BCom in Accounting... the second one [option] is that I am studying towards a technical accounting diploma, then I know I will be registered with [the association] and other accounting institutions... I am unable to do some of the things [referring to bookkeeping] (Participant H).

Participant I said he felt that he was losing out on charging higher margins because he ranked lower in the network. He went to the extent of saying that he was not allowed to interact with the end users of the material that he recycled. He had this to say about becoming a sizeable venture:

69. [It] will require a huge [amount] of tons of product which I couldn't afford to make... so can't sell to them unless you've got certain tons that they require. And one of the things with regard to [name withheld] who is selling plastics overseas, you honestly don't have access to him. There is only one guy who delivers to him and he is controlling the entire Gauteng... you must sell to this guy before then he will sell to [the other] guy, who I don't even know, who I haven't...met but I know that he is a [race withheld] man; he is the one who has got access to a market overseas... (Participant I).

Participant C blamed his lack of accessing a network on what he considers corruption in the industry in which he was involved:

70. ...there was this company that had connections, and how we got into that was through [my] former employer...he knew the people that were up [upper echelons]. And so we went together and we presented, all of us as a consortium, and then it was going to be divided up, our company was going to

get I think R2 million a month and that was the smaller portion, I think it was like 2%, or 20% of the whole amount, and then the rest would go to...and the other guys...We did, but that is only because of the...contract... that only allows [company name withheld] to develop for government. There is a contract that they have, that no-one else can develop for government... (Participant C).

Participant L said that she had found a way around gaining access to new networks. She said; firstly identify the various actors within the network and the role that they played in the process of getting access to the schools to teach extra language classes (Excerpt 71).

71. You go to the school first...you make an appointment with the principal and the principal would say okay, I don't make decisions on this and I need to get the HOD [Head of Department]... for...languages [then] you will speak to the HOD and there are teachers who are part of the SGB [School Governing Body], and those teachers will call the SGB [on your behalf for a] meeting [with] you...then you write letters...There are three meetings before you get "yes, *we may consider*" [your language service] (Participant L).

She further added that what would convince the people who ran the school would be her reputation. Unlike Participant B who lacked commitment (Excerpt 60), Participant L had built a reputation for persevering all the time:

72. I think with the teachers, having worked with them, the person I am, I think convinced them that '*she can make it happen*' and we can trust her. And she is reliable, she is committed to this. And then to the principals, and the parents, I don't know, I think they had to believe what I say (Participant L).

Participant L also advised against the use of cold calling when networking because people are likely to open up to someone if they see their face (Excerpt 73) on how to overcome the networking barrier:

73. ... I have had people [principals] say "*no, I am not interested, I don't think it will work for the school*"... I have realized, make appointments in person, don't phone and say '*I want to make an appointment*': Go in person, let them see who you are. Sometimes you know people buy your face! (Participant L).

To summarise; networks might become barriers to entry by not giving you access to key individuals in the network, or access to new networks and information. Further your revenue could be limited, profitability reduced and opportunities to reduce capital costs and access to distribution channels for products, could be inaccessible. One of the participants said that he was forced to seek alternative employment; those that persevered said that through creating a good reputation for their ventures, elevating their social standing and showing commitment to networking were key ingredients for overcoming this barrier. Lastly, networking was a process that should be planned properly and showing up in person could open the door to a network that had been inaccessible access before.

## **5.6. Theme 3: Utilising the Incubator**

***Research Question 3: To what extent did business incubation contribute meaningfully to the entrepreneurial process?***

In Chapter 2, incubation was defined as those organisations that provide access to resources, services and networks to entrepreneurial ventures during the early stages of the entrepreneurial process. They provide nurturing to start-up and nascent entrepreneurs alike, by creating environments where the exploitation of synergies amongst incubatees is possible. The emerging themes from Research Question 3 are how those entrepreneurs gained from incubation through collaboration, managing their businesses better, mentorship and encouragement, advice and validation.

### **5.6.1. Entrepreneurs gain from incubation**

Having discussed earlier the gains that entrepreneurs made from their social capital, this section presents the gains that entrepreneurs made from being part of the Juventud Incubation Programme. The findings pertaining to resources are similar for both incubation and social capital.

#### **5.6.1.1. Collaboration**

On collaborating with fellow incubatees Participants A and B said that they were collaborating. Participant A said that she used a fellow incubatee to do her printing (Excerpt 74) and Participant B used them for marketing purposes (Excerpt 75).

Participant E on the other hand said that he was in contact with two incubatees who had given him links to other people that he collaborated with.

74. ... [It] was someone [fellow incubatee] who was in printing and we were trying to go into printing and we need a lot of printing done... (Participant A).

75. ...the other incubatees have assisted me in terms of... advertising or marketing myself... [By] getting the word out there; you know before [joining] Juventud those people [new customers] had no idea that I existed (Participant B).

Participants G and K said that they had met other incubatees who were in the same lines of business and had the potential to become either their suppliers (Excerpt 76) or go into partnerships when there was work overflow (Excerpt 77).

76. [I met] some people are interested in going into [music] artist management and supplying sound equipment... we [also]... share knowledge (Participant G).

77. ... I have networked with three people, two of them do the same thing as I do, so I promised that if I ever had... overflow of work I would give it to them... (Participant K).

Participant H added to Participant G and K's assertions on collaboration by saying:

78. ...I [also gained]... in terms of... different ways of interacting with people... Instead of working on my own, rather work with other people who are doing... the same as I am doing... (Participant H).

Lastly Participant K said that she had already started selling some of her products to other incubatees. Furthermore, just like Participant A, she had used the printing services of an incubatee (Excerpt 79).

79. ... I do sell educational toys... and some of them there just happened to have kids...they bought them... And I also did some printing with another guy [incubatee]... for aprons... [For] when you... distribute flyers... (Participant L).

### **5.6.1.2. Exploring new opportunities**

Participant C said that being part of the incubation programme helped him to realise other opportunities. Participant D on the other hand said that he had learned a lot from other entrepreneurs through their interaction. He said:

80. ... I have always wanted to do business with the big companies I always wanted to approach them, I didn't know about the... community initiative by the big companies to help the upcoming entrepreneurs, where you can apply for that... (Participant D).

Participant J mentioned there were several opportunities that he could exploit with other incubatees:

81. I have spoken to one guy who had an idea about selling something via mobile phones... we haven't spoken [since then]... [It] was just an idea he had, he said he will get back to me (Participant J).

### **5.6.1.3. How to manage the business better**

Participant C said what he had gained from the incubation was that the business was dead in its current form (Excerpt 82). Participant D on the other hand, said that the programme gave him tools to market his business better (Excerpt 83), and for seeking potential investors (Excerpt 84). Participant E said he had received advice on how to manage the business better even if at times that advice was not relevant (Excerpt 85).

82. ... [It] has helped me realize that our current business [model]..... it is a dead business... (Participant C).

83. Actually the person who advised me... not to [use] the old system of marketing [is]... from Juventud, he gave me that opportunity... to realise that there is a power in networking rather than... pushing the customer to buy... (Participant D).

84. ... One of the consultants [incubation manager] gave me advice on what I should do, what should I take out, how I could make my business plan better [in order] to impress an investor (Participant D).

85. ... They gave me ideas of [insights into] how business is sometimes, even though it is not always relevant... (Participant E).

Participant F said that since being on the programme what he had gained was that people should not be greedy, but should rather be willing to share, be it as simple as information with their team (Excerpt 86). In addition, he had received training that he believed would assist him (Excerpt 87).

86. ... I have learnt that if you [are] manag[ing] a business you don't have to be greedy, the people you are working with you will need to give them information and be a team [player] with those people... (Participant F).

87. You get a lot of information and you get to know where you need to improve. When it comes to Juventud [the programme]... [they] are trying to train us and they have a lot of information... they know what they are talking about; [I think] they can assist us (Participant F).

Participant H said that the programme and the other incubatees made him realise the type of skills that he needed in his business (Excerpt 88). Further, the programme gave him the tools to design his own website, (Excerpt 89), and taught him how to price his services and how to compile a proper business plan.

88. It makes you realise what skills you need in your business while you discuss with other entrepreneurs... the issues [that] you are having as entrepreneurs... (Participant H).

89. ... I ended up having my own website, I designed my website... no one helped me with it, but I got the information from Juventud (Participant H).

On writing business plans, Participant K said that they had individual sessions with the consultants at the incubator to determine her needs. However, in her case she had not followed up because of other commitments and felt she would not gain anything from the feedback (Excerpt 90).

90. They had a one on one [session] with us... to explain what you were about... I know there was a follow up [on]... how to draw a business plan... and I didn't

attend that [workshop] because of other commitments... we were also emailed about an exhibition and I didn't feel my company would benefit anything from [it] (Participant K).

Participant I said the major lesson he got from the incubator was that an entrepreneur needed to have separate bank accounts for his personal needs and business dealings. Furthermore, he had gained knowledge on interacting with people and go-to market strategy (Excerpt 91). Participant J added to the lessons learned by Participant I to comment on learning about better management of the finances of the business (Excerpt 92).

91. ...One has gained a lot... in terms of how [to] manage your business ... try...to separate myself from the business [in terms of different bank account],... I gained a lot of information [on] how to establish [a] market, how to interact... (Participant I).

92. I found out a couple of things [when] we were broken into groups [to] discuss... our challenges... like your petty cash, I didn't think it was that important until now and [also] managing finances (Participant J).

Participant H said that the programme also taught him how to manage his finances and changed his perception on getting external funding for his business. He said:

93. The programme is an eye... opener... it motivates you, one problem with us [entrepreneurs] is that we tend to look for money [and when] we get money to open a business... we misuse the cash because we did not work... hard for it...They [Juventud] don't give you money, you have to build up... your company and state your vision, no one [will do] that for you, you [have to do] that on your own and after you have done that, [it is only] when they will assist you... at the end of the day is that you are the one running the business, they help you to be strong, they help you look at all angles in terms of running and operating your business (Participant H).

He further added that:

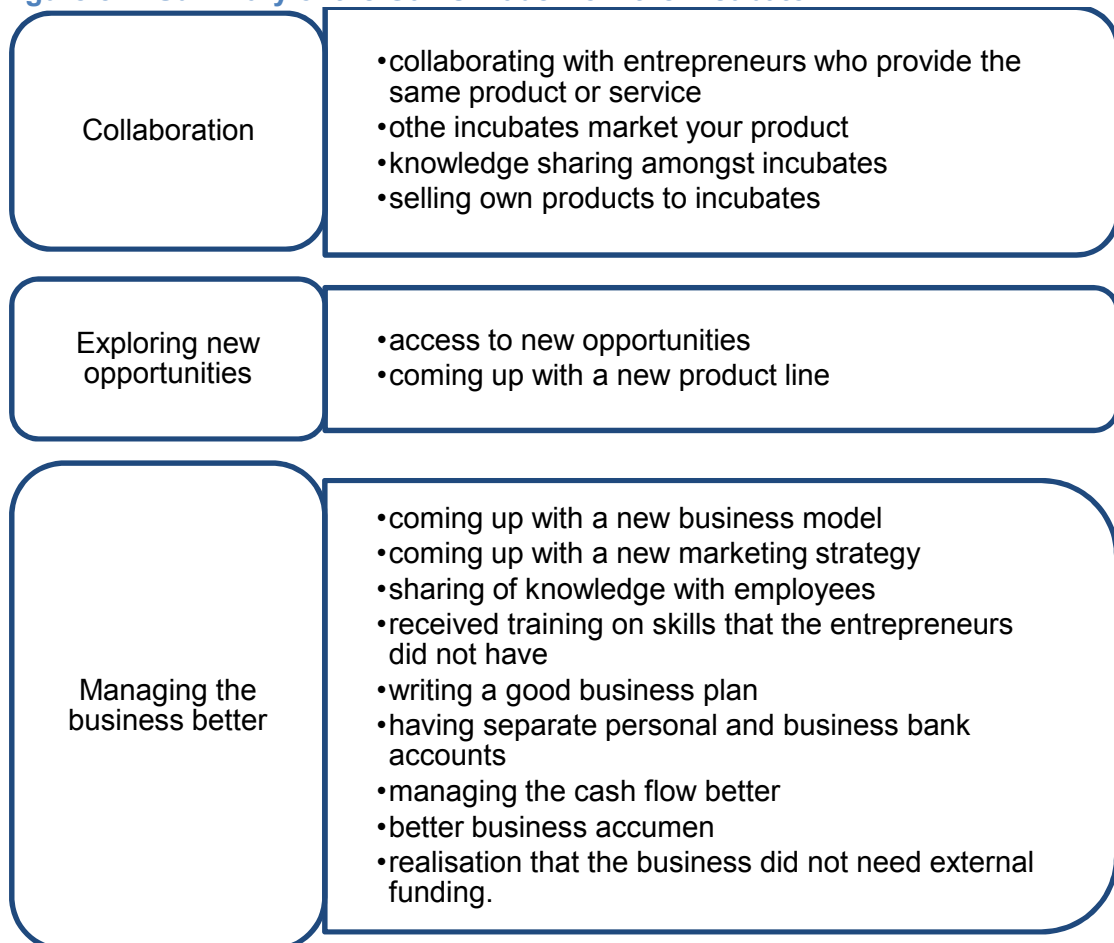
94. They make you realise that your business does not necessarily need [external] funding as much as it needs skills... and the love [passion] of what you are doing (Participant H).

Lastly, Participant L said that she had gained business acumen and accounting skills, which were not her strong point, from the programme. She said:

95. I think [I gained] business acumen... I am just a language person... I did manage a unit at [name withheld], I can do a budget and expenditure... but accounting is not my *pap en vleis* [forte]... you have the language of business and the business of business... (Participant L).

The results on the gains made by the participants since they enrolled for the Juventud Incubation Programme are summarised in Figure 5.2 below.

**Figure 5.2: Summary of the Gains made from the Incubator**



## 5.6.2. Intangible gains from incubation

In Section 5.4.4, the Participants spoke about how they had benefited from the encouragement, advice and validation from the individuals in their social capital. The same sub-themes of encouragement, advice and validation were apparent, with the addition of mentorship, were what they had gained from incubation.

### 5.6.2.1. *Encouragement*

Concerning encouragement, Participant E said that they had given him hope (Excerpt 96) and Participant L said having hope was a necessity as entrepreneurship could be a lonely journey (Excerpt 97). Lastly, Participant I said he had learned how to persevere in business (Excerpt 98).

96. ... is that you do have hope when it comes to your business success, you... have hope that soon things will go right, because you have people who you can consult... (Participant E).

97. The other entrepreneurs we met through Juventud have been [helpful]... you know... being an entrepreneur is... a lonely thing. I no longer have the cushy office at [my previous company]; you are on your own... Having people who are walking the same road as you...for emotional support is very important (Participant L).

98. [In business] you need to commit, it's a... long term commitment. It's not like a short term... get rich quick scheme, you need to be consistent. I learnt all that from Juventud (Participant I).

However, Participant I went on to contradict his earlier statement by saying he was undecided if would continue being part of the programme. He offered the following explanation as to why he did not think he would stay long in the programme:

99. ...I don't think we will be able to go far... even though I have paid that [administration fee] and they told me that "you must just relax and... chill." But I know I've got that feeling that I still need to stand on my own... (Participant I).

Lastly, Participant F said the programme had given him confidence to go out there and market himself better.

100. ...Sometimes you are shy but as a businessman you have to overcome that in order to advertise [market] yourself... (Participant F).

#### **5.6.2.2. Validation**

Participant B stated that he had got validation from the programme (Excerpt 101) and benefited by gaining credibility amongst his peers (Excerpt 102).

101. They...validated what I have been doing for the past three years... sometimes in business or in life you need... validation, so you can take other risk... (Participant B)

102. ...if people don't know about you they can't trust you, so now I can say '*no man, I am part of the Juventud, go onto this website*'. So they [gave] me those tools, access to other channels, that trustworthiness to customers, to other peers, or to investors, that ... if Juventud can work with [me, they] will give them a chance (Participant B).

#### **5.6.2.3. Mentorship**

Participants C and L said that they had already gained from the mentors allocated to them. Participant C was introduced to his mentor's network (Excerpt 103), whilst Participant L said that she had advice on turning what she had considered a non-core product into one of her core products (Excerpt 104). In addition, the entrepreneurs needed to be proactive in managing the relationship with their mentors (Participant L).

103. ...They also assign a mentor to you who... helps... with your business and with a mentor comes their network which will help immensely (Participant C).

104. Well my mentor there at Juventud... I have taken his advice... [That] maybe [I should sell] things like educational toys... [To] bring [more] money into the business all the time, try to make it one of the core products, [instead of] it [being] a thing on the side... that you... we are going to list them [toys] on the

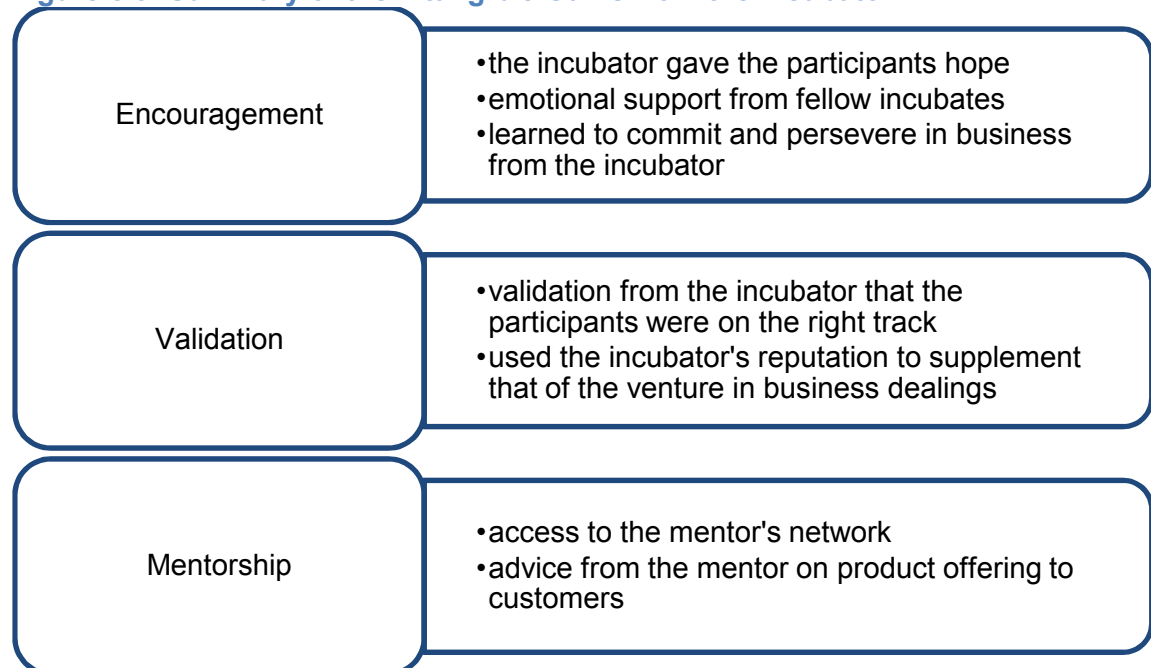
website... and they are actually going to be on the flyers as well... [at] Juventud you get mentored. It is up to you, you take the initiative... (Participant L).

Lastly, Participant L said that although she had got support through her mentor, she felt she could not live up to some of the expectations from the managers at the incubator. She said:

105. ... the turnover they are talking about, I don't think I will ever get there... in one of the... workshops the [manager]... said you need to be making... you need to be making this much money [turnover] every month as an entrepreneur... if you want to be a successful entrepreneur you have to get a client every day... (Participant L).

The results on the intangible gains from incubation are detailed in Figure 5.3.

**Figure 5.3: Summary of the Intangible Gains from the Incubator**



### 5.6.3. 'Wish list' of incubation

The last theme that emerged from the questions relating to incubation and what the entrepreneurs like and disliked, is termed the wish list. This is because not only did they mention their frustrations but offered solutions to remedy these situations.

### 5.6.3.1. Communication

Seven of the participants mentioned that there was a lack of communication from the incubator. Participant A had the following to say:

106. I am quiet impatient so I think some things don't have to take that long, like if you are speaking to us, 45 minutes, can we have a break, but that is a personality thing... and say the same things over and over again... just make everything shorter... (Participant A).

Participants D, E, F, G, H and J wished that there had been better communication and a sense of urgency (Excerpts 107 to 112):

107. ...I believe with today's level of communication where it doesn't cost anything to communicate with someone... I know as a person I might be impatient in a way but also to tell someone, "*wait for this much [time], this is what I'm doing now,*" ... I think that is something they are not doing the best at the moment (Participant D).

108. ...they don't have urgency, and when you give them information the information seems to go missing and when you call the person says you did not speak to that person (Participant E).

109. ... they keep quiet, for something like two months they don't talk to us, I become lost and I think – do we continue with this or not? Eventually we have to phone them and ask if we are still together, I don't think that is professional... (Participant F).

110. ...it's like a movie with suspense... we are passionate about what we want to do... but the time it takes to get to step 2 or step 3 or 4. It sort of takes long (Participant G).

111. ...it [takes] time for them to come back and tell you what was happening... with what they promised... Like the network [internet based system]... it was supposed to be loaded [working by now]... I believe there was a problem with their system, so it was one of the things that disappointed me... (Participant H).

112. What I don't like is they take time to respond... that is one thing that is not good... I know Juventud is not a tertiary institute but it would be nice if you communicate every now and then... [Using an] online forum... maybe I should just pitch it to them... It's a good idea (Participant J).

#### **5.6.3.2. Up-skilling of entrepreneurs' skills set**

Participants H, K and L said they needed more training to gain skills in areas that they were lacking in, such as management, marketing and financial management. They said:

113. ...I definitely need management skills, marketing skills and financial skills... (Participant H).

114. All I asked them for was training and working capital. I have not received anything... I was very specific about my training requirements... you can't always go for training all the time (Participant K).

115. I want someone to help me with... cash flow, management and compiling our business plans so we can apply for funding... all those stupid papers [documents]... that you have to compile. I wish someone would do that for me (Participant L).

#### **5.6.3.3. Funding**

Participants K and L mentioned that they would like to receive funding from the incubator, alternatively the programme could provide advice to the entrepreneurs about where and how to access funding.

116. ... I would have loved to be assisted to get...a working capital. We have put in our own money to buy the business, so cash flow can be tight; you need to pay your suppliers while you are waiting for invoices to be paid. So it doesn't seem like they have gone through that stage where they can say okay, here are several departments or finance people that can help (Participant K).

117. ...I wish money would just fall from heaven and the business would run itself! (Participant L).

#### **5.6.3.4. More validation**

Unlike Participant B who had benefited from the validation that he received from the programme (Excerpt 101), Participant C wished the following:

118. ...what I want is that optimism from [the programme] to say *'this has got potential, we can make this a multi million rand thing, this we can make a big thing'*... if they could have someone to help you... someone who will check up on you or mentor [advise on] your business plan [so that it] becomes the best business plan... the kind of... plan that gets funding (Participant C).

#### **5.6.3.5. Focus on inexperienced entrepreneurs**

To conclude the theme on the wish list, Participant I reiterated that he thought the programme was suited to those who had not been in business long and had no credit judgements against them.

119. ...I think it will cater best for those individuals who... are young[er]. Not like me because I have been in... Business... [Most of] my whole life...Juventud is there for those people... doing fancy businesses... that deals with technology, colour advertisement [graphic design] and... those people who are clean in terms of their [credit record]... because my record is not clean, whether you [I] like it or not (Participant I).

In summary, what the participants would like to get from the incubator was, firstly, that the incubator should be more deeply committed and show a sense of urgency when handling matters. Secondly the incubator should provide training on management, marketing and financial skills. Thirdly, the incubator should provide entrepreneurs with funding, including working capital. Fourthly, in addition to the validation that the participants were already receiving, there should be more. Finally, the incubator should focus on inexperienced entrepreneurs.

## 5.7. Conclusion of the Results

Several conclusions can be drawn for each theme that arose from the results. From the results on Theme 1: The Utilisation of Social Capital, the networks were characterised at first by being small and family, friends and former colleagues formed part of the networks. Secondly, the frequency of the meetings when they launched the venture varied from daily to every two months. Later the interaction was mostly on a daily to weekly basis. Thirdly, trust was important in business dealings, although to some it was all about the money. Concerning trust being reciprocal, the entrepreneurs said that when people shared privileged information such as new ideas and being given money, this showed that they were trustworthy. Fourthly, tangible resources gained from networks included capital investments and equipment. Lastly, intangible resources derived from their social capital were advice, encouragement, validation and knowledge.

Conclusions on Theme 2: The Utilisation of Social Networks, showed firstly that the nature of the relationships could be either heterogeneous or homophilous and that these were either close or casual. Secondly, the participants grew their businesses by allowing some of the individuals in the network to help in the business during the early stages and through marketing the venture. Thirdly, networks could reduce marketing and business development costs through word of mouth, cheap supplies, access to free human resource skills, and also in the pursuit of other interests outside of the venture. Lastly, on networks being a barrier, participants felt that they had lost out on income generating opportunities and on reducing business costs. Further, these challenges could be overcome by having a game-plan for networking that identified the steps necessary to get the desired results from networking activities.

The conclusion is on utilising the incubation. Firstly, the tangible results that were derived were collaborating with other incubatees who provided similar products or services. By enabling the incubatees to share marketing strategies, new knowledge, cash flow management and business acumen, the incubator opened new opportunities, ideas for product lines, and for managing businesses better. Secondly, the participants enjoyed intangible resources: encouragement that was in the form of emotional support, learning to persevere, and validation from the incubator and from using the reputation of the incubator to achieve their own goals. Mentors brought with them their own networks and advice. Lastly, incubatees advised on how the incubator could

improve. It should have a sense of urgency in all that was done, particularly regarding communication, provide more validation and prioritise inexperienced entrepreneurs.

In Chapter 6 the results will be discussed in light of the theories from the literature in Chapter 2. Key findings will be delivered, their implications discussed and recommendations made.

## 6. CHAPTER 6: DISCUSSION OF RESULTS

### 6.1. Introduction

In Chapter 1, the objective of this study was outlined as seeking to understand the role that social capital, social networks and incubation play in launching and growing new ventures. The three theoretical bases of the study postulated firstly, that social capital both bridges and bonds networks for entrepreneurs (De Carolis et al., 2009). Furthermore, entrepreneurs can derive actual and potential resources from the social capital that they possess (Verhoef, 2008). Secondly, the social networking theory postulates that networks are flexible (Potgieter et al., 2006), provide access to people who may have the necessary resources to help the entrepreneur to progress (Newbert & Tornikoski, 2012), and that the resources offered by networks to entrepreneurs are either tangible or intangible (Potgieter et al., 2006). Finally, the incubation theory postulates that business incubators provide the necessary support to accelerate entrepreneurial growth (Bøllingtoft & Ulhøi, 2005), and that they are organisations through which entrepreneurs can grow their social capital and derive benefits from the support networks offered by incubators (Chandra et al., 2007).

It is on the basis of these theories that a postulation was made that the research problem, which is South Africa's stagnant TEA rate and high unemployment rate, could be improved. To achieve this objective, three Research Questions were formulated in Chapter 3, and the resulting answers to these were presented according to themes that emerged from the 12 interviews that were conducted in Chapter 5. This Chapter compares the findings from the interviews with those in the literature to determine if they support or contradict the literature and if they offer new insights.

From Chapter 4 the unit of analysis was determined to be at the individual level, thus the findings are applicable to the entrepreneur level and incubator level (Salkind, 2010). Considering that the entrepreneurs who participated in the study were in the new or emerged stage of the entrepreneurial process as defined by Herrington et al. (2011), the findings have implications for early-stage entrepreneurs, potential, intending and nascent entrepreneurs alike.

## **6.2. Discussion of Research Question 1**

### ***How did entrepreneurs use their social capital to launch and grow their business ventures?***

#### **6.2.1. Characteristics of the people in the network**

The results concerning the characteristics of the entrepreneurs' networks were that they were generally small when they started, consisting of fewer than ten people. Only two of the participants said that the size of their network was larger than 50 people when they launched their businesses. The people in the network at the launch stage were family members, former colleagues and employers; one participant said that her company had networks at the firm level (Excerpt 2). De Carolis et al. (2009) stated that entrepreneurs tended to launch their businesses irrespective of how well developed their social capital was. The finding from this study is that the entrepreneurs launched their businesses regardless of how large or well developed were their networks. This was further substantiated by Participant I who said that when he started his current business he did not have a network.

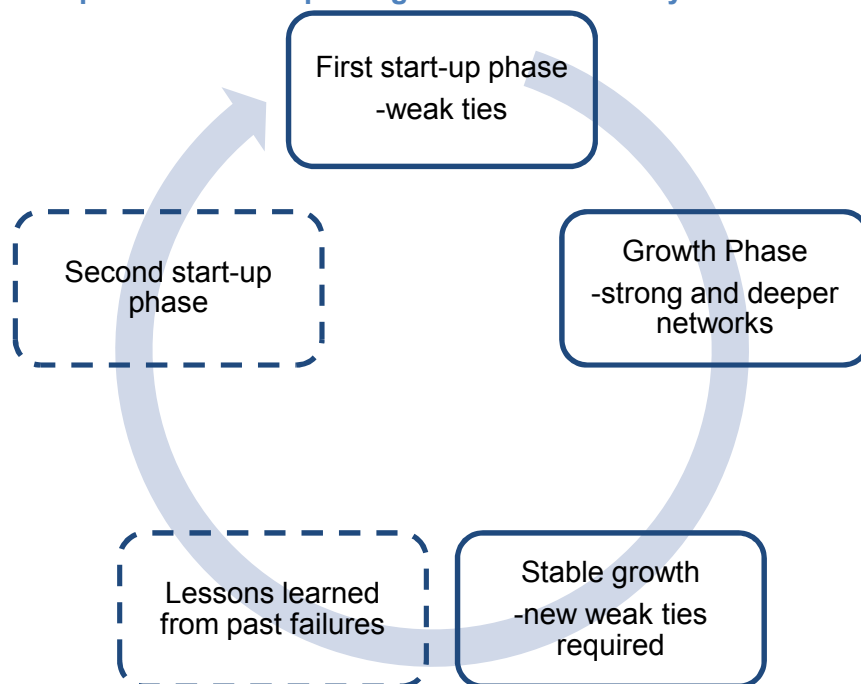
Secondly, ten of the participants said that the size of their networks had grown since launching their ventures; some not substantially, while others had used electronic social media such as Face Book to grow their networks. Furthermore, 50% of the participants said that they were now interacting with different people from those they had networked with when they launched their businesses. This was irrespective of whether the network had grown or not. The findings on the characteristics of networks support the findings by Zhang et al. (2008) that entrepreneurs tend to use whoever they can access in order to launch their businesses.

Thirdly, on the characteristics of the network was that one of the entrepreneurs tended to network across the board when it came to beliefs and others networked with people from different cultural or religious backgrounds. The results from Excerpts 3 to 10 show that the entrepreneurs had both homophilous and heterogeneous networks in terms of beliefs, but they did not mention if they gained more from one or the other. The findings on the beliefs of people in the network, contradict the views on a bonded network by De Carolis et al. (2009) that entrepreneurs had similar beliefs to those of the people in their networks, when pursuing their goals. However, they do support Jack et al. (2008)

finding that entrepreneurs' networks could be either homophilous or heterogeneous in nature.

The fourth finding was that all entrepreneurs had worked for someone else previously and had chosen to quit their jobs and start their own ventures. Four of the participants had launched other businesses previously, which had failed, but went ahead to start new ventures. Furthermore, not only did the entrepreneurs ignore failures of other entrepreneurs but their own as well, to get up and start again. It is noteworthy that the four entrepreneurs who had started other ventures after their failures, launched their new ventures in unrelated lines of business. For instance Participant E went from retailing clothes to software development, Participant H from construction to financial services, Participant I went from poultry farming to recycling waste material and lastly, Participant K went into public relations after an interior decor business failed. De Carolis et al. (2009) stated that entrepreneurs tended to ignore research into the entrepreneurial failures of other entrepreneurs. The finding on ignoring past failures of other entrepreneurs or that of their own, supports that of De Carolis et al. (2009) that entrepreneurs' illusions concerning the locus of control in increasing their risk propensity, was as important, if not more so, than the social capital that they possessed. Thus another dimension can be added to Figure 2.5; that for entrepreneurs to start again they need to ignore their own and others' past failures as depicted in Figure 6.1.

**Figure 6.1: Requirement for Repeating the Venture Life Cycle**



### **6.2.2. Bonded and bridging type networks**

Questions asked concerning how often the entrepreneurs interacted with the people in their networks sought to determine whether the relationships were of a bridging or bonding nature. The findings regarding the frequency of the meetings were that during the launch stage, nine of the participants said that they had interacted at least monthly, with the most frequent interactions taking place on a daily basis. The results suggest that the interactions were not about whether the relationship was of a bridging or bonded nature, but were based on the entrepreneurs' needs at the time that determined how often they interacted with the network.

De Carolis et al. (2009) stated that bonded networks are more about the collective, whereas bridging networks are about what the entrepreneur can derive from the network. The two types of networks form part of the relational dimension of social capital (De Carolis et al., 2009). The findings suggest that the use of bonded or bridging networks depended on the entrepreneur's needs as opposed to the nature of the relationship that existed between themselves and the actors in the networks.

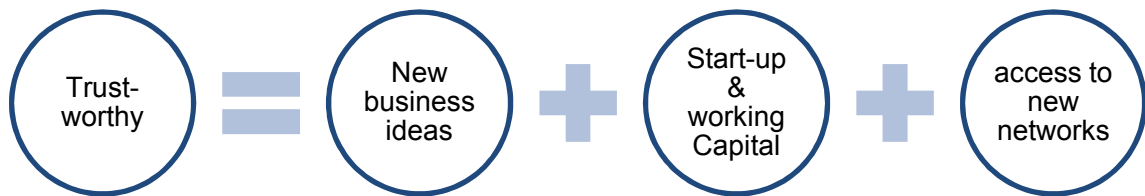
### **6.2.3. The role of trust**

The results in this study suggest that although there was trust, the entrepreneurs had a variety of reasons for trusting the people in their networks (Excerpts 11 to 22). However, trust did not come easily; it had to be earned or bought, as was the case with Participant I who had to retain the previous owner of the business as a consultant because she risked losing the business network when the anchor of the network was about to leave.

Verhoef (2008) stated that social capital was characterised by the existence of trust and reciprocity in a network. In addition, Westlund and Adam (2010) stated that trust was the most important measure of an entrepreneur's social capital. The findings support that of Westlund and Adam (2010), that trust in a network was based on previous interactions amongst the actors. Lastly, the findings suggest that when entrepreneurs come into a network they have to work on the relationships and even use the trustworthiness of others to build their own. The findings on trust in a network are depicted in Figure 6.2 (Key Finding 1); being trustworthy gives entrepreneurs access to advice on new business ideas, start-up and working capital, and introductions to new networks. Lastly, the findings regarding the role of trust, added to

those of Westlund and Adam (2010), were that trust is the single important measure for social capital.

**Figure 6.2: Key Finding 1: Benefits of Being Trustworthy**



#### **6.2.4. Benefits of well developed social capital**

From the interviews, the findings were that the entrepreneurs derived resources such as office equipment, human resources and skills that their businesses did not possess at the time. These are considered as tangible resources, as they are visible and can be touched. The intangible benefits that the entrepreneurs said they derived from their networks were: (1) advice, (2) encouragement, (3) validation, (4) referrals and (5) knowledge.

The type of advice that they received was firstly, to scale up the businesses as fast as possible (Excerpt 29), and for businesses to be sustainable, they should provide a service or product that the society needed (Excerpt 30). Secondly, the entrepreneurs received encouragement to launch their own ventures and emotional support when they felt like quitting (Excerpt 28). The third intangible benefit was validation from successful entrepreneurs in the network, which led to the self-belief that a particular entrepreneur badly needed (Excerpt 31). Fourthly, the entrepreneurs said that the people in their networks referred actual and potential customers to them (Excerpts 32 and 33). Fifthly, two of the entrepreneurs said they absorbed the knowledge that the people in their network had to offer, such as being trained on how to do technical things in the business (Excerpt 34) and their perspectives on finished products (Excerpt 35).

The literature on the benefits that entrepreneurs can derive from their social capital emphasises that these are largely resource based and lead to better business engagement and productivity (Verhoef, 2008; Zhang et al., 2008). Westlund and Adam (2010) added that entrepreneurs pursue social capital in order to increase the profits for their businesses. The results above support the findings of De Carolis et al. (2009)

that networks give entrepreneurs a sense of control and a higher risk propensity. In this case, the entrepreneurs seemed to have gained a stronger sense of control over the ventures' destinies by being reassured through the advice, encouragement and validation on the directions that they had taken. Increased knowledge led to greater confidence that they could actually succeed in their endeavours. The finding on referrals supports that of Westlund and Adam (2010) that social capital leads to improved revenue and profits.

***Key Finding 2: Entrepreneurs have a higher sense of control if they gain advice, encouragement, and validation from their social networks.***

#### **6.2.5. Conclusion to the discussion on Research Question 1**

In conclusion, the results show that the size of entrepreneurs' networks at the beginning is generally small with less than ten people. The second finding is that for entrepreneurs to start again after failure is based on their ability to ignore their own failures and those of others. Thirdly, interactions depend on what the entrepreneurs require as opposed to how close they are to the person. Fourth, being trustworthy can lead to networks, which give free advice in terms of business models, initial start-up capital and working capital; and trust leads to inclusion into other networks. Lastly, the benefits that entrepreneurs enjoy from their social capital are intangible and come in the form of advice, encouragement, validation, referrals and knowledge. The findings generally support the literature but for the finding on beliefs that contradicted the view by De Carolis et al. (2009) that entrepreneurs have similar beliefs to the people in their network. Although some of the people had similar beliefs to those of the entrepreneurs, the entrepreneurs opted to network across the board.

#### **6.3. Discussion of Research Question 2**

***How did the entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?***

##### **6.3.1. Nature of relationships**

In addition to the characteristics of social capital that have been discussed at the network level, the entrepreneurs utilised both homophilous and heterogeneous networks at the individual level. Firstly, some chose to network with politicians, with the

justification that people needed to understand that business is driven by politics. In addition one participant said that some people in his network were competitors, although he interacted with them every second month or so. The findings suggests that network range can be characterised by some sort of competition and dispels the social capital theory, which states that entrepreneurs' networking motivation is to gain support from the people in the network (Verhoef, 2008). These findings shows that entrepreneurs networked with people that they consider to be close but are competitors as well.

Secondly, others said the people in their networks were similar to them in that they had attended the same schools, studied similar courses at institutions of higher education and were in the same line of work. This finding supports one of Jack et al. (2008) findings of homophilous networking, meaning that some people choose to network with people who are similar to them. However, two participants who had the option of tapping into networks built at university or in the workplace did not corroborate this finding.

Thirdly, networks can be informal or formal, and direct or indirect. One participant cited the casual nature of the relationship that his business partner had with his network, which was characterised by a lack of respect for time because a family member of the new contact introduced this particular participant. It rose the question around how seriously do entrepreneurs take introductions to networks, more especially if they have not earned the inclusion into the networks. This finding contradicts the finding that trust leads to inclusion into a network. It suggests that it is rather the trust that a third party has in someone that allows for inclusion into a new network; i.e. somebody has to approve the new person coming into the network. Another participant mentioned that he was part of a formal business network to which he was introduced by an acquaintance. Their relations were formalised with set meeting dates. The literature states that networks are characterised by either being homophilous or heterogeneous (Jack et al., 2008), network range and closure (Kreiser, 2011). Networking is about the existing relationships between the actors in the network (McCarthy et al., 2007). Furthermore, the relations can be formal or informal (De Carolis et al., 2009), and could be either direct or indirect (Zhang et al., 2008). These findings support the assertions by De Carolis et al. (2009) that social networks refer to the number of informal and formal networks that an entrepreneur has. Further, it is in support of Zhang et al. (2008) that the relationships in the network can be either direct or indirect. Concerning direct relations, the participants had prior relationships with the people in the network at some

point, be it at school, tertiary institutions or at previous places of employment. Direct relationships are those initiated by the entrepreneur, whereas indirect relationships refer to networks that were acquired through referrals (Zhang et al., 2008); all participants used both direct and in indirect networks,

### **6.3.2. How networks help businesses grow**

The first finding, cited by four participants is the value of word of mouth. The participants said that the people in their networks would market for them. They would go to the extent of distributing marketing information and telling other people about the entrepreneurs' products. One participant said that the business network that he was part of actually sold on each other's behalf (Excerpt 47), i.e. acted as selling agents for each other. Another participant stated that ex-colleagues would bring customers to her (Excerpt 52). In addition, a further participant said that people in the network were the first customers for the business, later on a former employer became a customer as well. In addition to word of mouth marketing of his business, one participant mentioned that his customers would come to the business instead of his having to go to the customer's premises, thus reducing travelling costs. The findings support those of Newbert and Tornikoski (2012) who stated that networks gave access to better resources. Further, Jack et al. (2008) stated that networks tended to match the needs of the business. These findings show that the people in the networks were able to provide tangible resources that the entrepreneurs needed at that stage.

The second finding on how networks helped ventures grow is that networks can help reduce the costs of running the business. One participant stated that the business received sponsorships that covered some of the operating costs (Excerpt 24). Another participant added that by having a strong network that shared the same passions, one could save on salaries by paying a rate that was lower than the market. Furthermore, that participant's accounting function was done for free by a family member. Lastly, another participant mentioned that social networks could provide working capital and bridge the gap when other credit providers were unwilling to extend credit to someone with a poor credit rating (Excerpt 14 and 119). The findings support the finding by De Carolis et al. (2009) that entrepreneurs could gain influence and sponsorship from their networks. Furthermore, they support the finding by Zhang et al. (2008) that networks could provide financing for the new venture.

The resources that the entrepreneurs derived were largely marketing channels that were free, cheap skills and interest-free financing, thus reducing the operating costs. Therefore, Figure 6.3 depicts Key Finding 3 on how networks help ventures to grow.

**Figure 6.3: Key Finding 3: Ways in which Networks help Businesses Grow**



A fourth unexpected finding was that networks can bring unintended consequences that can impact on businesses both positively or negatively. In the former, the networks helped grow the social initiatives that a venture was involved in, such as the building of the community library (Excerpt 58). The negative consequence was that people in an entrepreneur's network might bring in customers, but they could ruin his reputation if the entrepreneur was not alert to the promises that they might be making to those potential customers (Excerpt 52). Both findings could not be corroborated by the literature, but offer insights into unintended consequences of networking.

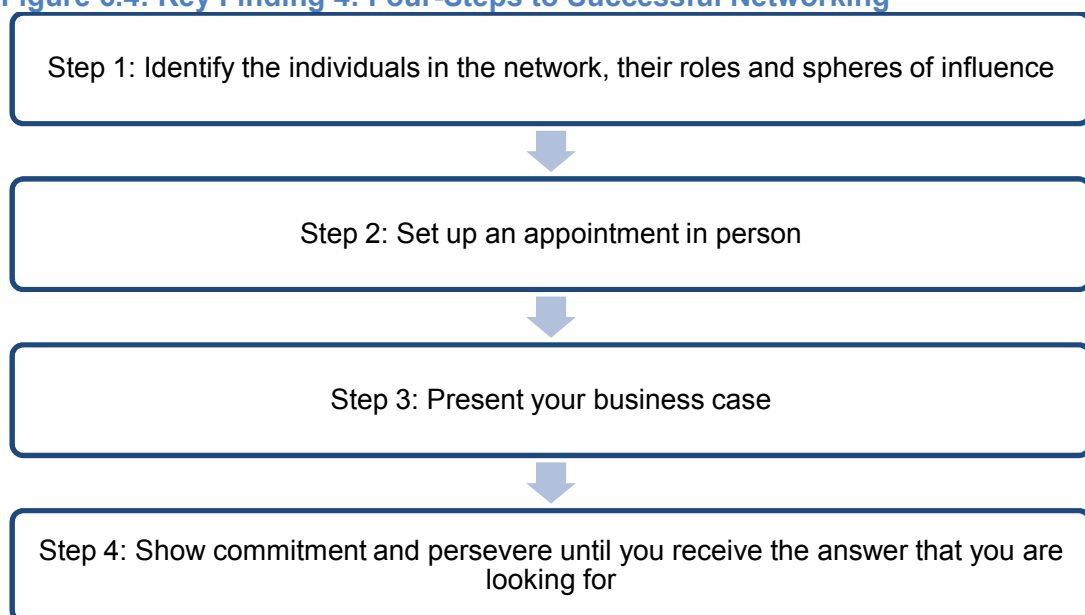
### **6.3.3. Not having access to networks as a barrier to market entry**

The interview results revealed that all participants were at some stage excluded from a network. The reasons cited were that they did not know how to network at a senior level in companies and did not have the right qualifications required for being accepted into industry specific associations that provided access to networks. One participant stated that he did not have the self-confidence that he could network with well-established and successful business people. Two stated that they believed their exclusion resulted from other people's perception of them as being of a lower social standing. A further two blamed the external environment as being corrupt. One mentioned a cartel that kept prices such that primary producers charged low prices and the intermediaries pocketed the rest; and the other said that large companies could form corrupt relationships with government that made it difficult for smaller entities to compete. The literature states that strong networks can become a barrier to entry for new entrants (Hochberg et al., 2010). Further, this could limit the success of the entrepreneur and that closed networks can be amenable to corruption (Egbert, 2009). The findings corroborate those of Hochberg et al. (2010) and Egbert (2009). The costs

of network exclusion are missed opportunities for generating higher revenues, gaining better industry knowledge and experience, and acquiring critical resources that the venture required at that time.

The entrepreneurs did however offer insights on how to overcome this challenge of being excluded from networks. They were in agreement in saying that ‘it is who you know’ that counted. To get to know those people one had to persevere and show commitment to relationship building. This would build a reputation for the entrepreneur and influence people’s perception positively. The finding supports that of Hochberg et al. (2010), who recommended that to overcome this barrier to market entry, the entrepreneur should build networks with other incumbents by establishing visibility and credibility. From these findings, four steps to networking can be developed as depicted in Figure 6.4 (Key Finding 4), based on Excerpts 71 to 73. Briefly, this series of Excerpts captures the essence of the networking process that requires commitment and perseverance that are fundamental to building trust with other individuals and for them to take the entrepreneur seriously.

**Figure 6.4: Key Finding 4: Four-Steps to Successful Networking**



#### **6.3.4. Conclusion to the discussion of Research Question 2**

The key findings to Research Question 2 are that new ventures can grow through word of mouth marketing, referrals, cheap skills and interest-free financing. Secondly, the four-step process that focuses on the entrepreneur’s business acumen to determine not only who to network with, but also who the key players in the network are and how

far they can take you is most useful. However, entrepreneurs need to be aware of unintended consequences to social networking that might affect their reputations negatively if they do not have control or influence over their networks. The findings support the literature that entrepreneurs derive resources from their networks that are critical to the growth of their ventures. An unexpected finding was on the unintended consequences from social networking, both positive and negative, and was not corroborated by findings from the literature. Lastly, networks can become a barrier to market entry; and could be overcome by applying the four-step process to networking.

#### **6.4. Discussion of Research Question 3**

##### ***To what extent did business incubation contribute meaningfully to the entrepreneurial process?***

##### **6.4.1. Entrepreneurs gain from incubation**

The first finding on incubation was that entrepreneurs gained from incubation, and their experience of incubation depended on their needs or their motivation for joining the incubator, rather than what would, theoretically be expected to be the need at any given stage in the entrepreneurial process. This came out from the interpretations of why they joined the programme. Therefore, the results are discussed more on individual bases than on similarities or differences between the entrepreneurs, as was the case for the previous discussion for Research Questions 1 and 2.

Firstly, the entrepreneurs mentioned that the gains were collaboration; exploration of new opportunities; and how to manage their businesses better (Excerpt 74 to 79). Firstly, on collaboration, 58% of the 12 entrepreneurs said that since joining the incubator they had collaborated with fellow incubatees. The type of collaboration was by using the products or services that they offered and vice versa. One participant added that other incubatees were spreading the word about the service that the venture offered.

Secondly, on exploring new opportunities, 25% of the participants said that they had done so (Excerpts 80 and 81). One participant mentioned that the opportunity came after he had learned from other incubatees that large companies did business with ventures of a similar size to his. A further participant mentioned that they were exploring a new channel of getting their products to the market, based on a mobile

technology platform. The incubation theory posits that business incubators offer access to resources, support and networking between entrepreneurs (Chandra et al., 2007) and allow for synergies to be exploited that can accelerate entrepreneurial growth (Bøllingtoft & Ulhøi, 2005). The first and second findings support those of Bøllingtoft and Ulhøi (2005) that business incubators offer the opportunity to exploit synergies amongst entrepreneurs.

Thirdly, 75% of the participants mentioned that they had learned how to manage their businesses better and the gains are summarised as follows (Excerpts 82 to 95):

- Made them realise their current business models were unsustainable
- Changed the go-to market strategy from push to pull
- Preparing a business plan for prospective investors
- The human resources required to run a business
- Setting up a website
- Having two separate accounts for business and personal purposes
- How to boot-strap the business as opposed to seeking external funding
- Lastly, how to do revenue and expenses budgeting.

The third findings support those of Potgieter et al. (2006) that business incubators offer human resources that assist a business to grow. Secondly, the findings suggest that entrepreneurs can receive similar benefits from the incubator as those they derive from their social networks. The difference is that in the incubator there is structure as to how the benefits can be derived; i.e. incubators are formalised social networks. Thirdly, the findings offer insights into the skills that new entrepreneurs lack that can limit their progress. Lastly, a surprising finding that could have ramifications for South Africa's TEA rate, is that entrepreneurs can be involved in businesses that are unsustainable, that could shed light on why the TEA rate has been stagnant (Excerpt 82).

***Key Finding 5: Incubators provide entrepreneurs with similar benefits like those derived from social networks.***

#### **6.4.2. Encouragement, validation and mentorship**

One third of the participants mentioned that they were encouraged by other entrepreneurs on the programme and by the incubator managers (Excerpts 96 to 100).

They said that they gave them hope that they were on the right track particularly because the entrepreneurial process could feel lonely at times. The second finding is the programme validated one participant in that he felt he was on the right track. Thirdly, two participants mentioned that they had benefited from the mentorship that they had received. One participant said the mentor convinced her to prioritise what was then a non-core product (Excerpt 104), whilst another said that he had been introduced to the mentor's network. These findings corroborate those of Chandra et al. (2007) and Chandra and Chao (2011) that incubators offer intangible resources that foster entrepreneurial growth. However fostering entrepreneurial growth could not be corroborated and this could be largely to the fact that all the entrepreneurs had been in incubation for less than a year.

#### **6.4.3. The 'wish list'**

The wish list sought to gauge if there was a match between the incubator's value proposition and the needs of its client base, the entrepreneurs. In addition, it offered an opportunity to gain insights into what it was that entrepreneurs actually needed or perceived the need for incubation, from their own perspectives. Firstly, 58% of the participants mentioned that their incubator performed poorly in terms of communication. What they required was frequent communication, particularly when they had requests and needed updating on any developments. Bøllingtoft and Uihøi (2005) stated that incubation drives efficiencies in ventures through the services that it offers. The findings contradict the literature in that the inefficient communication from the incubator sets a bad example for the incubatees on how good customer service should be like.

Secondly, 25% of the entrepreneurs said that what they would like from the incubator was training on critical skills that they lacked. It appears some of the incubatees were not receiving training as should be provided by the incubator. However, the validity of this finding is questionable, as other entrepreneurs had gained human resources and financial skills. It could be due to the voluntary nature of the incubation model and that those entrepreneurs had been unable to attend on the dates that the courses were offered.

Thirdly, two mentioned that they would have liked to receive funding directly from the incubator. No evidence in the literature corroborates this finding. This view could be because they felt they could make unrealistic demands on the incubator that were

outside its mandate. Theoretically business incubators offer formalised resources and services (Chandra et al., 2007). There were unrealistic expectations concerning what the incubators should be offering, as the literature did not mention providing finance as one of the roles of incubators. It was to this end that the key finding on the matching of the entrepreneurs' needs, and what the incubator can offer was developed.

***Key Finding 6: Incubators should match their value propositions to the needs of the entrepreneurs.***

#### **6.4.4. Conclusion of the discussion on Research Question 3**

The key insights derived from Research Question 3 are that incubators offer entrepreneurs similar tangible and intangible benefits to those offered by social networks. Secondly, incubators have to be able to match what they offer to the needs of the entrepreneurs who are accepted into the incubation period. The findings do support the literature and add emphasis on the importance of tangible resources. Lastly, entrepreneurs can have unrealistic expectations on what being in incubation entails.

#### **6.5. Conclusion to the Discussion of Results**

The major findings with regard to the role that social capital, social networks and incubation play in launching and growing a business are that firstly, entrepreneurs can attain tangible resources. Secondly, intangible resources such as advice, encouragement, validation and mentorship play a significant role towards an entrepreneur persevering through the various entrepreneurial stages. Finally, these three; social capital, social networks and incubation, when put into practice, can help launch and grow a business. As a result, this study's findings add to the body of knowledge as depicted in Figure 6.5: Findings on the Three Theories.

These results can be generalised for the population of this study; that is 192 entrepreneurs. Further, they can be generalised for the incubator programme. Because of the exploratory nature of the study, with in-depth interviews and the interviewing process, some of the interview questions were not answered and could bias the results presented in Chapter 5 and the discussion thereof in this Chapter. In Chapter 7, the study will be reviewed and conclusions and recommendations made.

**Figure 6.5: Findings on the Three Theories**

<b>Research Problem: Stagnant TEA rate and high unemployment rate in South Africa</b>		
<b>Theory of social capital</b>	<b>Social network theory</b>	<b>Incubation</b>
<ul style="list-style-type: none"> <li>-actual and potential resources</li> <li>-influence and sponsorship</li> <li>-support, engagement and productivity</li> <li>-benefits can be derived from weak and strong networks</li> <li>- can bond or bridge gaps in networks</li> <li>-social networks and relational capital are paramount.</li> </ul> <p><b>CONTRIBUTION OF THIS STUDY</b></p> <ul style="list-style-type: none"> <li><i>-Lessons learned from past failures contribute to entrepreneurs starting up again</i></li> <li><i>-Trustworthiness leads to new business ideas, start-up and working capital, and introduction to new networks</i></li> <li><i>-Entrepreneurs have a higher sense of control if they gain advice, encouragement, and validation from their social network.</i></li> </ul>	<ul style="list-style-type: none"> <li>-the relationships in the network</li> <li>-direct and indirect relationships</li> <li>-macro, meso and micro level relationships</li> <li>-tangible and intangible resources</li> <li>-when to use weak (closed) and strong (range) relationships</li> <li>-use of intra- and inter-organisational networks</li> <li>-use factors that influence the networking environment to your advantage</li> <li>- develop networks as early as possible during the entrepreneurial process</li> <li>-develop spatial networks</li> <li>-use other networks to overcome barriers to other networks.</li> </ul> <p><b>CONTRIBUTION OF THIS STUDY</b></p> <ul style="list-style-type: none"> <li><i>-Social networks help businesses grow by word of mouth marketing, referrals to new customers, access to cheaper skills, and interest-free financing.</i></li> <li><i>-Networking is a four step process that requires, commitment, perseverance, the astuteness to know the role each actor plays and what is it that you can gain from them.</i></li> </ul>	<ul style="list-style-type: none"> <li>-utilise the resources on offer</li> <li>-utilise the services provided by the incubator</li> <li>-develop new networks</li> <li>-collaboration with other incubatees</li> <li>-exploit synergies with fellow incubatees</li> <li>-utilise intangible resources on offer</li> <li>-use the incubator to maintain the sustainability of the business and hire more employees.</li> </ul> <p><b>CONTRIBUTION OF THIS STUDY</b></p> <ul style="list-style-type: none"> <li><i>-Incubators provide entrepreneurs with similar benefits to those that can be derived from social networks.</i></li> <li><i>-The incubatees collaborated with those in similar line of business and sold their products or offered their service to other incubatees.</i></li> <li><i>-Incubators should match their value propositions to the needs of the entrepreneurs.</i></li> </ul>

## 7. CHAPTER 7: CONCLUSION

### 7.1. Introduction

In Chapter 1, the research problem was outlined as South Africa's stagnant TEA rate and unemployment rate. Postulations were made with regard to how the problem could be resolved by applying in practice the three central theories discussed in Chapter 2. In Chapter 3 Research Questions were formulated that required a qualitative research methodology that was outlined in Chapter 4. In Chapter 5, the results were presented according to the themes that emerged. These were discussed in Chapter 6, in light of the literature relevant to the Research Questions, and key findings were outlined.

In this Chapter, the research is reviewed and conclusions are drawn from the key findings in Chapter 6. Further recommendations are made for the key stakeholders, who are the entrepreneurs, and for the incubation programme. Finally, recommendations are made for future research.

### 7.2. Review of Research

The objective of this study was to research the role that an entrepreneur's social capital, social network and incubation play in launching and growing a new venture. In addition, the sample that was used was from an incubator and as a result, the impact that this has had on the ventures was investigated. The findings could be shared with other entrepreneurs to help them to progress along the entrepreneurial process from the intention stage, through the nascent and new stages until they ultimately became established entrepreneurs. The benefit to the country would be that the TEA rate would then increase and as businesses grow, they would hire more employees and thus reduce the country's unemployment rate.

To achieve the research objective, three Research Questions were developed, the answers to which answers were used to develop insights into addressing the research problem. This required a qualitative research design to explore the relevance of the three theories that underpin the research problem. A convenient sample of 12 entrepreneurs was selected from a population of 192, who qualified as established entrepreneurs from the Juventud Incubator. In-depth interviews were conducted to collect the data using both hand written notes and an audio recorder, from which data

was later transcribed. The questions in the interview guide were derived from the literature in order to find out if the participants' responses would corroborate or contradict what the literature said. The in-depth interviews allowed the participants to describe their experience in their own words that may tentatively answer some of the interview questions.

Codes were developed for data analysis purposes in ATLAS.ti, computer-aided qualitative data analysis software (CAQDAS). The analysis was two-fold in that it was within an interview transcript and longitudinal across all the transcripts. Data validation took place during the interviews in the form of probing questions that were not included in the interview guide, in order to gain deeper meaning and to test if what was being said was reality or perception. Further, the longitudinal comparisons of responses were another method of validating the data. Thereafter the codes were ranked to determine the themes that were emerging from the results.

### **7.3. Summary of the Research Findings**

The key findings of the research study are outlined below for each Research Question. Further, these findings did provide insights into how entrepreneurs make use of social capital, social networks, and the exploitation of the opportunities offered by the incubation programme.

#### **7.3.1. Research Question 1**

##### ***How did entrepreneurs use their social capital to launch and grow their business ventures?***

The objective of this research question was four-fold; firstly to understand better how entrepreneurs used their social capital in the early-stages of a venture, secondly, who made up the network, thirdly, the existence of trust amongst the individuals in the network and if it was reciprocal, and fourthly, how did the entrepreneurs use either bonding and bridging networks.

The key findings were that:

- Firstly, entrepreneurs who were able to start-up again after a failed venture became successful if they ignored their previous failures and those of others.

- Secondly, entrepreneurs who were considered to be trustworthy by the people in their networks reciprocated the trust, were offered advice on new business ideas, received start-up and working capital, and introductions to new networks.
- Lastly, entrepreneurs have a higher sense of control if they gain advice, encouragement, and validation from individuals in their social network.

### **7.3.2. Research Question 2**

#### ***How did the entrepreneurs adapt to the changes in their social networks during the entrepreneurial process?***

This research question investigated the characteristics of the entrepreneurs' social networks; firstly by focusing on the size of the networks when the ventures were launched and what size they were at the current stage. Secondly, if the nature of the relationships in the network was network-range or network-closure and the extent of the heterogeneity of the networks. Lastly, what had the entrepreneurs gained from pursuing social networking.

Two key findings to this Research Question were:

- Firstly, social networks help business grow by providing a word of mouth marketing channel, access to new business through referrals, access to free or cheap skills that are necessary to the business and provide interest-free funding.
- Secondly, social networking is a four step process that requires firstly, the entrepreneurs to identify the individuals in the networks, their roles and spheres of influence; secondly, setup appointments in person; thirdly, present their business proposals and fourthly, show commitment and perseverance until they receive the answers that they are looking for.

### **7.3.3. Research Question 3**

#### ***To what extent did business incubation contribute meaningfully to the entrepreneurial process?***

The third Research Question's objective was to explore the extent entrepreneurs exploited the opportunities offered by incubators to grow their businesses and if they had explored and exploited synergies that exist amongst incubatees.

The key findings were that:

- Firstly, incubators provide entrepreneurs with similar benefits to those that can be derived from social networks.
- Secondly, the entrepreneurs collaborated with fellow incubatees that were in similar line of business and sold their product or service to some of the incubatees.
- Thirdly, incubators should match their value propositions to the needs of the entrepreneurs.

#### **7.4. Implications of the Findings**

There are several implications that can be drawn from the findings to the three Research Questions central to this research. The implications are applicable to the body of knowledge on social capital, early-stage entrepreneurs and those tasked with running incubation programmes.

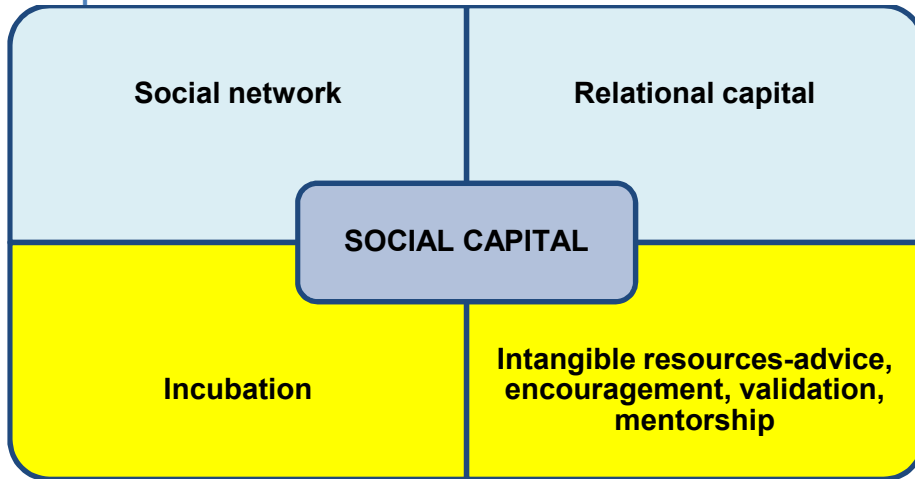
##### **7.4.1. Theoretical implications**

From the literature, social capital has two dimensions that are social networks and relational capital (De Carolis et al., 2009). It is about the actual and potential resources that can be derived from a network (Zhang et al., 2008), that holds true for social networks. Further, these can be bonding or bridging in nature and give a sense of control over a venture's destiny and its risk propensity (De Carolis et al., 2009). An argument was made that the true measure of social capital is the trust that exists amongst the individual actors in the network (Westlund & Adam, 2010).

The findings of this study suggest a new argument for the need for social capital for early-stage entrepreneurs and that those at the intention, nascent or new entrepreneurial stage, should add incubation to their social capital. Firstly, they could derive the same tangible and intangible resources from the incubator as they could from the social network dimension of social capital, in a formalised and structured environment. Secondly, the entrepreneurs trusted the incubator, both the managers and the mentors, to help grow their businesses. To this end social capital, for early-stage entrepreneurs should include incubation as a third dimension. In addition to trust being the measure of social capital, entrepreneurs should value their networks based

on the intangible resources that they can derive from them as depicted in the lower yellow half of the model in Figure 7.1.

**Figure 7.1: Additional Dimensions to Social Capital for Start-up and Nascent Entrepreneurs**



#### 7.4.2. Recommendations to entrepreneurs

From the key findings, the following recommendations are made to early-stage entrepreneurs:

- Network early and as often as possible.
- Use a stepwise approach to achieve success in social networking.
- The true measure of social capital is the trust that exists between the individuals in the network.
- The value of a network should also be measured by the intangible gains made from the network, in addition to the tangible resources that an entrepreneur can gain.

#### 7.4.3. Recommendation to the incubators

The following recommendations are made to incubation programme managers and consultants:

- Ensure that entrepreneurs derive the same value as they do from social networks, if not more, from the incubation programme.

- Intangible resources such as advice, encouragement, validation and mentorship are as important, if not more so, than the tangible resources that the incubator offers. Make sure entrepreneurs can derive intangible benefits.
- When designing an incubation model ensure that what it offers will match the needs of the entrepreneurs who will be accepted into the incubation programme.
- Lastly, show a sense of urgency when dealing with entrepreneurs, so that they will stay interested in the incubation programme.

#### **7.4.4. Research limitations**

The study had several limitations that are as follows:

- One of this study's limitations was that it did not investigate the role of spatial networks in growing a venture. There is opportunity to research the value that this type of network gives to the entrepreneurial process.
- The convenient sample of 12 entrepreneurs, who are based in Johannesburg, could have provided biased answers.
- The interviewer's inexperience in the field of academia and entrepreneurial research, there could have been opportunity to probe for better answers.
- The results could have been affected by ergonomics; the interviews took place in different settings that could affect the responses that the interviewees gave.
- Lastly, the unit of analysis, individual entrepreneurs, limited the implications to entrepreneurs and incubators, and generalisations could not be made.

#### **7.4.5. Recommendation for future research**

From the study, the following recommendations are made for future academic research:

- The findings of this qualitative study together with other studies on social capital, social networks and incubators, should be used to develop a questionnaire for a survey of all incubators in South Africa to determine the effectiveness of such incubators to grow the businesses in the incubator programmes.
- Quantitative survey to determine which of the two social capital dimensions, social network or relational capital, leads to higher venture success rates.

- A study that will determine if homogeneous or heterogeneous networks lead to higher total early-entrepreneurship activity rate.
- Do entrepreneurs, who are rich in intangible resources (advice, encouragement, validation and mentorship) from their social capital, outperform those who are intangible resource poor?
- Is there a difference in how entrepreneurs exploit opportunities offered by self-developed networks and networks that they have been introduced to by a third party?
- An investigation into the negative effects of social networks on new ventures; and the implications thereof.
- A study to determine if South Africa's low-TEA rate is as result of entrepreneurs being involved in unsustainable businesses.
- Lastly, future research could investigate if the current South African incubation models can play a role in increasing the TEA and employment rates.

## 7.5. Concluding Remarks

Social capital, social networks and incubation can play a role in launching and growing new ventures. The contribution of this study is that in pursuing social networking, the focus should not only be on the size of the network, but on the relationships with the individuals in the networks. Early stage entrepreneurs will benefit from incubators as part of their social capital, particularly those that match their current and perhaps their future needs. In an article by Richard Branson, founder of the Virgin Group, titled "Network early, network often", he had the following advice for start-up companies on networking:

... from the very first moment you begin to realise your idea is worth pursuing, the first step on the road to success is building a network....As I've learned, in the process you can gain new insights and discover fresh approaches to doing business by simply discussing how things work. After all, continuing to network means continuing to grow (Branson, 2012).

If, in heeding his call by Richard Branson to social networking, application of the insights offered by the entrepreneurs that participated in this study, South African entrepreneurs could network successfully, and continue to grow their networks. The

total early-stage entrepreneurship rate could be increased resulting in a lower unemployment rate, particularly that of the youth in this country.

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## APPENDICES

### APPENDIX 1: INTERVIEW DISCUSSION GUIDE

#### Background Details:

Entrepreneur's Name	
Interview number	
Interview location and date	
Are you the owner of the company?	
What product or service does your company offer?	
Where is the business located?	
How old is your company?	
How long have you been an entrepreneur?	
How many years working experience do you have?	
How long have you been in the incubator programme?	
How many employees do you have?	
How much is your revenue? <b>Optional</b> What is the company's turnover?	

1. Describe your social networks when you launched your business? Networks are defined as channels that provide access to people who possess certain resources that may be of interest to the entrepreneur.
2. How many people formed part of your current network?
3. How often did you interact with the members of your network?
4. What did you gain from your social networks?
5. How has your social network helped you to expand your business?
6. How has your social network helped you to cut the costs of running your business?
7. How has your social network helped you to come up with new ideas for business?

8. Please describe the beliefs social, religious or business of your network?
9. Please describe the behaviours social, religious or business of your network?
10. How similar or different are your beliefs and behaviours from those of your network?
11. How important is trust in your social network?
12. Do you reciprocate this trust?
13. How many people form part of your current network?
14. How often do you interact with members of your current network?
15. Describe a time when you could not gain access to a network?
16. What would you say you lost out on by being excluded from a network?
17. Was the exclusion a barrier to your success? Please explain.
18. How did you overcome the challenges associated with being outside a network?
19. How does your social standing affect your inclusion or exclusion from a network?
20. Describe what you have gained from being in a business incubator?
21. Has the incubator manager introduced you to his/her social network?
22. Explain how the incubator programme has helped you to grow your business?
23. Have the other incubatees in the incubator formed part of your social network?
24. Have you collaborated with other incubatees to either pursue opportunities or grow your business?
25. What do you like most about being in an incubator and what do you dislike?
26. Has networking skills been transferred to you from the incubator manager?
27. Has networking skills been transferred from you to your employees?
28. Is there anything that you would like to add that was not covered by the questions above regarding your social networks?

## APPENDIX 2: LIST OF PARTICIPANTS

TITLE	SURNAME	FIRST NAMES
Mr	Goje	Thabani Moses
Mr	Khumalo	Sibusiso
Mr	Khumalo	Takalani Emmanuel
Mr	Kotoane	Morena
Ms	Mabjana	Juliet Manoko
Mr	Mahayi	Zakhele Wiseman
Mr	Mathabela	Mphuthumi Siphiwe
Mr	Mbatha	Mthethomusha Willfred
Mr	Meyiwa	Oliver
Ms	Qunta	Nzinga Marhoyi
Ms	Tyabazeka	Pamela
Mr	Zulu	Ayanda Lieutenant

## APPENDIX 3: CONSENT FORM

### CONSENT FORM

#### *The role of social capital, social networks and incubation in launching and growing a new venture*

Dear Participant

I am conducting research on how new ventures use their social networks to get started and grow the business over time. Your participation will assist in understanding the value of networks and how to utilize networks.

The interview is expected to last about an hour and your views on the interview questions will be treated with the utmost confidentiality.

Data collection will take place in the form of written notes and digital voice data recorder. The data will be aggregated and stored for a period of at least ten years. All data will be kept strictly confidential. Your identity will not be revealed or linked to any of the data in any form.

By signing this form you agree that your participation was purely voluntary and you can withdraw at any time without penalty. If you may have any concerns please contact me or my supervisor. Our details are provided below.



Sign: \_\_\_\_\_  
Mr Tebatso Matlala (Researcher)

Sign: \_\_\_\_\_  
Prof. Elana Swanepoel  
(Supervisor)

Date: 20 July 2012

Date: 19 July 2012

Participant Name: \_\_\_\_\_

Tel/Cell: \_\_\_\_\_

Email: \_\_\_\_\_

Sign: \_\_\_\_\_

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

## APPENDIX 4: OUTPUT FROM ATLAS.TI SHOWING CODED DATA

The screenshot displays the ATLAS.ti interface. The main window shows a text document titled 'P 6: Interview 6a.txt' with the following content:

109 on the person.  
110 I don't understand the question.  
111 I think in terms of behaviour I am different, when it comes to business I think I am professional, because each and every  
112 time I want to do something I do it so that my customer can be satisfied and be happy.  
113 I am different.  
114 Yes, I even think my beliefs are different, different in such a way that each and every person who comes in here I treat them  
115 the same way, I don't judge anyone actually.  
116 Yes, exactly.  
117 That is why I say I don't judge people.  
118 No, there was a person like that just now, but this is a business, we don't judge anyone, he or she brings my money so I  
119 must not judge, they all have the same money.  
120 No, when it comes to religion I am a Christian that is one thing I have learnt from church, you have to treat everyone  
121 equally and for who they are.  
122 You have to treat everyone the same.  
123 Very important, even right now if I was to go out I will need to leave my business with my employee, I have to trust them,  
124 he can take the money and use it for something else, I have to trust, trust is number one.  
125 You mean if he was to come here.  
126 If he is a drug dealer or something I don't need to do business with him.  
127 if I don't trust you I don't need to do business with you.  
128 One day there was a guy who was selling a playstation, he came and we looked at the guy and we thought lets buy it so we  
129 bought it, a year later the police came in to say – guys you bought a stolen playstation so I have to arrest you, so I had to go  
130 to the police station, since then I learnt that you don't have to trust anyone.  
131 Even if they come here I don't buy anything.  
132 No, I buy from the best price place.  
133 They do.  
134 They really.  
135 Yes.  
136 I think they will.  
137  
138  
139  
140  
141

The right-hand pane shows a code tree diagram with a central box labeled 'Codes'. Three arrows point from this box to three sub-categories: 'beliefs', 'resources', and 'trust'. Below these, there are several instances of the 'trust' code, each accompanied by a small icon representing the code's color and shape.

The bottom status bar indicates the current file is 'P 6: Interview 6a.txt -> My Library'.