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## AN EXPLORATORY STUDY ON THE POTENTIAL VALUE ADD OF SOCIAL NETWORKING TO THE ENTREPRENEURIAL PROCESS

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Both authors in their consecutive fields of expertise concluded the contribution of the paper. The corresponding author provided with research guidance and input with regards to the field of entrepreneurship. The other focused on the field of social media and specifically the fieldwork conducted.

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### ABSTRACT

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

**Keywords and phrases:** Entrepreneurship; Networking; Social capital; Social networking; Social media.

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## BACKGROUND

Online social networking is broadly viewed as an internet based platform where information between individuals and or groups is sourced via common interest or a need for connection. For the purpose of this study online social networking is defined as the communication between different parties where an exchange in information takes place on an electronic platform.

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

With the advent of Web 2.0 (which refers to web applications that assist interactive information sharing) and online social networking platforms, such as Facebook, MySpace, LinkedIn and Twitter (and an array of others), the way in which people exchange information has changed significantly and has generated an entirely new global social networking culture.

Lee, Kim, Choi and Lee (2009) found that information communication technology (ICT) knowledge and electronic communication methods add value to the performance of entrepreneurs and small firms. In order for entrepreneurs in South Africa to improve their social networking proficiency they would thus need to be proficient in using ICT towards higher levels of entrepreneurial performance. The positive link between entrepreneurship and economic growth can be traced as far back as the works of Schumpeter (1934) where it was proposed that an increase in the number of entrepreneurs in a country would lead to an increase in economic growth.

Herrington, Kew and Kew (2008:5) state “for businesses to become competitive, develop relationships with customers and suppliers and have easier access to business-related information, it is important that they have access to technology as well as have the capacity to use it efficiently”. This suggests that entrepreneurs should obtain the necessary skills, knowledge and awareness with regards to ICT and its core benefits within the context of the entrepreneurial process.

In the Global Information Technology Report (GITR) Dutta and Mia (2010) confirm that South Africa is the 62<sup>nd</sup> most networked country in the world whereas Sweden, Singapore, Denmark, Switzerland and the USA are ranked in the top five. South Africa is also only ranked 13<sup>th</sup> amongst upper middle-income countries (Malaysia, Chile and Lithuania are ranked in the top three for this category). Herrington, Kew and Kew (2008) indicate that South African ICT usage is dependant on gender

(males have higher ICT usage patterns than females), age (younger entrepreneurs are more familiar with new technology than their older counterparts), and education (the higher the level of education the more likely the entrepreneur is to embrace technology). Rural entrepreneurs are less likely to make use of ICT than urban entrepreneurs. The also evidence seems to indicate that ICT is mostly used for sales and marketing, finance and accounting, human resources and administration, procurement and inventory management, and collaboration. The literature suggests that ICT supports, with regards to the speed of processing the above-mentioned activities and with the level of innovation in the various implementations, all potentially contribute to a differentiated competitive advantage.

It is against this backdrop that the main questions of this study are raised.

## **LITERATURE REVIEW**

### **Entrepreneurship**

The positive link between entrepreneurship and economic growth can be traced back to the works of Schumpeter (1934) where the author proposed that an increase in the number of entrepreneurs in a country will lead to an increase in economic growth. Nieman and Nieuwenhuizen (2009) add to the body of knowledge by stating that economic development can be directly related to the level of entrepreneurial activity within a country. A possible reason for this is that entrepreneurs construct new businesses, which lead to job creation, competition intensifying and productivity increasing (Acs, 2006; Van Stel, Carree & Thurik, 2005). Previous studies indicate that high-growth opportunity-based entrepreneurial activity has the most direct relation to economic development (Wong, Ho & Autio 2005; Herrington, Kew & Kew, 2008).

Zimmerer and Scarborough (2008:5) define an entrepreneur as “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them”. The entrepreneurial process involves all the functions, activities, and actions associated with perceiving opportunities and creating new businesses to pursue them (Bygrave & Zacharakis 2007). The key elements of the entrepreneurial process are opportunity recognition (Shane & Venkataraman, 2000), resource allocation (Brush, Greene, Hart & Haller, 2001) and innovation (Gloor, Paasivaara, Schoder & Willems, 2008; Freeman & Engel, 2007). These elements form the basis of this study and an investigation will be conducted to determine the value that social networking, especially in the online context, will add to the entrepreneurial process.

### **Social capital and networking**

In the past there have been studies on the topic of ‘social capital’ (Batt, 2008) and still there has been no single accepted definition of the term (Adler & Kwon, 2002). Ostrom (2000, p.176) defines social capital as “the shared knowledge, understandings, norms, rules and expectations about patterns of interactions that groups of individuals bring to a recurrent activity”. Social capital can also be summarised as trust and a concern for others with the willingness to live by social norms and values (Bowles & Gintis, 2002). Minniti (2005:5) highlights several forms that social capital may take including: (1) “The ability of information to flow through a community in order to provide a basis for action” (2) “Social capital may consist of

obligations and expectation that depend on the trustworthiness of the environment.” Perhaps the most concise definition of social capital is that it “refers to features of social organizations, such as networks, norms and trust that facilitate coordination and cooperation for mutual benefit” (Chou, 2006, p.889).

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

Freeman (2004) indicates that social networks are social structures that consist of people or organisations, which are bound together by interdependent ties such as friendship, common interests, beliefs or other relationships. Social networks have always been part of human interaction, but with the advent of the Internet a new form of social networking has emerged. Zhang, Soh and Wong (2010) argue that social network ties provide a capable means to make possible the transfer of information and lessen the risk of information asymmetry between various parties. Previous research shows the benefits of using social networks in numerous entrepreneurial scenarios such as opportunity identification (Arenius & De Clercq., 2005; Shane & Venkataraman, 2000), innovation (Gloor et al. 2008; Rothaermel & Deeds, 2004) and resource acquisition (Brush et al. 2001; Zhang et al. 2010).

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

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

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

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

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

Online social networking is defined as “web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a

list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site” (Boyd & Ellison, 2007). Social media refers to “online content, or methods to create, share, or build on such content through social means” (Shah, 2010 p. 5). Solis (2010, p.36) further defines social media as:

- a platform for the socialization of media
- the online tools that facilitate conversations
- connections between friends, peers, and influencers
- collaborations
- the redistribution of influence
- a call for humanizing personas and audiences, and the stories that link them together
- compassionate
- words, pictures, video, chatter, audio, and also experiences, observations, opinions, news, and insights
- an opportunity and a privilege.

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

- i. Social networking refers to people with shared characteristics associating together, and social networks (or social networking sites) are the online platforms where all of this takes place.
- ii. Social media can still be seen as a form of media i.e. a way for people to broadcast information. The difference is that social media offers any individual the opportunity create or distribute the information.

Deragon (2009) indicates that the critical reasons why entrepreneurs and organizations should make use of social media are:

- to find whomever they want to do business with somewhere online
- to find whatever knowledge they need about any market or any person online
- to reach their targeted markets by simply engaging in the right conversations with the right people; this is regarded to be more effective than advertising
- if a business can't be found online or isn't engaging with its target market, or worse yet, ignoring its target market, then it is not likely to be capitalising on opportunities, while its competition does
- communications is a system to leverage an organisation's ability to communicate with its target market; social media is the new communications system
- social media saves time and money if it is used correctly for the right things, such as communication and information gathering
- if people learn “how” to use social media correctly then they'll understand “what” their market is looking for and “where” they are looking; in today's competitive world a business would want them to look for you

- when customers and prospects are engaging about you, your industry or your products and services you need to be there listening; otherwise you will not gain the necessary market intelligence, be enabled to respond or even be aware of problems or needs; if you are not present when and where the conversations are occurring you are basically out of touch with your market
- communications is about reach; communicating is about relational dynamics between people; social media provides the means to effectively communicate with your target market in human rather than institutional terms
- if organisations are not communicating (listening first, initiating second) then they will struggle to create relationships with people and businesses that may want the value that is being offered.

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

**Table 1: Categories of social networking and media**

<b>Category 1</b>	Accelerating the spread of information
<b>Category 2</b>	Connecting with individuals, organisations or brands
<b>Category 3</b>	Organising news and information
<b>Category 4</b>	Reacting to news, personal messages or information
<b>Category 5</b>	Collaborating with other online users or community members
<b>Category 6</b>	Creating own content, news or information

*Source: adapted from Bernoff and Li (2009)*

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

In addition Bernoff and Li (2009) provide evidence of a number of examples of social networks and social media types that facilitate the effective use of the six activities listed above. This suggests that there is a specific social network or specific social media type that will aid the activities of an entrepreneur. Table 2 highlights the various social media and social networking types.

**Table 2: Why users participate in social networking and social media**

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

Source: *Bernoff and Li (2009)*

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

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

**Figure 1: Finding the right social media tool**

Source: *adapted from Gillin (2009)*

Boyd and Ellison (2007) report, that the inception of social networking sites, such as Facebook, MySpace and Twitter, has attracted millions of users who have incorporated these sites into their daily patterns. The authors continue to define social networking sites as “web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system”. The latest evidence indicates that the growth in social media and online social networks is quite substantial. According to Qualman (2008), social media has provided the biggest shift in human behaviour since the industrial revolution. The author continues to report that more than half of the world’s population is currently under the age of 30 years. This means that over 50 per cent of the world’s population was born after 1980 and under generational theory can be classified as “Millennials”. Qualman (2008) further reports that 96 per cent of Millennials with Internet access have joined a social network. Similarly, the Universal McCann Comparative Study on Social Media Trends (2008) indicates that:

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

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

### **Social media and online social networking in South Africa**

Goldstuck (2010) reports that the number of Internet users in South Africa has risen beyond the five million mark. The author continues to report that Internet usage in South Africa was stagnant between 2002 and 2007 at a penetration rate of 7%, but that this rate increased in 2008 and 2009 and reached the 10% mark in 2010. In the past access to bandwidth has been a significant barrier to the adoption of ICT in South Africa. The Shuttleworth Foundation (2010) projects, that as from 2012, bandwidth accessibility in South Africa will no longer be an obstacle as several fibre optic cables will reach this country’s shores. Despite the evident increase in bandwidth provision in the next two years, Herrington and Kew (2009) indicate that communities are still often suspicious of ICT usage and that trust needs to be built between the users and the service providers of ICT. The authors continue to mention that the major constraints that affect the usage of ICT in South Africa include: 1) a lack of ICT skills and ability to use the internet effectively 2) a limited English proficiency which hampers effective usage of the Internet 3) a lack of start-up capital which limits the amount of ICT infrastructure that can be invested in. In contrast, Herrington and Kew (2009) indicate that the advantages of ICT usage include 1) firms in developing countries become globally competitive 2) easier access to information 3) reducing the uncertainty of doing business. In order for South Africa to improve its economic position it would need to address the issues highlighted above and provide an environment where entrepreneurial skills can be developed so that



entrepreneurs can progress through the entrepreneurial process with limited disruptions.

## **RESEARCH METHODOLOGY**

### **Research questions**

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

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

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

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

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

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

### **Research Design**

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

### **Ontological beliefs**

The ontological position conveys the perceptual evidence and frame of reference of both the researchers within the realm of the research context. Researcher A is a scientist in the field of entrepreneurship with specific reference to innovation and technology. Researcher B operates in the broader media environment and both the authors believe that knowledge is derived from a factual platform.

### **Epistemological positions**

Knowledge and its theory based in the background, experience and expertise of the researchers assisted in how core knowledge was displayed in the research process. A scientific paradigm formed the base of thinking and consequently contributed to deductive reasoning towards narrowing the core constructs investigated in the study.

## **Research Instrument**

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

## **Unit of analysis**

Trochim (2006) defines a unit of analysis as the main body that is being analysed in a study. In this study the unit of analysis is the South African entrepreneur. An entrepreneur is therefore defined as an individual who has started his own business, or in the past three years, has initiated the process of starting his own business in South Africa.

## **Population of relevance**

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

## **Sampling method**

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

## **Sample Size**

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

## **Data collection**

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

## **Data analysis**

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

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

## **Qualitative validity**

### *Credibility*

The results of the research is credible in the sense that the nature of the study was made credible to participant by means of a process that ensured that the interviewees understood the purpose of the interview and the nature of the research being conducted. The length of the interview was communicated as this could influence the demeanour of the interviewee.

### *Transferability*

The results of the study could be generalised to other contextual settings and the context of this study is well described in the background to the study.

### *Dependability*

There were no fundamental changes in the context, setting and research approach that could affect the results negatively.

### *Confirmability*

The results of this study, it is believed, would contribute to confirmability as it provides with a unique viewpoint to the broader context of entrepreneurship that could be confirmed by other researchers in the specific domain.

### *Limitations to the study*

As discussed previously, the inherent weakness of the method of research chosen is that it only allows for a small number of entrepreneurs to be interviewed, due to the labour intensiveness of the data collection method (Ewings et al. 1996). The general lack of a research culture in South Africa, in terms of willingness to participate, could affect the study negatively in terms of the expected response rate. Likewise the time

availability of entrepreneurs could also pose a threat in representative response rates. Projecting data beyond the sample might be inappropriate. Similarly, the entrepreneurs selected for the semi-structured interviews may have opinions that could also be non-representative of all entrepreneurs in South Africa. This study will endeavour to address these issues in a positive way.

## RESEARCH RESULTS

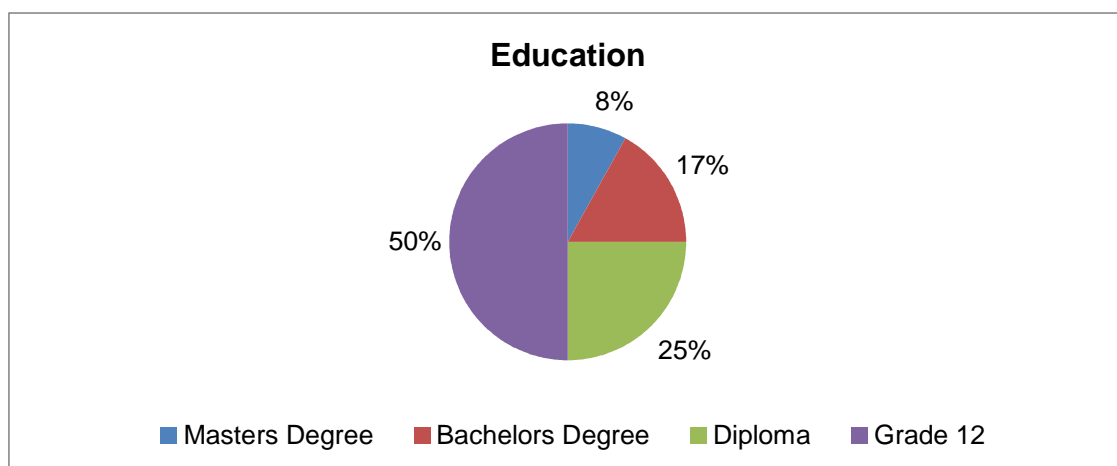
### Overview of the entrepreneurs and demographics

Table 3 highlights the details of the twelve entrepreneurs that participated in the study. In order to preserve their anonymity the entrepreneurs have been classified from E1 to E12. Each entrepreneur was selected using purposive sampling.

**Table 3: Demographics**

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

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



**Figure 2: Educational qualifications of entrepreneurs interviewed**

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

## DISCUSSION OF RESEARCH FINDINGS

### Research Question 1

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

From the literature review, “awareness” refers to the ability to notice something and to gain an understanding of it. With the insights gained from the interviews it is safe to say that the entrepreneurs noticed the existence of Online social networking platforms, but that their level of awareness was limiting and that they have a limited understanding of the platforms.

#### **Awareness Frame**

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

Other social networking platforms that were mentioned included MySpace, LinkedIn, WordPress, Plaxo, TypePad, Firestring, Mxit, Blogger and Apple's iTunes. It is interesting to note that none of the entrepreneurs mentioned prominent platforms such as Digg, Delicious, Ning, Bebo or The Second Life. Geographically oriented platforms such as Gowala or Foursquare were also unfamiliar to the entrepreneurs (only one entrepreneur mentioned having heard of Foursquare).

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

### Conclusion to the discussion of the research findings

The level of awareness that each entrepreneur possesses, as in Figure 3, is a reflection of the impression that the entrepreneurs created during the interview process and not a scientific analysis. It was based on how comfortably each entrepreneur spoke about social networking platforms in general.

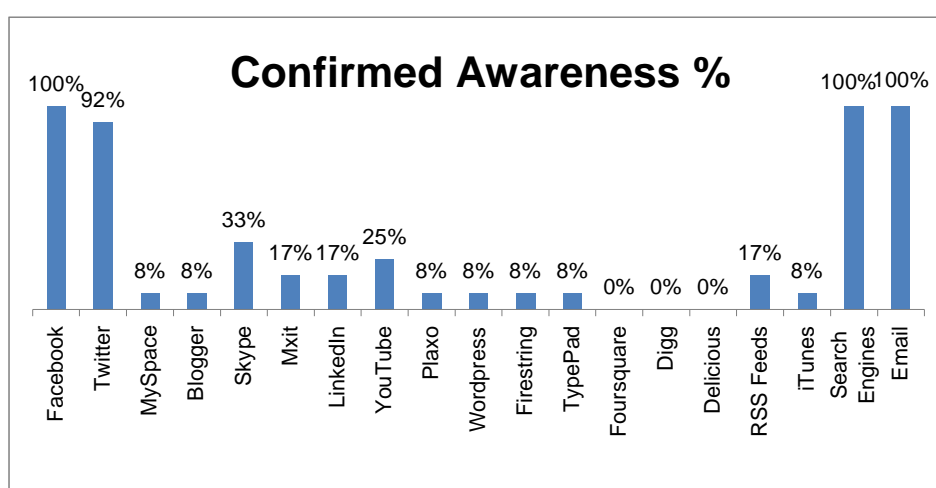


Figure 3: Respondents Awareness % of Social Networking Platforms

### Research Question 2

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

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

The general derived response trend suggested that the entrepreneurs, at best, had engaged with online social networking platforms on a personal level and had only gained a very basic skill set with regards to using these platforms. When specifically asked whether entrepreneurs would be able to use these platforms for business purposes the overwhelming sentiment was, "No". This was surprising as each of the entrepreneurs indicated that they had a "good" level of technological proficiency and that each would be able to access the online social networking platforms. It does however support the findings by Herrington et al. (2008) who stated that entrepreneurs use their ICT mostly for sales and marketing, finance and accounting, human resources and administration, procurement and inventory management, and collaboration. It would appear that the entrepreneurs in this respondent group have all embraced ICT in their businesses, and have the necessary skills to leverage the technology, but are not engaging with social networking platforms on the same level as the rest of their ICT activities.

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

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

The interviews revealed that the level of knowledge and skills that entrepreneurs had with regards to utilising online social networking platforms in the businesses was influenced by the age of the entrepreneurs. Five of the entrepreneurs (42%) indicated that they felt that social networking was something that was being adopted by a younger generation and that social networking was still a relatively new phenomenon. This is confirmed by Herrington et al. (2008) who states that younger entrepreneurs are more likely to embrace ICT than their older counterparts. It was noteworthy that all the entrepreneurs had embraced the Internet and email (technologies that have been around for over fifteen years) as part of their business practices but that there were still hesitant about accepting social networking on a similar level. It is also worth noting that only two entrepreneurs (17%) had started their business prior to the advent of the commercial Internet and email but that ten entrepreneurs (83%) had started their ventures prior to the emergence of online social networking platforms. This suggests that the entrepreneurs would accept new technologies into their businesses, but that this was something that took a bit of time (almost as if the technology needs to prove itself first). This could explain why the entrepreneurs felt they were fully proficient with using the Internet and email for business purposes, but not as proficient with regards to using online social networking platforms for similar purposes.

The literature suggests that 96% of Millennials (those individuals born after 1980) with Internet access have joined a social network (Qualman, 2008). As such, it is important to note that none of the entrepreneurs interviewed were within this age group. This enforces the assumption that age is influential regarding the entrepreneurs' willingness to use the online social networking platforms. However, Qualman (2008) reports that the fastest growing segment in Facebook is 55 – 65 year olds which suggests that age was not necessarily a factor when adopting social networking platforms. A possible explanation for this dichotomy is that South Africans may be slightly more conservative than other parts of the world when it comes to taking on new technologies and that the "early adopters" tend to be the younger generations. What this means is that social networking could be adopted in

larger volumes, but that it is going to take a bit longer, especially amongst the demographic group that the respondents represent.

Another factor that appeared to affect the level of skills and knowledge that entrepreneurs demonstrated was that of "interest" in social networking. Four entrepreneurs (33%) indicated that (so far) they just had not been interested in exploring what online social networking platforms could do for their businesses. The general sentiment amongst the twelve entrepreneurs was that these platforms were primarily created for personal social interaction and as a result no real effort had yet been put into using these for professional purposes. Seven of the entrepreneurs (58%) indicated that they were occupied with the day to day operations of their businesses and as such did not feel motivated, or have the time, to explore online social networking as a potential business tool. This conflicts with the findings reported by Deragon (2009) who stated that social networking and social media saves time and money if it is used correctly. Again, it can be assumed that the low levels of knowledge about social networking caused the entrepreneurs interviewed to be unaware of these benefits, and as a result a mindset was created that social networking cannot offer anything of interest on a professional level. Because these entrepreneurs did not express much interest in social networking it is safe to say that they would have not spent sufficient time practicing and learning what these platforms can do. One could assume that this has a direct impact on their existing knowledge and skills.

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

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

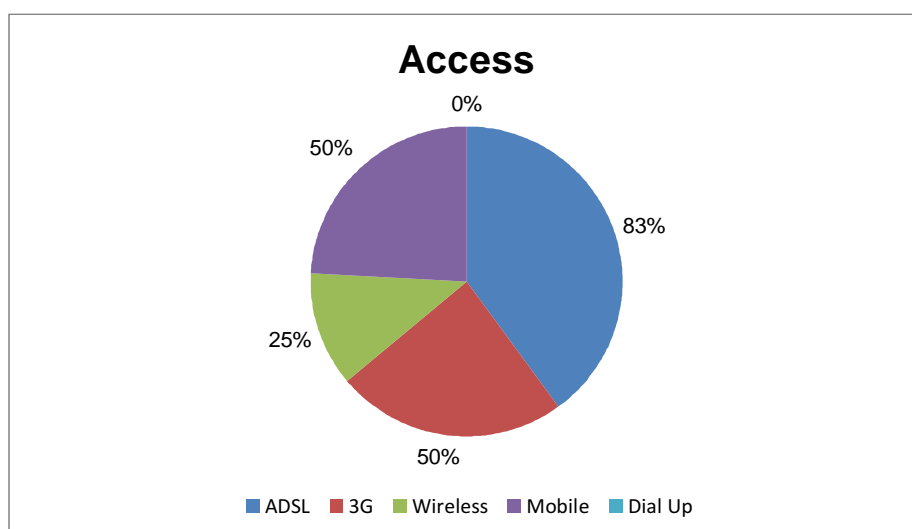
### **Research Question 3**

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

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

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





**Figure 4: Types of Internet access for the entrepreneurs that were interviewed**

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

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

The response from the interviews clearly suggested that the entrepreneurs felt that Internet access was a crucial part of their business operations. Each of the entrepreneurs had good physical infrastructure and established client bases and were all in highly competitive industries. All of the entrepreneurs could be classified as opportunity-based entrepreneurs and as such, had started their ventures because they saw a gap in the market (and not out of survival or necessity).

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

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

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

#### **Research Question 4**

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

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

The 33% of entrepreneurs that did not engage with online social networking platforms at all cited reasons such as lack of interest, the availability of time and perceived skill levels as reasons for not participating. These four entrepreneurs were also all above 40 years of age which could suggest that age is influential in the speed at which social networking is being adopted by entrepreneurs within this respondent group.

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

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

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

A recurring theme from the feedback received pointed towards accessing the masses (which would be difficult through traditional means), being able to see what trends are developing locally and internationally and being able to access information in order to make informed decisions. This confirms the findings of Deragon (2009) who indicated that communication is about reach and that social networking and social media provide the means to effectively communicate with your target market in human, rather than institutional terms. It also confirms the

statements made by Bernoff and Li (2009), who argue that social networking and social media benefit their user by connecting individuals, organisations and brands, accelerating the spread of information, and allowing collaboration with other online users or community members.

It is notable that most of the entrepreneurs were hesitant at first to respond to this question and did not come up with these answers automatically. This could suggest that online social networking is still seen as a novelty and not the first port of call when it comes to looking for opportunities, innovating or accessing resources. It also confirms the findings of Herrington and Kew (2009) who report that communities are still often suspicious of ICT usage and that trust needs to be built between the users and the service providers.

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

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

### **Research Question 5**

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

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

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

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

This feedback would suggest that due to the relatively poor bandwidth infrastructure and high associated cost, South African entrepreneurs have the required infrastructure to access the Internet, but have been slower to adopt these platforms

into their businesses. As a result it is just too soon to tell what value these platforms will add to entrepreneurs.

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

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

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

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

### **CONCLUSION**

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

**Table 4: Synthesis and conclusion**

Key Findings
The respondents indicated a very basic awareness of the social networking platforms. Facebook, Twitter, Skype and YouTube were the most prominent.
The respondents all possessed the necessary ICT or technological skills but expressed that they did not have sufficient knowledge or experience in using online social networking platforms for business purposes.
Despite the low levels of Internet penetration in South Africa (10%) all of the respondents indicated that they had full access to the Internet. Internet access was deemed to be a basic requirement in order to be competitive. The confirmed access did however not guarantee that the respondents were going to access the online social networking platforms. Factors such as time, interest, age and knowledge proved to be barriers to access.
The respondents that indicated that they were using online social networking platforms confirmed that they did so for personal purposes and not for business purposes. The level of usage was very basic and in no way aligned to business goals, but rather on social communication.
The respondents all confirmed that online social networking platforms could add value. However, the entrepreneurs were not entirely sure of how. The low levels of adoption however made the results of this question inconclusive.

Entrepreneurship plays a significant role in the economic development of a country. The entrepreneurial process forms the platform from which many successful businesses can be created. A clear understanding of this process, will aid the would-be entrepreneur in developing an economically viable business. The literature shows that networking forms a large part of this process and leveraging off these networks can benefit the entrepreneur. The past five years have seen the advent of Web 2.0 and the emergence of social networking and social media. In a short period hundreds of millions of consumers worldwide have started to engage in social networking and social media, which provide tremendous opportunities for entrepreneurs who are aware of these technologies and know how to leverage them. The results of this research project however, have shown that the respondents are cautious when it comes to adopting online social networking and social media into their businesses.

This, together with the low levels of entrepreneurial activity in South Africa, is of concern to the researcher as the expectation exists that the adoption of online social networking and social media can help entrepreneurs to seize the opportunities that exist globally, and enable them to become truly competitive.

The aim of this research is to assist the various stakeholders within entrepreneurship to explore the potential benefits that online social networking and social media provide. In this way entrepreneurship within South Africa can be promoted and developed. The significance of entrepreneurship, and the emergence of the social media revolution, should not be underestimated.

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