Networks and Their Relevance to the Entrepreneurial/Marketing Interface: A Review of the Evidence

Eleanor Shaw
Barclays Centre for Entrepreneurship
University of Durham Business School, England

Abstract This paper considers the relevance which networks have for research at the Marketing/Entrepreneurship Interface. The paper argues that while there is some evidence to suggest that networks are an important tool for entrepreneurial firms, there is a need to more clearly explain what is meant by the terms ‘network’ and ‘networking’. It is proposed that by using a definition of networks borrowed from the field of social anthropology, current understanding of the marketing benefits that can accrue to firms which make entrepreneurial use of networks can be advanced. Drawing upon the findings of research which employed such a definition, the paper concludes that networks and the activity of networking are indeed important entrepreneurial marketing tools and that further research attention to these is required to acquire a comprehensive understanding of these.

INTRODUCTION

Entrepreneurs have traditionally been identified as individuals possessing a high drive for individualism and independence (Scase and Goffee, 1980; 1982). Recently however, ‘networks’ and ‘networking’ have been identified as important tools which can improve the marketing effectiveness of entrepreneurial organisations. For example, networks and the activity of networking have been found to improve new product development, introduce firms to new clients, widen their resource base and improve their pricing structure when employed in an entrepreneurial manner (Carson et al 1995; Cromie, 1994; Ennis and Mujahid, 1998; Hill et al, 1999; Jones et al, 1998; Munro, 1997; Rothwell, 1991; Shaw, 1997). Despite such empirical evidence there is little clarity over what is meant by the terms ‘network’ and ‘networking’ (Grandori and Soda, 1995; Harland, 1995, 1996; Kantor and Eccles, 1992). Moreover, the reasons why and the ways in which networks impact positively on the marketing effectiveness of organisations when used entrepreneurially are not understood. An important reason for this is that to date, few researchers have sought to explore what is contained within the networks in which organisations are embedded or the impact which these
This paper builds upon Hills and La Forge’s argument (1992) that to advance research at the Marketing/Entrepreneurship Interface it is necessary to develop, adopt and apply robust theories and concepts that are representative of the social environment in which entrepreneurial marketing activities occur. The paper reviews what research has revealed about the entrepreneurial use of networks to conclude that understanding and knowledge of the marketing benefits that result can be advanced by borrowing a definition of networks from the field of social anthropology. The third section of this paper briefly presents the findings of research which has employed such a definition before concluding that networks and networking are important entrepreneurial marketing tools which should be considered in greater detail by future Interface research.

RESEARCHING NETWORKS

A review of the literature reveals networks to be an important area of entrepreneurial research. Networks have been found to make important contributions to entrepreneurial firms’ innovation processes (Johannisson and Peterson, 1984; Leonard-Barton, 1984; Rothwell and Dodgson, 1991). For example, by collaborating through networks, entrepreneurial firms have been found to code and share technical and scientific information in a manner that encourages new product development and technology transfer (Saxenian, 1990; 1995). Relatedly, networks have been found to encourage the pooling and sharing of resources amongst smaller sized firms enabling them to develop new products and compete with their larger counterparts as is evidenced by such ‘industrial districts’ as Emilia-Romagna, Italy and Silicon Valley, California (Hunt and Morgan, 1994; Johnstone and Lawrence, 1988; Miles and Snow, 1992; Munro, 1997; Piore and Sable, 1984). Networks have also been found to provide entrepreneurs with sources of accurate information, confirmation of strategies and tactics and introductions to market opportunities for their exploitation (Aldrich, 1987; Aldrich et al, 1986; Birley, 1985; Birley et al, 1989; 1990; Carson et al, 1995, Shaw, 1998, 1999). In particular, the entrepreneur’s personal contact network which is defined as “the relationships or alliances which individuals develop, or may seek to develop, between themselves and others” (Carson et al, 1995; p.200) has been found to be important in the development and growth of entrepreneurial firms. One reason for this is that as entrepreneurs are restricted in the time and resources available to them, “they need to be able to access, through their personal contacts, the
suppliers, information and guidance necessary for their enterprise’s continued entrepreneurial development” (Hill and McGowan, 1997:547).

Particular to marketing, Interface research has argued that personal networks can impact positively on the marketing effectiveness of entrepreneurial firms. For example, Hill et al (1997:547) argue that networks provide entrepreneur’s with “their really only stable source of accurate information and dependable guidance considering the twists and turns of an often turbulent environment”. Empirical research concurs that when used entrepreneurially, personal contact networks can produce marketing benefits for entrepreneurial firms. Such networks have been found to assist in the development of entrepreneurial firms by assisting them in the development of their marketing strategy and the implementation of most components of their marketing mix. For example, personal networks have been found to provide entrepreneurial firms with reliable information about customers and competitors as well as advice about pricing strategies, recruitment, location and distribution (O’Donnell and Cummins, 1999; Shaw, 1998).

If ‘entrepreneurial marketing’ is recognised as the label used to describe the innovative or creative use of an organisation’s resources for marketing purposes then Interface research implies that networks and the activity of networking are core to such activities. Consequently, it can be argued that networks are a strategic entrepreneurial marketing tool and the activity of networking is a critical competency which must be developed and strengthened to acquire the marketing benefits which can result from the entrepreneurial use of networks (Ennis and Mujahid, 1998; Hill and McGowan, 1997). Despite this it is now recognised that there is little agreement over what is meant by the terms ‘network’ and ‘networking’ (Grandori and Soda, 1995; Harland, 1995, 1996; Kantor and Eccles, 1992). Also, as the contents of entrepreneurial networks have received little research attention, the reasons why and the ways in which these can impact on the marketing effectiveness of organisations when used entrepreneurially are unclear. Because of this, Interface researchers must be cautious when referring to ‘networks’, take care that they consider what is implied by the term and seek to be explicit about to what it is they are referring when they talk and write about ‘networks’. In view of this, before considering the extent to which networks are an important entrepreneurial marketing tool, a definition of networks borrowed from the field of social anthropology is proposed as a useful construct from which to approach network studies of entrepreneurial organisations.
CLARIFYING NETWORKS

Hills and La Forge (1992) argue that if research at the Marketing/Entrepreneurship Interface is to advance, theories and concepts which are representative of the social world in which entrepreneurial marketing activities take place must be developed, adopted and applied. Their argument should not however be interpreted to imply that such theories and concepts must be new. Sexton (1987) argues that if appropriate, constructs can and should be borrowed from other areas. Particular to advancing our understanding of entrepreneurial networks, social network theory is useful. Social anthropologists developed the concept of a social network as a construct for exploring and understanding social action and behaviour in terms of the relationships shared between social actors (Bott, 1957; Mitchell, 1969). Applied to Interface research, this concept offers a useful way of conceiving the environment in which entrepreneurial organisations exist and is an appropriate construct from which to approach network studies of such organisations. By viewing society as a ‘network’ structure of overlapping social relationships which bind individuals, groups and organisations together, network theory asserts that social action and behaviour can be understood in terms of both the positions which actors hold within social networks and as a consequence of the interactions which they share (Mitchell, 1969). This does not imply however that by identifying the relationships within which an entrepreneur and their organisation is embedded (Granovetter, 1973, 1982, 1985,1992) that a comprehensive understanding of the impact which networks have upon the marketing effectiveness of entrepreneurial organisations will be acquired. To do so social network theory argues that the interactional dimensions together with the structural aspects of social networks must be considered (Mitchell, 1973).

The structure of an entrepreneur’s network can be analysed by considering its anchorage, density, reachability and range (Mitchell, 1973). ‘Anchorage’ refers to the focus of social network inquiries and applied to Interface research, can be the entrepreneur or entrepreneurial organisation. ‘Reachability’ is a measure of how far and easily an entrepreneur is able to contact other individuals and organisations and identifies all relationships that should be considered when undertaking a network study of entrepreneurs and/or their organisation. As the distinguishing feature of social network analysis is that it considers both the direct and indirect relationships in which an entrepreneur is embedded, it encourages Interface researchers to consider the role played by ‘brokers’. Tichy et al (1979) define brokers as ‘special nodes within the network’ which link individuals not sharing a direct relationship. For example, when applied to
entrepreneurs, network research has found informal brokers to play an important role in linking entrepreneurial organisations to sources of information and finance (Conway, 1997, 1998; Shaw, 1998).

‘Density’, is a measure of the extent to which entrepreneurs are connected to their environment and measures of density can identify whether an entrepreneur’s network is ‘loose’ or ‘tight’ knit. Such measures can provide an indication of the speed with which information, for example, will be transmitted throughout an entrepreneur’s network. Granovetter (1973, 1982) also asserts that measures of density can give an indication of the opportunities available to entrepreneurs and argues that the more dense an entrepreneur’s network, the fewer opportunities they have of accessing a wide range of resources. Related to this, the final morphological dimension, ‘range’ refers to “the number of actors in direct contact with anchorage and the social heterogeneity of these actors” (Wheeldon 1969). Again, Granovetter argues that the narrower the range of an entrepreneur’s social network the fewer opportunities they have available.

It has already been argued that analysis of entrepreneurial networks should not be restricted to their structural dimensions. To fully understand the impact that such networks have upon an organisation’s marketing effectiveness, the interactional dimensions of content, intensity, frequency, durability and direction must be considered. Of these, the most important is content which refers to the meanings which people attach to relationships and the understandings they have about the implications which their involvement in particular relationships have for their actions and behaviours in respect to those relationships. This suggests for example that if an entrepreneur defines a relationship as a ‘friendship’, they will engage in activities and behaviours that they perceive to be appropriate to those of a ‘friend’. As the contents of relationships are not directly observable, network theory suggests that the meanings which individuals attach to relationships can be interpreted in terms of their information, communication or normative contents (Mitchell, 1973). Identification of these contents is however complicated by the ‘multiplexity’ of social relationships.

As entrepreneurs, like all social actors, typically engage in a variety of interactions, the relationships that they share comprise of a variety of contents. Recent discussion of the content of entrepreneurial networks has sparked debate over whether, ‘economic’ networks can be distinguished separately from those comprised of ‘information’ and ‘normative’ contents
(for example, see Blackburn et al, 1990; Szarka, 1990). Social network theory however asserts that while networks contain a variety of contents, each content is not representative of a separate network (Mitchell, 1973). This implies for example that the same two people may share an employer-employee relationship comprised of an economic content and also a friend-friend relationship containing normative expressions. Consequently, this suggests that the behaviour of entrepreneurs and their organisations cannot be understood unless all of the contents of the relationships that they share are identified.

‘Intensity’ is the "degree to which individuals are prepared to honour obligations, or feel free to exercise the rights implied in their link to some other person" (Mitchell 1973). Consequently, the intensity of a relationship provides an important indication of the influence which relationships have upon entrepreneurial action and behaviour. Considered alongside the dimension of multiplexity, intensity provides some indication of how complicated relationships can be. For example, where a relationship is comprised of economic and normative contents, the interactions involved in its economic content will be influenced by the obligations which actors feel towards one another as a consequence of the friendship relationship that they also share. As the intensity of a relationship cannot be observed, frequency and durability have been suggested as suitable indicators (Mitchell, 1973). Frequency refers to the amount of time entrepreneurs spent interacting in relationships otherwise referred to as ‘networking’. Related to intensity, Mitchell (1973) suggested that a high frequency of interaction might be indicative of an intense relationship. However relationships comprised of a normative content may be intense despite low levels of frequency of interaction. Applied to entrepreneurial organisations, measures of intensity and frequency might usefully be employed to more fully understand the relationship between entrepreneurial organisations and customer loyalty.

‘Durability’ is an indication of the length of time over which a relationship continues and can also provide an indication of the intensity of relationships. The durability of relationships is in turn affected by the contents that they comprise and the extent to which parties to the relationship perceive it to be mutually satisfying. Simply put, if parties to a relationship perceive that they are giving and receiving the type of behaviour they expect from the relationship, they are more likely to continue to interact. Applied to entrepreneurship, the restricted resource base and limited time available to entrepreneurs dictate that when engaging in networking activities, they will assess such activities and seek only to engage in those relationships which produce greatest benefits for themselves and/or their organisations. The final
interactional dimension, ‘direction’ refers to the individual from which a relationship is orientated and can provide an indication of the direction of the power of a relationship. This dimension is of particular relevance to firms that enter into the co-operative relationships typical of business networks (Axelsson and Easton 1992). Where partnering with a larger organisation, the orientation of the relationship may be such that the smaller firm holds a more vulnerable position, leaving themselves open to exploitation by their larger partner.

EXPLORING NETWORKS AS A STRATEGIC ENTREPRENEURIAL/MARKETING TOOL

Although social networks have been identified as an appropriate construct from which to approach network studies of the organisation, a review of the social networking literature reveals that such research is more typical of smaller, entrepreneurial firms (c.f.: Nohria and Eccles, 1992; Grandori and Soda, 1995;). The reason for this is that relative to their larger counterparts, the networks in which smaller sized organisations are embedded are more easily identified and explored given the inherently fewer numbers of staff which they employ (Borch and Arthur, 1995; Donkels and Lambrecht, 1995; Perry, 1996). Despite this, where social network theory has been applied to small, entrepreneurial firms, its use has been restricted to analysing relationships between the entrepreneur’s personal contact network and their ability to create a new venture (c.f.: Aldrich, 1987; Aldrich et al, 1986; 1989; Carsurd et al, 1987; Johannison, 1986). Further, much of this analysis has concentrated on the structural dimensions of such networks. Consequently, while the concept of a social network has been used for the analysis of entrepreneurial behaviour, this analysis has concentrated on understanding the structural influences on such behaviour to the neglect of understanding interactional influences. Specifically, it has been noted that little is known about the contents of the relationships in which small and entrepreneurial firms engage (Aldrich and Reese, 1993; Blackburn et al, 1990; Brown and Butler, 1995; Borch and Arthur, 1995, Curran et al, 1993; Curran and Blackburn, 1994; Joyce et al, 1995; Kantor and Eccles, 1992; Salanick, 1995; Tichy, 1981). Particular to research at the Marketing/Entrepreneurship Interface, the impact which social networks have on the marketing effectiveness of small, entrepreneurial firms is not yet fully understood.

In view of these gaps, it was decided to undertake a study that would explore the impact which social networks have upon the marketing effectiveness of small entrepreneurial firms. In particular, as little is known
about the contents of such networks, an exploratory study was designed to identify the contents of the networks in which a purposive sample of small advertising and design agencies were embedded and to understand the impact which these had upon their marketing effectiveness. For the purpose of undertaking such a study, the small firm rather than the entrepreneur was selected as the unit of analysis and a range of qualitative methods including participant observation and in-depth interviews were identified as appropriate. Inductive analysis of data was employed to ensure that the findings generated were representative of the social world in which entrepreneurial marketing activities observed occurred.

RESEARCH FINDINGS

Two important sets of findings emerged from this analysis. First, the networks in which the case-firms were embedded were found to contain similar contents, each of which had a positive impact on their marketing effectiveness. Secondly, networking was found to be an activity important for all case-firms and used specifically to acquire new and repeat business as well as information about competitor’s marketing strategies.

Common to each of the entrepreneurial networks explored, information, advice, bartering-exchanges and normative contents existed and were found to impact upon case-firms’ marketing effectiveness. For example, information about current and potential clients was found to have impacted upon case-firms by connecting them with clients and subsequently widening their client base and encouraging repeat business. Such information also improved the service provided by case-firms as they had a greater awareness of the needs of their clients. In a similar way, it was found that information about competitors, particularly those against which case-firms were competing for business improved the design proposals developed by case-firms and contributed towards their acquisition of new and repeat business. Information about competitors was also found to have improved the marketing effectiveness of case-firms by improving their pricing structures and consequently, better satisfying their clients.

Entrepreneurs identified that advice contained within their personal networks had benefited case-firms’ in two ways. Both entrepreneurs and their staff recognised an improvement in the entrepreneur’s internal marketing competencies as a result of advice that they had received. Each entrepreneur’s ability to motivate and encourage staff to produce high quality, commercially viable designs and also use personal contacts to
acquire relevant client and competitor information was perceived to have improved as a consequence of the advice offered to them by family or friends owning non-competing small firms. It also emerged that as a result of advice provided to entrepreneurs the marketing strategy and tactics of their organisations was perceived to have improved as evidenced from increases in turnover and customer loyalty which they witnessed. Particular attention was drawn to the improvements that such advice had made to the pricing strategy adopted by case firms and also to the market segments that selected to target.

Bartering-exchanges comprised of the transfer of advertising and design for a mixture of monetary and in-kind payment improved the marketing effectiveness of case-firms in two important ways. Firstly, such exchanges served to reduce the price of advertising and design and consequently to encourage repeat business. Secondly, it was found that in-kind payments, such as reduced priced clothing and free meals served to provide case-firms with access to resources at low costs. Further, it was established that as these costs were often not recorded on company accounts, they served as ‘hidden’ costs which owner-managers were able to use for the purposes of rewarding and motivating their staff for their provision of quality design and service. Normative expressions contained within entrepreneurial networks were found to be of particular importance.

Those relationships which participants identified as having had most impact upon the marketing effectiveness of case-firms were multiplex relationships which they shared with friends, family and acquaintances who provided them with information and advice. Specifically, it emerged that where these relationships connected case-firms to individuals holding ‘broker’ positions, they were perceived to have had most impact upon the marketing effectiveness of case-firms. This is an important finding as it reveals that for participants, those relationships which had most impact upon the marketing effectiveness of case-firms were those which contained an expression of friendship and/or affection. This finding is also important because it reveals that for case-firms, the networks in which they were embedded were an important, if not, necessary resource. This suggestion concurs with previous studies that have described social networks as “opportunity structures” and have identified networks as an important small firm resource (Aldrich and Zimmer 1986).

The second set of key findings to emerge relate to the networking activities in which all entrepreneurs and staff were found to engage. Comparative
analysis of data collected established that networking was an activity in which owner-managers and staff engaged specifically for the purposes of acquiring new and repeat business either directly from clients or indirectly, through introductions and referrals. To a lesser extent networking was also used to acquire information about competitors. This analysis also found that within each case-firm, policies for managing networking activities existed, particularly for those in which staff engaged. While it was found that no case-firm had documentation outlining these policies, it became apparent that entrepreneurs had particular views about the relationships in which they and, in particular, their staff interacted and further, that staff were aware of these views. The networking activities in which staff and owner-managers engaged were determined by whether these activities were directed towards relationships with individuals which contained information about potential design contracts through whom case-firms could be introduced to potential clients or, towards existing design clients, particularly those which entrepreneurs regarded as key accounts. While staff were encouraged to network with their personal contacts they were discouraged from engaging in activities which entrepreneurs believed would provide them with the opportunity of developing normative relationships with design clients, particularly with key accounts. It was found that as case-firms had grown and entrepreneurs had delegated, for example the responsibilities of purchasing supplies and liaising with printers, staff involvement in the drawing up of design briefs and liaising with clients throughout the production of their design had been kept to a minimum.

The networking activities which entrepreneurs directed towards clients, particularly those they identified as key accounts included hospitality, handling of client work, flexible pricing structures and bartering-exchanges. It emerged that hospitality was perceived by participants to be necessary both for case-firms’ acquisition of new business and the development of long term trading relationships, particularly with key accounts. One entrepreneur’s description of the circumstances surrounding the acquisition of his agency’s largest account, illustrates the importance which entrepreneurs placed on hospitality for the acquisition of new business:

“we have wined and dined them, entertained them....ehm, phoned them up, seen if they wanted a game of football, seen if they wanted a game of golf, the story goes on and on, but just pandering towards, if the guy likes golf we talk golf, if the guy likes football we talk football, and so it goes .....ehm .. and today we got word that we’ve been short-listed to pitch for the major account.”
To create, develop and maintain long term trading relationships with key accounts all entrepreneurs were found to take decisions about how design work would be handled. Whenever key accounts commissioned design work, tighter quality controls were exercised to ensure that designs produced were of a high standard. Such controls were tightened by entrepreneurs personally undertaking designs and by contracting-out, photography and printing, for example, to subcontractors they believed could be relied upon to produce a high quality product. Another tactic found to be used, particularly for the purpose of acquiring new design work was a flexible pricing structure. In all case-firms, it was not uncommon for the price charged to be lowered for key accounts. Illustrative of this tactic is one entrepreneur’s comment that “we mark-up anywhere between 50-200%, depending on the client”.

CONCLUSIONS AND RECOMMENDATIONS

This paper has sought to consider the relevance which networks have for research at the Marketing/Entrepreneurship Interface and has suggested that when used entrepreneurially networks can provide organisations with important marketing benefits. It has argued that while there is some evidence to suggest that networks are an important entrepreneurial marketing tool, there is a need for researchers to more clearly define what is meant by the term ‘network’ and to identify the specific contents contained within entrepreneurial networks. To this end, the paper has identified the concept of a social network as an appropriate construct from which to approach network studies of entrepreneurial organisations and understand more about the impact which they have upon their marketing effectiveness. To illustrate the value of adopting this concept the findings of recent research that applied social network theory to a study of the impact which entrepreneurial networks have upon marketing effectiveness have been briefly presented. These findings demonstrate that when used entrepreneurially, networks can have an impact upon the marketing effectiveness of small firms.

The findings briefly presented do however suggest a number of recommendations for future research at the Interface. They suggest that it is both appropriate and useful to conceive of the micro environment in which small, entrepreneurial firms are embedded as a social network of overlapping relationships. As the findings are specific to the advertising and design industry, it is suggested that for the purposes of establishing whether the findings of this research are applicable to other substantive areas, similar research should be carried out on firms competing in different sectors and
locations. It is also suggested that a comprehensive understanding of the impact which networks have upon entrepreneurial firms’ marketing activities will be provided by longitudinal research. More specifically, the findings uncovered by this research recommend the value of research that seeks to consider whether multiplex relationships are more durable than uniplex relationships and to establish the role played by normative expressions contained within multiplex relationships. Finally, the findings of this research recommend that the role played by brokers is worthy of more detailed research attention which seeks to establish the impact which relationships with brokers in particular have upon the marketing effectiveness of small, entrepreneurial firms.

REFERENCES


Ennis, S. and Mujahid, A. (1998), *The Role of Networks in Determining Growth Patterns for Evolving Firms: Evidence from a Developing*
Economy, in G.E. Hills and M. P. Morgan (Eds.) Research at the Marketing/Entrepreneurship Interface, 51-68.


Granovetter, M.S. (1973), The Strength of Weak Ties, American Journal of Sociology. Vol. 78, No. 6, 1361-1381.


