

AN ANALYSIS OF THE BENEFITS OF BUSINESS NETWORKING FOR SMALL TO MEDIUM ENTERPRISES IN SWANSEA

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DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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STATEMENT 1

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ABSTRACT

The study aimed to analyse the benefits of 'offline' business networking for small to medium enterprises (SMEs) in Swansea. The focus was on evaluating the motivating factors for why businesses choose to take part in networking activity and what benefits will be derived from membership to commercial networking organisations. Subsequently the analysis looked at what factors affected members decisions to rejoin or exit from these groups.

Secondary research and analysis of existing literature highlighted two main areas of applicable theory to networking. Firstly, Social Network Theory which centred around the importance of business connections and relations for organisations in general and for SMEs in particular. The theory, and discussion surrounding it, helped to propose five main benefits of networking which were sales growth, improved marketing effectiveness, knowledge collaboration, social engagement, and self-confidence. Secondly, the discipline of Relationship Marketing was considered due to its emphasis on one-to-one business interaction and the underlying values of trust and commitment. The research into Relationship Marketing helped formulate a new Member Life Cycle model, adapted from the Loyalty Ladder and Relationship Cycle models, which could be applied to findings to help determine the stages a member goes through during their membership.

Exploratory research was conducted consisting of gathering quantitative data from a sample of 100 Swansea-based networking members from three main networking organisations – namely BNI, 4N and BizNet. The results from this were analysed and conclusions were formed based on their relevance to the secondary research. Ultimately, the findings suggested the majority of businesses take part in networking with the aim of achieving increased sales. However, in-depth analysis did suggest this benefit alone is not enough to secure membership and ensure satisfaction, but instead a mix and variety of benefits is sought. In applying the Member Life Cycle model it was determined different groups are more effective in converting potential networkers into members, and then retaining these as long-term advocates. The factors that cause these differences between the groups was not finitely determined but it can be suggested formally measuring the return a member received from their investment is a potential tool for aiding retention.

The research ends by offering practical recommendations. For the businesses and SMEs, the advice is to ensure they understand and value all the benefits derived from networking; and similarly they measure these returns to ensure their decision to join or renew is justified.

For the networking organisations, the recommendation is similar, they should look to facilitate the exploitation of the full range of benefits available to their users; and aid members in evaluating their return on investment as this transparency will ultimately improve recruitment and retention. Finally, it is recommended the Welsh Government look to support the creation and growth of SMEs by investing in the development of new and existing networking events, as this format is shown to encourage collaboration, innovation and economic prosperity.

1. INTRODUCTION

Business networking is not a new concept; the strategy of creating effective relationships with other businesses and business people has existed for decades (Alt et al., 2000). However, over recent years, certainly since the turn of the century, networking has begun to become a more mainstream activity for businesses of all sizes. For Wales particularly, with 99.3% of businesses being small to medium enterprises (SMEs) (Welsh Government, 2014a), networking has become a viable, 'real' source of gaining competitive advantage (Welsh Government, 2014b). As more academic support is published regarding networking as a form of effective marketing, along with it has grown the commercial business of hosting networking (Coleman, 2013).

This research study therefore aims **to analyse the real benefits that exist in 'offline' business networking in Swansea for small to medium enterprises.**

The specific objectives addressed by this research are:

- 1. To critically evaluate the motivating factors for SMEs choosing to join commercial networking groups in Swansea.**
- 2. To assess the key factors influencing the decision to renew membership.**

1.1. Background

It is commonly accepted being well-connected, part of a large network within business, is not a guarantee of success, although it is seemingly important. Instead, the real value is created, especially within a small or new business, through the effective use of the resources contained within the network (Ostgaard & Birley, 1994). This implies those organisations need to interact and form connections with the other members of that network, through some form of networking activity (O'Donnell, 2004). This activity between organisations is traditionally referred to as 'networking'. Networking is a socioeconomic business activity by which groups of like-minded businesspeople recognise, create, or act upon business opportunities (Österle et al., 2001). Networking events typically give businesspeople the opportunity to meet at neutral venues to exchange information and market themselves. Networking is an offline marketing tool which promotes the business and in most cases drives sales. 'Offline networks' tend to be created within certain geographical proximity for obvious reasons and is seen as a critical component in achieving success.

The landscape of business networking has changed significantly however in the last decade or so (Moules, 2012) as there is no longer a requirement to travel or even be physically present to network. 'e-Networking', using online social media such as Facebook and

LinkedIn, has been documented as effective in supporting networking activities (Johnston, 2014). Online communities and the increasing ability to communicate virtually is socially (Green-Wilson, 2011) and commercially (Boiling et al., 2014; Assis-Dorr et al., 2012) valuable, aiding the company via targeted marketing and improved responsiveness to emerging issues (Sink, 2010). However valuable e-networking becomes the belief is traditional 'offline' networking will remain valid. Networks built on the power of personal relationships, assured and strengthened by face-to-face interaction, will always have the edge on virtual lists of 'friends' (Byham, 2010; Hardwick et al., 2012). The human element pivotal to the performance and durability of networks due to the richness of communication seen in 'real' social relationships rather than 'text' or 'audio' only conversation (Schutjens & Stam, 2003).

There is a growing trend, especially when considering online advertising, that marketing is about utilising the opportunity of mass promotion. However, mass marketing is not appropriate for SMEs in modern society, albeit it is effective for the larger corporations. In contrast, 'relationship marketing', where focus is on the individual and on the 1-to-1 interaction with the company is believed to be more beneficial than mass marketing (Payne, 1995). Offline business networking embodies the principle of 1-to-1 marketing and the subsequent formation of strong relationships which contribute to competitive advantage (Wickham, 2004). To enable such activity there is a requirement for a suitable platform to facilitate engagement between organisations. This opportunity has been grasped by many entrepreneurs over the last few decades that saw the potential commercial benefits from hosting networking events. Now, membership-based professional associations exist wherever businesses operate. Consequently they now have to compete for members to join their network.

1.2. Business Networking Organisations

Business networking organisations or membership organisations are one of the most prevalent ways for creating networks for businesses. These organisations are invested in and entrusted to promote the business interests of its members. These organisations generate significant levels of income for members. BNI reported \$8.6billion worldwide in 2014 (BNI, 2015) and BizNet recorded over £2.7million since 2012 in Wales (Business Network Wales, 2015). New organisations will continue to emergence as more research evidences the importance of such associations. Waters (1999), Premaratne (2002) and Miller et al (2007) highlighted networking, particularly membership-based, as crucial in growth of SMEs. This is associated to a key requirement for SMEs to have 'network mobilisation capability' (Hoang & Antonic, 2003; Hung, 2006; Jack, 2005; Jarillo, 1989;

Lechner et al., 2006) whereby their ability to be innovative and grow is directly reliant on their capability to establish networks of partners.

Although these findings suggest networking is a significant aspect in SME growth, it cannot be considered the sole driver for success. It should be noted little previous research has been undertaken on the relation between the type, age or membership of organisations and the associated outcomes. Previous research has been restricted due to company sensitivity on sharing data such as capital levels, sales and profit. However, the success of membership can be assessed in two simple ways: does the member renew for another year, and has the return on investment been satisfactory.

1.3. Networking in Swansea

The Welsh economy has experienced a noticeable resurgence since the mid-1980's and much of this is attributed to the success of SMEs (Wales Online, 2012). The Welsh Government recognises this and offers businesses varying levels of support to increase competitiveness, efficiency and innovation in an effort to maintain industry growth and rejuvenation (BBC News, 2012). One particular aspect, important to SMEs that operate in tight communities, is they must remain responsive and agile to change. Developing strategies which allow companies to react and remain agile to their environments is also key in South Wales (Cooke & Morgan, 1994). This awareness to the surrounding environment and the crucial access to knowledge is certainly a by-product of networking. Organisations that network have quicker and more cost-effective access to resources and knowledge (Powell et al., 1996; Gulati & Higgins, 2003). An understanding of global trends is important but crucially local knowledge of emerging opportunities is equally so. No more so than in the case of new competition, new entrants to the market (Porter, 1979). For the close communities of South Wales, where reputation and loyalty are vital to sustainable growth, the emergence of a competitor is always a threat. Unfortunately, for those already established, the Welsh Government continues to encourage new businesses in all sectors, through professional and financial support, in an aim to increase market competition, aid economic growth and drive innovation (Welsh Government, 2015). Furthermore, the government itself organises networking events as these are shown to have significant impact on entrepreneurialism and innovation (Rothwell & Dodgson, 1991).

This constant creation of new businesses, mainly SMEs, has led to markets of high density and saturation with competitors often in close proximity. This has naturally resulted in a growth in support services from commercial businesses aiming to help these businesses stand out from the crowd, including online specialists, social media consultants, even community magazines. Commercially-based networking organisations have also seen

considerable growth in Wales, all with the aim of helping businesses 'do' more business. The majority include a membership cost of some sort. Wales' capital Cardiff has the highest density of networking organisations (BNI, Zokit, Sterling, Introbiz, 4N, BizNet). However, for the purposes of this research the focus will be on Swansea and three main (in terms of coverage) paid membership groups. Each group is comparable as they offer similar opportunity to those attending and do not restrict by type or size of business. BNI is a global organisation, the largest of its type in the world, with five 'chapters' (or groups) in the Swansea area alone. 4N is UK-wide and operates ten groups across South Wales, with one in Swansea. Finally, BizNet is locally born and runs events in Swansea, Bridgend, Cardiff and Newport.

The similarities and differences between these three will be discussed shortly but the primary basis of each is to help businesses gain more business. Members pass information ultimately resulting in increased sales, commonly acknowledged as a 'referral'. Most companies will admit a significant amount of their trade comes to them via referrals. Referrals directly affect the level of business activity within an organisation; they are therefore an important influence on its overall performance (Boles et al., 1997). This is especially important in services marketing where 'word-of-mouth' recommendation is a key factor in the consumer decision process (Woodruffe, 1995). This ultimately aligns to the premise that networks connected to potential customers, competitors and suppliers, will access greater information and receive higher return on their efforts (Baron, 2000). However, Christopher et al. (2013, p. 50) comment "Neither company practice nor academic research pay sufficient attention to the important area of...referral marketing". Nevertheless many entrepreneurs, including Ivan Misner (BNI), Brad Burton (4N), and Lynne Orton (BizNet), have seen the importance and, in turn, the commercial viability in embedding referral marketing into networking events.

1.3.1. The Similarities between BNI, 4N and BizNet

Fundamentally, networking is the process of creating, developing, sustaining and maximising business relationships, in order to establish opportunities beneficial to all within the network. The important factor for any networking activity is 'mutual benefit' (Cooke & Morgan, 1993; Zofi & Meltzer, 2010) as focusing on personal gain will only ensure a loss of connection. Each of the three networking organisations (BNI, 4N and BizNet) abides by this principle of mutual benefit. Members who just come to pitch their business and take from the group are not wanted. They promote membership is about building relationships, trust and collective benefits.

1.3.2. The Differences between BNI, 4N and BizNet

There are differences between the groups and reasons why certain organisations choose one format over the other. From observation, the main difference affecting the decision to join is the cost. BNI is most expensive and their events are more regular with meetings every week, whilst the others are fortnightly. BNI is larger in terms of membership and also operates five separate 'chapters' in Swansea alone. BNI is a global 'super-network' offering a larger network of members and higher levels of 'passed-business'. The organization currently has 50,000 members in more than 45 countries (BNI.com, 2015). 'Chapters' allow one person per 'occupational classification' to be members and interested parties must be approved via an application process. To prove the worth of their networking power, chapters track the value of business passed between members. Both 4N and BizNet make efforts to record the financial value of business 'passed' between its members, however BNI has implemented formal processes for recording this information. This formality is one of a few requirements of BNI making it very different to the ethos of 4N and BizNet. 4N and BizNet market themselves as 'socialable' and 'friendly' whilst still focusing on 'doing business'. However, BNI is undoubtedly more focused on the formalities and the return on investment for its members, and it enforces this by holding its members accountable in three ways. Each member is required to contribute to the group each week by either passing at least one referral, giving a testimonial or by bringing a visitor. Each member is also rated on a traffic light system according to their commitment to the group in terms of their contributions, attendance and additional activity. Finally, each member is required to fulfil extra duties for the group including 'opening-up', coordinating committees or attending training. One other significant difference is BNI offers exclusivity in each chapter. For example, once a painter is a member, then no other painters can join, or indeed, visit.

1.4. Conclusion

Business networks, and business networking, are seemingly vital for business success and longevity. Networking organisations exist to facilitate this connection between organisations and they themselves compete for the attention of possible members. What is noticeable in conversation with business owners is the variety of reasons why an individual chooses to join a networking group and why they choose one organisation over the other. Furthermore, there are differing factors in their decision to renew membership. Identifying these is of primary interest to this research as set out in the study's objectives.

2. LITERATURE REVIEW

2.1. Introduction

The most cited phrase depicting the importance of studying business networks is from works completed by Hakansson & Snehota (1989) where they state a network of relationships is a company's most valuable resource, one which can be exploited to create growth. An organisations' network can be a vital source of knowledge and competitive advantage (Dyer & Singh, 1998). This is a concept repeated throughout findings from other academics who have noted particular benefits from networking as referred to in this literature review (Granovetter, 1973; Ostgaard & Birley, 1996; Hite & Hesterly, 2001; Lechner & Dowling, 2003; Rogers, 2004; Watson, 2007; Park et al., 2010). The acceptable summation of these findings is networks are important organisational assets facilitating the acquisition of resources necessary for growth and survival (Schoonjans et al., 2013). The following literature review will discuss this notion, highlighting key theory applicable to business networking.

2.2. Social Network Theory

Creating competitive advantage is fundamental for business. Traditional theory would indicate this is solely derived from the performance of resources and capabilities residing within an organisation (Barney, 1991; Dyer & Singh, 1998). However, Granovetter (1985) highlighted 'action does not take place in a social vacuum', how an organisation interacts with its surroundings, its environment – its social interaction – has significant impact on its overall success. Supporting this, it has been stated the development of business and social networks are indeed critical for organisational survival and growth (Uzzi, 1997; Hisrich & Smilor, 1998). Social connections and engagement dictate the responsiveness and ability of businesses to adapt to their environment, as well as their speed in identifying and seizing new opportunities (Burt, 1997; Elfring & Hulsink, 2003). Networked organisations are connected through social relationships with other organisations eventually generating trust, respect and mutual gain (Grabher, 1993; Granovetter, 1985). These beliefs and principles are at the forefront of the most prevalent theory on business-to-business networking which is 'social network theory'. The overriding principle of social network theory is for organisations to develop a social approach that develops trust between connections and enables a collective approach to achieving shared objectives (Granovetter, 1983; Putnam, 1995). However, given the understanding of the social importance of business networks, there is little research and theory regarding its relevance to small businesses. Empirical research and development on social network theory to date has largely focused on more global institutions (Fann & Smeltzer, 1989; Malecki & Veldhoen, 1993; Shaw, 2006). There is little

understanding of the complexities of social interaction and connection within the small to medium enterprise (SME) world (Golden & Dollinger, 1993; Hanna & Walsh, 2002) and the importance of this in whether an organisation succeeds or fails (Bhat & Fox, 1996; Knock, 2002).

The existing research however suggests SMEs in particular benefit from networking. Developing these relationships, applying social network theory, has been shown to have different importance for different organisations, but primarily SMEs have the most to gain (Todtling, 1994; Julien, 1995, Fuller-Love & Thomas, 2004). This is because SMEs often lack sufficient resources and knowledge to deal with the rapidly changing environment in which they operate. It is through networking they can obtain the knowledge and skills necessary to remain competitive (Schoonjans et al., 2013). Strategic alliances can help these small or emerging companies overcome a lack of resource and the liability associated to being a new market entrant (Karaev et al., 1997; Stuart et al., 1999; Higgins & Gulati, 2000; Shane & Cable, 2002). Crucially, it is this external support that is often linked to the immediate survival or demise of an SME (Hite & Hesterly, 2001; Hite, 2003). Generating a social network should therefore be considered a necessity for an SME but there is evidence to suggest many view networking negatively.

Curran et al (1993) argued a large number of UK business owners actively avoided engaging in networking in any format. The findings concluded many businesses simply lack the time or resource to carry out networking activity. The research also proposed a 'fortress enterprise mentality' defined as "an extreme reluctance to engage in any behaviour which might lead to a dependence on others or even be seen as showing a need for others" (Curran & Blackburn, 1994, p. 172). Gray (2004) similarly found SME owners can sometimes adhere to a "self-employed or micro-firm culture of individualism and anti-participation". Although this belief and strategy may seem somewhat introvert and closed-off, there is further research supports this thinking as a valuable tool in self-preservation. A common negative in the research on SME networking is an over-reliance on the organisations networks. During the early phases the SME relies extensively on these networks, in utilising the collective knowledge, and in developing the trust and respect required to grow the business (Shaw, 1998; Chell & Baines, 2000; Sherer, 2003). However, it has been found such networks can have limited potential in helping companies pursue new growth strategies, as the knowledge within can become stagnant (Bloodgood et al., 1995). It can be said there is a lack of diversity and a state of familiarity, leading to an 'incestuous network' limited in scope and ability (Birley et al., 1991; Burt, 2009). Effectively, a company can become too comfortable and over-reliant on its networks, and fail to see opportunities outside of that environment. Furthermore, members may feel obliged to use the professional

support within their network without first assessing their credentials or ability to help the business grow. Constant repetition of this preferential treatment for those within the network may well result in poor advice and discouragement from seeking the help of other professionals and experts, which ultimately may affect growth (Uzzi & Lancaster, 2003).

There are more obvious negatives to networking, including associated costs and the level of commitment required, but these can be outweighed by the benefits received. Ultimately, however important the decision to invest in networking is judged to be, there should be equal importance put on the practice of measuring its performance. In other words, assessing the return on investment is crucial. The desired effect is to optimise the level of networking since this activity can be resource heavy and financially draining for an SME (Watson, 2007). In order to fully evaluate the return on investment a business must first be aware of the variety of benefits derived from networking as to assess them accordingly – how does networking make a business better?

Company growth and performance can be evaluated by measuring changes in employee numbers, scale and scope of operations and/or physical presence, but in the main businesspeople evaluate growth via turnover and/or profit. Networking has been shown to be an effective means of generating introductions to new customers, through referrals (Birley, 1985; Kingsley & Malecki, 2004) and therefore acquiring sales (Brown et al., 1990). Increased sales through referrals are often seen as the main, or even only, benefit to networking. But importantly, several studies have shown the continued ability of small business owners to develop relationships is crucial to creating new opportunities and ideas for further growth (Felson, 2001; Mort & Weerawardena, 2006; De Klerk & Kroon, 2008). A seemingly underestimated benefit of networking is how it adds value to an organisation's marketing efforts. Networking is fundamentally a promotional function spreading awareness of a business and its offerings, but significant value lies in deriving instant credibility from the alliance to the network as visible relationships with reputable partners are established (Hoang & Antoncic, 2003; Lechner & Dowling, 2003; Witt, 2004). Similarly, the perception of credibility and strong reputation grows quickly as companies take advantage of their network's collective 'bigness' while they remain small, often benefitting from economies of scale without experiencing the respective disadvantages (Watson, 2007).

A benefit well documented throughout the research into business networks is the improved ability of organisations to access environment information (Birley, 1985; Carson et al., 1995; Hoang & Antoncic, 2003; Jack et al., 2004; Johannisson, 1986; Kingsley & Malecki, 2004; Shaw, 2006; Weick, 1991). Of course improved knowledge on stakeholders, customers, markets, suppliers, new legislation and so on, is valuable but the ability to discuss the

implications of this new knowledge with others is equally so. A recurring notion through network research is the benefit of shared knowledge and access to collective thinking. Organisations sometimes adapt their approach to business after seeking support from their peers (Pages & Garmise, 2003) and members of networking groups have been shown use each other to validate important decisions and future plans (Carson et al., 1995; Jack et al., 2004). Johannisson (1987, p. 54) goes as far as to term networks as 'safety nets' for those in start-up phase due to their ability to protect businesses from making the wrong decisions or taking the wrong path. An extension of this is when networks act as collaboration hubs and drive cooperative thinking. They offer an opportunity for the exchange of ideas and joint decision making (Uzzi, 1996), and members proactively work together to solve problems as quickly and efficiently as possible (Uzzi, 1997; Lechner & Dowling, 2003). A similar benefit to shared knowledge is the opportunity for members of networks to seek support and encouragement from their fellow businesspeople (Bruderl & Preisendorfer, 1998; Tjosvold & Weicker, 1993). For owners of SMEs, their business can be a lonely place and one full of uncertainty and lack of assurance. The ability to share experiences, thoughts and beliefs with trusted peers can help overcome personal and business obstacles alike. This contributes to maintaining a strong level of motivation and determination for a business owner. Essentially, networking can be considered to help build and retain self-confidence (Johannisson et al. 1994).

Finally, an often ignored benefit of networking, overlooked due to the inability to associate financial value, is the simple social interaction that occurs. For many new or small companies, the opportunity to interact with like-minded individuals and create friendships offers significant value (Taylor et al., 2004). In considering the rewards of 'social networking' for the business, the benefits to the individual themselves should also be considered as this could lead to 'happier' personnel and increased productivity (Van Zyl, 2009).

In summary, Social Network Theory has a clear association to business networking and particularly in relation to SMEs. The benefits derived from the application of this theory have been noted and show further the critical importance networks and business connections have to the smaller organisation. The process of creating these connections, or relationships, and ensuring their effectiveness is therefore equally vital to understand. How businesses create effective relationships is a facet of marketing theory referred to as Relationship Marketing, contributed to in the main by Social Network Theory (Hutt & Speh, 2012).

2.3. Relationship Marketing

Even prior to the new millennium, momentum was growing in the thinking that traditional marketing theories were not entirely applicable to SMEs, due to quite obvious differences in size and capability when compared to large multinationals (Hills, 1987; Peterson, 1989; Carson & Cromie, 1990; Brooksbank et al., 1992; Liu, 1995; Hogarth-Scott et al., 1996; Hill & Wright, 2001). In the main traditional marketing models were formulated from research conducted on large firms which would have large elements of incompatibility when applied to an SME (Wyer & Carberry, 1998). Of course SMEs do engage in marketing practice but typically, their lack of resources restricts them to simplistic and ineffective activity, which is strictly reactive to the environment (Carson, 1993; Carson et al., 2001). Furthermore, marketing plans are undone by a lack of accountability and constant change, and the strategic intention is sacrificed for the short term gain (Carson, 1993; Stokes, 1995). This certainly contradicts the traditional text book approach to marketing which are more long-term focused, strategic and about setting goals and sticking to a plan to achieve these. Another contrast comes from Hakansson & Snehota (1989) who suggest that rather than a company facing 'a market of numerous and indistinct customers and suppliers' the reality is more about relationships and their effectiveness. Hakansson & Snehota (1989, p. 11-12) noted "the more we look at and into relationships the clearer it becomes that they play an important role in business enterprise". They go on to state "empirical research shows, as a rule, a limited number of relationships have a profound effect on a company's performance" and "market performance of a company is dependent on the functioning of its relationships to others" (Hakansson & Snehota, 1989, p. 11). This directly links to the subject of Relationship Marketing which views marketing as an interactive activity involving personal relationships, interactions and social exchange (Zineldin, 2000). This strongly resonates with the concept of Social Network Theory.

Although, there is now a plethora of texts and journals on Relationship Marketing, there still remains very little on defining the difference between business-to-customer (B2C) relationship marketing and business-to-business (B2B) relationship marketing. The two are widely acknowledged as being very different in reference to marketing overall. The business networking arena is certainly focused on B2B activity so it is necessary to distinguish the differences. B2B transactions tend to be of higher financial value and require longer interaction; therefore a precursor to this is the establishment of trust and relations (Brennan et al., 2007; Hart & Hogg, 1998). Traditional marketing methods used in B2C marketing are far less effective in the B2B environment due to differences in the decision-making process (Kandampully, 2003). Businesses wishing to 'do business' with other businesses are required to give far more individual attention to their prospects rather than simply employing a method of mass marketing. This attentive behaviour, a focus on the relationship, is

Relationship Marketing in practice where a bond is being created to generate custom. This is reciprocated in B2B and B2C, where relationship marketing is focused on trust, commitment, loyalty, and potential referred custom (Preechanont & Tao, 2013).

In 1999 Gummesson published 'Total Relationship Marketing' noting the connection between Relationship Marketing and networks, reaffirmed through the term 'networks of relationships'. Gummesson (1999) learned one thing in particular mattered, namely the networks of relationships firms belong to through personal achievement, birth or membership. It was noted "Creating and maintaining a network of relationships constitutes the core marketing... advertising, PR, image-building and other marketing activities could be supportive, but could not be the core activities" (Gummesson, 1999, p. 5). Gummesson directly addressed the validity of the traditional marketing frameworks which claimed to be universally applicable, arguing these primarily dealt with the marketing of consumer goods: "cola drinks, painkillers, cookies and cars" (Gummesson, 1999, p. 6). This reversed the belief consumer goods marketing was the main part of marketing when in fact business-to-business activity and services marketing were predominant in the real world. Whereas previously there was little mention about B2B marketing and the importance of relationships, recent shifts have seen Relationship Marketing establish itself as a proven framework for effective services and B2B marketing. Such is this the speed of adoption and success of Relationship Marketing it now even aligns itself to Business-to-Consumer marketing, establishing itself as the more 'general' marketing approach in modern times. Webster (1992) summed up this shift to Relationship Marketing by suggesting in order to survive in highly competitive rapidly changing markets firms must move away from managing transactions and instead focus on building long term customer relationships. Building and securing these relationships is the real challenge for businesses as they need to understand the factors involved. In researching these prerequisite factors and in reviewing the general literature surrounding business networks and Relationship Marketing there is a common key theme – 'trust'.

2.4. Trust & Commitment

Network theory literature highlights trusting others and building trust within business relationships is paramount to an effective network (Granovetter, 1985; Monstead, 1995). Similarly, Relationship Marketing shows trust to be central to a developing a long-term, lucrative relationship (Young & Wilkinson, 1989; Morgan & Hunt, 1994). It must be present at the beginning and throughout the term of relationship (Granovetter, 1985). Critically for both topics, high levels of trust within a relationship are seen to allow each party to concentrate on the long-term benefits of their connection, and give them comfort in their assumption the outcomes will be as expected and mutually beneficial (Ganesan, 1994; Uzzi, 1997). If trust is

important to effective networks, then commitment must also be a crucial factor. It can be argued to establish trust, particularly in a business environment, there must be visible and tangible evidence of commitment to one another. Morgan & Hunt (1994, p. 23) go a step further expressing to attain trust then those within the relationship must view commitment as being “so important as to warrant maximum effort”.

The importance and focus given to these values of trust and commitment are certainly evidenced in the practice of business networking. Not only do the networking organisations require commitment through membership but many also seek assurances from those members that they put effort and time back into strengthening the group. BNI goes one step further and requests new members take a pledge upon joining committing to this goal. As an active member the principles of trust and commitment again play fundamental roles as it is only after the creation of this members will feel they can ‘refer in confidence’. Distrust can spread quickly within the group, knowing who to trust and to what extent is of primary importance (Krishna, 2000). Most groups are built on the promise that members will refer work to each other, but in reality a business will only refer a client of theirs to another business if they feel comfortable their client will be looked after. Some groups provide a starter solution to this issue by allowing and/or encouraging members to provide ‘testimonials’ of good work for other members. These are then publicised within the group and instil trust and commitment from the group to help that organisation.

Trust and commitment are vital in developing a strong relationship, and there is clearly an important correlation between relationships and successful business networks. Identifying the process whereby all these elements come together for business networking organisations and its business members is now paramount.

2.5. Membership Recruitment and Retention

It has been stated relationship building is “the essence of true networking” (Paul & Kaltenbach, 2002, p. 32) and this would suggest a suitable model to illustrate the process surrounding membership lies in Relationship Marketing theory. This is certainly a suitable assumption given the lack of direct research and theory into the practice of business networking itself. Given the aims and objectives of this research – essentially to obtain an understanding of why businesses decide to participate in formal business networking, pay for membership and then subsequently renew this membership or exit from the group – it seems applicable to look for theoretical models illustrate the process and stages of creating, building and maintaining relationships.

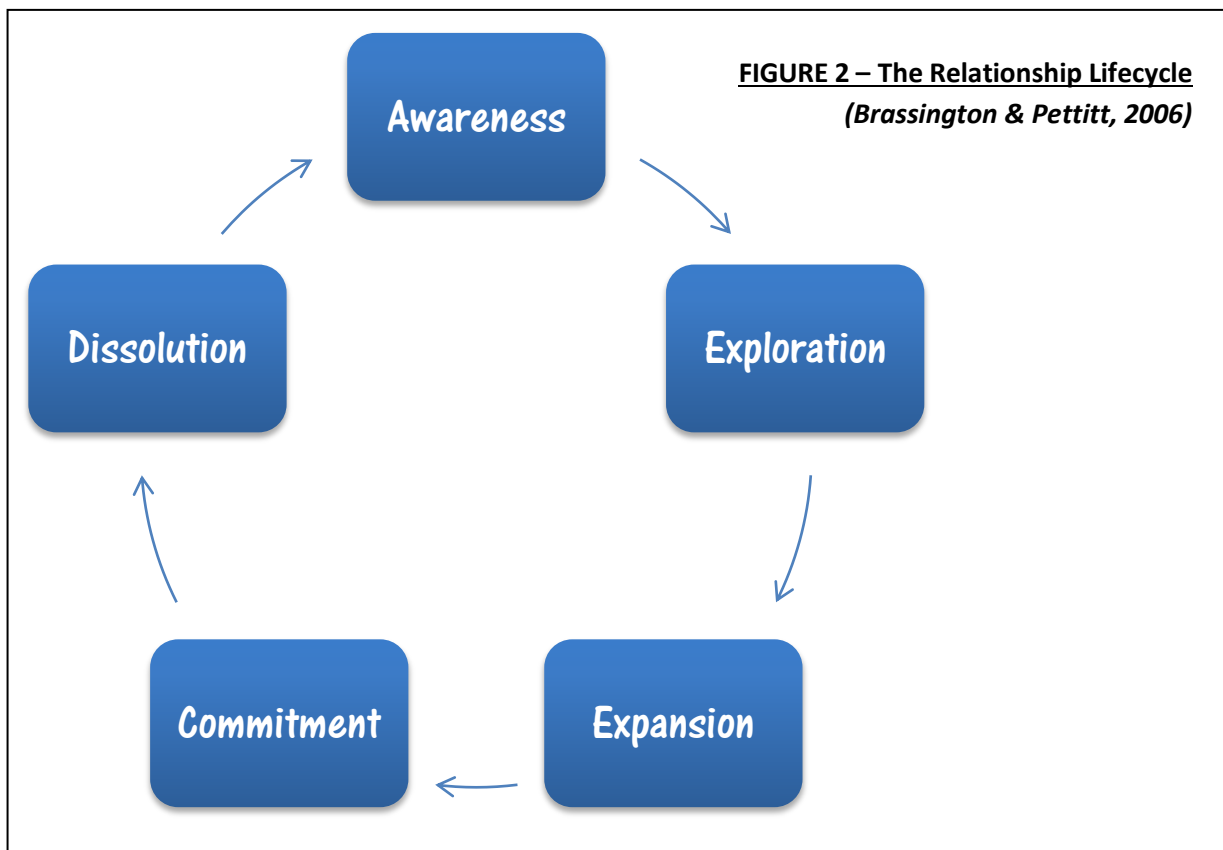
In researching the subject of relationship life cycles, there were two dominant and directly applicable models within literature. The first is the Loyalty Ladder (Christopher et. al, 1991;

MacDonald & Christopher, 2003) structured around the differing levels of customer loyalty and was constructed to help businesses strategise their marketing in order to build effective relationships through a focus on loyalty. Loyalty is applicable to our research as it is recognised trust and commitment are the building blocks to establishing loyalty (Chumpitaz Caceres & Paparoidamis, 2007; Fullerton, 2003; Rauyruen & Miller, 2007). The Loyalty Ladder model (Fig. 1) suggested the higher up the ladder the customer was situated the greater the benefits to the company.



As Payne (1995, p. 33) identifies, many organisations put their main emphasis on the ‘lower rungs’ focusing on customer acquisition rather than on the more lucrative ‘relationship’ focused higher rungs. This is because maintaining relationships requires individual attention and is a difficult process for businesses and indeed continuously exceeding expectations, to create advocates and partners, requires significant time and investment (Payne, 1995). However resource heavy achieving the level of advocacy and partnership is, this is ultimately the goal of businesses that network (Clowes & Tapp, 1998). At ‘advocate’ level trust and commitment are confirmed and not only does that company directly refer work but they act as a referral agent (Kirby, 2007) spreading the word about your business to their additional networks.

The second model is the Relationship Lifecycle (Fig. 2), as denoted by Brassington & Pettitt (2006) offering a staged-theory on the evolution of buyer-seller relationships over time. Critically this model is not restricted to either a B2C or B2B situation but instead fulfils both. The flow through the stages is related to the development of experience, understanding and trust within the relationship (Dwyer et al., 1987). The cycle suggests key stages during this process as outlined below:



The primary stage, Awareness is where a party learns of the existence of an opportunity within a relationship and has a basic understanding of its potential (Brassington & Pettitt, 2006). Exploration is the stage of discovery, the relationship is started as a desire emerges to test it but there is still no real commitment (Brassington & Pettitt, 2006). Expansion is when the relationship becomes more structured as the parties work closer together, and the benefits are evident. A level of trust has been shown, parties have adapted to make the relationship more effective and there is increased commitment (Brassington & Pettitt, 2006). At the Commitment stage the relationship is notably strong and stable. The novelty of the interaction has gone and an element of certainty and dependency creeps in (Brassington & Pettitt, 2006). The relationship is solid with high levels of trust, commitment respect, personal involvement and embedded reputation. This is the seen as the optimal stage/position – the next steps will only ensure consistency at this level or will instead lead to difficulties

(Brassington & Pettitt, 2006). Dissolution is when the relationship becomes unstable due to lack of assurances and dissatisfaction between parties (Giller & Matear, 2001). Lack of innovation and productivity make the effort to uphold the relationship more of a burden than anything else. This stage will ultimately lead to problems and eventual withdrawal/exit from the relationship (Giller & Matear, 2001). This creates an opportunity and/or requirement to start again.

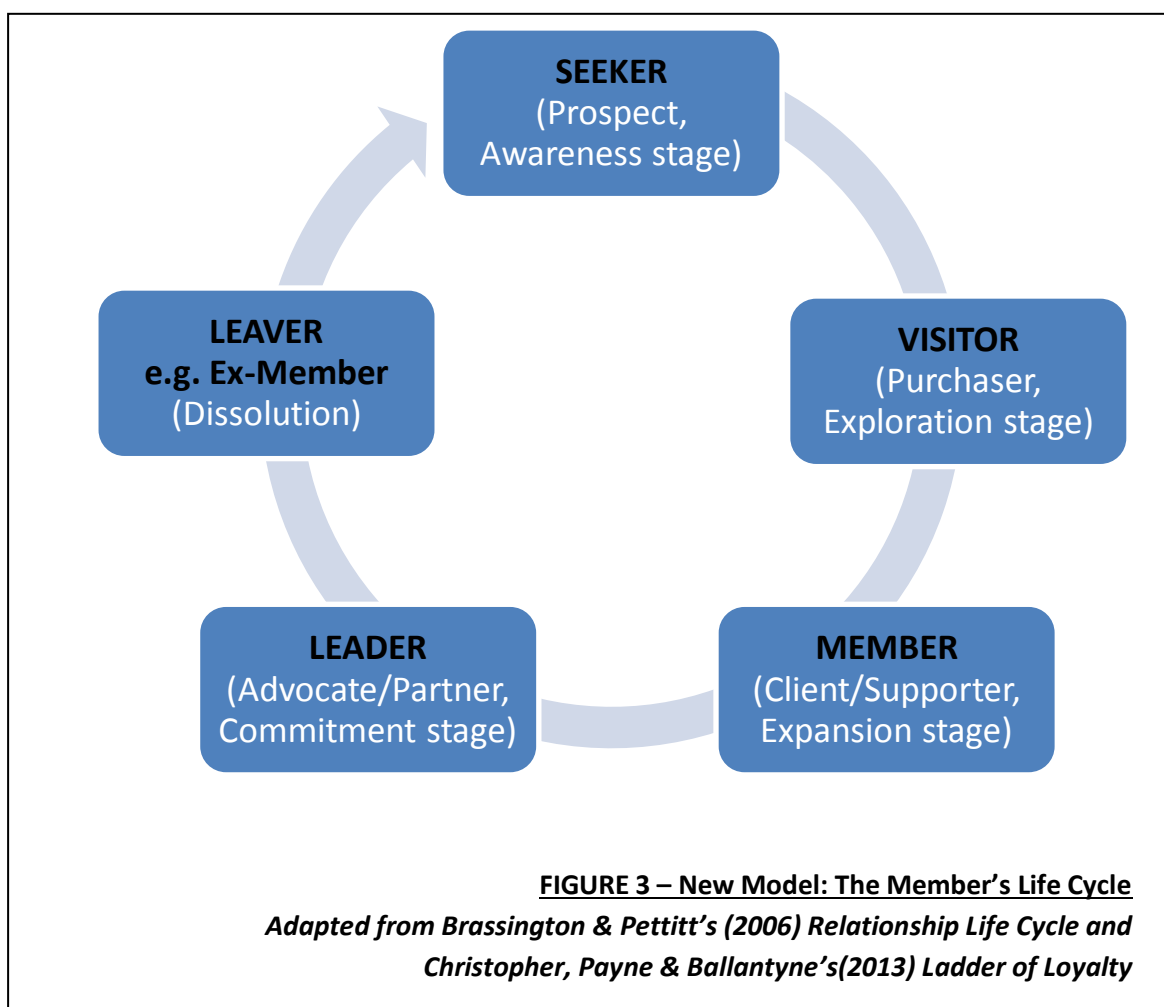
A critical difference between the two models is that the Loyalty Ladder is linear, suggesting that failure at any one stage will lead to the end of the relationship and a need to start from the bottom again. The Relationship Cycle however purports to a more widely accepted view that products and services have a finite life span typified by defined stages (Kotler et al., 2014). The cycle suggests that relationships can take steps backwards without failing completely and furthermore identifies a stage which characterises the end or decline. Gronroos (1994) considered Relationship Marketing not only to be about identifying, establishing, maintaining and enhancing relationships but also, occasionally, terminating them. This is important because the conclusion of a relationship is considered inevitable and therefore a model characterising this stage could empower a business to plan and prepare. Giller & Matear (2001) agree by stating the 'Dissolution' stage is an important strategic decision which must be handled effectively in order to reduce organisational impact (Giller & Matear, 2001).

2.6. Conclusion

In conclusion, the literature discussed has shown a direct and clear correlation between Social Network Theory and Relationship Marketing. The overriding principle is businesses are stronger and more valuable as a collective network. Effective business-to-business relationships bonded by social engagement, such as networking activity, create and develop benefits for the organisations involved. The negatives of over-reliance and introversion have been considered but the research into the benefits of business networks vastly overrides these. In considering the objectives and research to follow, it would be beneficial to summarise the benefits of networking as discussed throughout the literature review. It is proposed these benefits can all be categorised under one of the following five headings:

1. Growth (through referrals and sales)
2. Marketing (greater market awareness, credibility and reputation)
3. Knowledge Collaboration (creation of new ideas and shared knowledge)
4. Social Engagement (social interaction and creation of personal connections)
5. Self-Confidence (individual and organisation empowerment and belief)

An awareness and understanding of these benefits is valuable for companies and will affect their decision and motivations to join a networking group. For networking organisations themselves, it is also fundamentally important they appreciate and align to these listed benefits. Their effectiveness in providing these benefits to their membership would in theory directly affect their recruitment and retention levels. Therefore, understanding the stages members go through during their membership is also useful. In concluding the findings from the Loyalty Ladder and Relationship Cycle models, it seems appropriate to combine and align these principles to form a new model to address networking membership. For the purposes of this research an adapted model has been created, referred to as the Member's Life Cycle [Fig. 3], which aims to represent and highlight the critical stages of networking membership.



The model depicts a cyclical process whereby a company evolves from curiosity in membership [Seeker] - to eventually visiting [Visitor] - to then committing through joining and becoming a paid member [Member] - to then assuming additional responsibilities on behalf of the group (whether committee membership or seeking new members) and being considered a long-term member [Leader] - to finally exiting the group as a result of varying

factors [Leaver]. At this end stage the process can be restarted via a different networking format or alternative networking organisation.

The principle is that at any one stage a networking organisation can look to assess their membership against others operating within a market. If they are able to gauge a rough estimation of the number of companies that are actively looking for networking opportunities in their area (Seekers), they are then able to evaluate their effectiveness statistically in converting these to visitors and then members. These conversion rates will be the standards by which the organisations can weigh themselves against the competition. If the ultimate aim of a networking organisation is to produce leaders then these early conversion rates will directly impact the success and growth overall.

Not only does the model provide this external evaluation of performance levels in the wider market, but the cycle will also aid the organisation in assessing its internal situation. In determining where the organisation's strengths lie – is it attracting visitors, retaining members and producing leaders? Or does it have a high leaver percentage? – the organisers are then able to focus efforts on improving areas of concern or strengthening areas of competitive advantage.

The values associated to each stage of the cycle, and the differences between these (i.e. the conversion rates), are essentially performance indicators and therefore can be used to set short and long-term targets for improvement. In summary, the Member Life Cycle model offers networking organisations the ability to take a current snapshot of their situation at any one time, and an opportunity to foresee and plan future progress.

3. METHODOLOGY

3.1. Introduction

This chapter discusses the research methods chosen to examine the critical factors behind the decisions of small businesses in Swansea to join commercially driven, paid membership networking groups. The aim of this chapter is to explain the sample chosen, the preferred research technique and why, and the processes employed during collection. The research design was formulated to utilise appropriate methods of data collection, in an effort to address the research aims and objectives as highlighted below:

The aim of the research is **to analyse the real benefits that exist in ‘offline’ business networking in Swansea for small to medium enterprises (SMEs)**. The objectives are:

- 1. To critically evaluate the motivating factors for SMEs choosing to join commercial networking groups in Swansea.**
- 2. To assess the key factors influencing the decision to renew membership.**

3.2. Secondary Research

The secondary data was accessed through University of Wales Trinity Saint David Swansea campus Library Services, using journals and academic texts (such as ABI/INFORM Complete, Business Source Complete, Proquest and Marketline) for the review of relevant literature available on business networks, networking and relationship marketing. The review of secondary information and literature was key to contextualising the primary research and conceptualising the questions employed. The findings from the secondary data highlighted the significance of further research and added credibility to the chosen objectives.

Specifically, a recurring theme throughout the literature is a lack of significant focus on the importance of network theory and marketing theory to SMEs, as opposed to the abundance for large multinationals, and further research would be beneficial (Fann & Smeltzer, 1989; Malecki & Veldhoen, 1993; Shaw, 2006).

3.3. Primary Research

3.3.1. Research Rationale

The practice used for gathering, analysing, interpreting and publishing the findings is also known as the research design (Myers, 2013). Deciding on the research design for this project was problematic. The secondary research so far has highlighted the importance of the social and personal aspects of networking, suggesting the factors affecting business decisions would ultimately be human and behavioural. In evaluating the preferred methods of research, the primary consideration is whether a quantitative, qualitative or mixed method (qualitative and quantitative) approach would be best.

The practice of research is typically divided into two schools of thought, or paradigms. The 'positivist' paradigm relies on the researcher to be objective in their analysis of the results and requires a level of interpretation in order to present the data as a 'tangible social reality' (Saunders et al, 2007). This paradigm is associated to greater accuracy as the information is typically factual and binary, and collected via quantitative methods, aiding measurement and interpretation (Collis & Hussey, 2013). Although it should be stated here that positivist, quantitative methods are able to collect less detailed qualitative data (Collis & Hussey, 2013).

The second paradigm is referred to as 'phenomenological' research and is more focused on understanding human behaviour and how this behaviour is related to the surrounding environment (Saunders et al, 2007). Rather than measure statistics and numbers, this approach is more attuned to the exploration of the interpretation of the results and finding out why people act in certain ways in society, also referred to as epistemological interpretivism (Saunders et al, 2007) or social constructivism (Bauer & Gaskell, 2000). Concerned mainly with qualitative research methods, the phenomenological paradigm has seen a preferential trend in business management research since the new millennium (Malhotra & Peterson, 2001). There is now however, greater importance being put on a mixed methodology and a 'pragmatic' approach to research design (Saunders et al, 2007) which embraces the strengths of both paradigms and enables a 'best-fit' method to projects.

In relating these paradigms to the research the following can be stated. Qualitative (phenomenological) research is more aligned to gauging emotion and feelings, and allows for greater interpretation and natural feedback (Rubin & Babbie, 2015). Quantitative (positivist) research however is the opposite in that it is objective and statistically-driven in the form of data, often eradicating the importance of the individual and instead more focused on groups and trends (Ary et al., 2013). The suggestion would therefore be networking, being a social interaction combining the behaviours of individuals, is best measured qualitatively. Measurement through questionnaires can be included but this would not provide detailed information but simply would provide a holistic view rather than a comprehensive understanding.

However, the critical issue with qualitative research in this topic is the importance of anonymity for the respondents. Whereas methods could be employed with quantitative research to ensure no details on members would be recorded and therefore the most honest of answers; the same cannot be said for qualitative research. Qualitative research in the form of interviews or focus groups would require the individual's presence and therefore immediate identification. Anonymity is critical because each member of these groups is

looking to create strong relationships from the other members and from the group itself. In each of the networking groups there are members in senior roles with the responsibility to make the group even stronger. From direct experience with these groups, it is not unusual for members to be somewhat guarded with their true feelings about the group and their loyalty towards it. After all, with BNI for example, no member is guaranteed renewal and it is only on evidence of their commitment to the group and their efforts to help grow it (by promoting its benefits and inviting visitors) that they will be accepted. Similarly, Lynne Orton who founded and runs BizNet is noticeably friendly with members and a well-connected member of the business community in Swansea; it would not be unfathomable that members of BizNet would be overly positive about BizNet, even if the truth was somewhat different, in an effort to keep face with the owner and stay on good terms with her personal network. In conclusion, to ensure the most truthful and accurate of response a solely quantitative approach would be preferred ensuring anonymity.

An additional thought was given to potentially interviewing past members of such groups to gauge their opinion on the benefits and negatives. However, again, direct experience has suggested this would have been a waste of valuable resource and, in particular, time. Contacts known to have left the networking arena altogether had done so as a result of individual or company changes rather than inefficiency or lack of return from the networking groups itself. As this research is more focused on the factors controlled by the groups themselves and what they can do to potentially better serve members, then it was considered qualitative data would have been largely irrelevant. To compensate, questions were included in the quantitative questionnaire to ascertain the reasons why companies may have left one group to go to another. This would highlight deficiencies or areas of best practice within the group's control that could be noted as a key decisional factor.

The justification for a quantitative research method has been outlined above and the benefits of this approach are numerous and include reliability, precision, increased sampling size, responsive data collection, low cost, protection from bias and simple replication if required (Malhotra & Birks, 2000; Myers, 2013; Collis & Hussey, 2013; Saunders et al, 2007;).

The loss of qualitative responses may suggest the research does not have the richness and depth normally associated to personal choice, but then again business decisions are more often than not made on a statistical and financial basis. Quantitative data will show clear evidence of trends and patterns affecting networking decisions and the legitimacy of these findings will be upheld due the capability to ensure anonymity and lack of bias which qualitative research is often prone to.

3.3.2. Research Design

Primary data will be collected through quantitative research in the form of an online questionnaire (Appendix A) sent to the memberships list of each of the Swansea based groups within BNI, 4N and BizNet, during the first two weeks of October 2015. Respondents were supplied with the same survey showing the same questions in the same order. The majority of questions were closed questions reducing the level of interpretation and irrelevant response. The questions were focused on ascertaining the member's company situation and size, their perception and attitude towards networking, and their opinion on the driving factors as outlined by the literature review. In many cases, the respondents were asked to scale or rank the factors in order of importance to them and/or their company.

The questions were constructed in relation to the findings from the Literature Review in accordance with the primary objectives. The survey was structured into six distinct segments.

Firstly, questions relating to the individual and the company status. Secondly, their current membership and the driving factors behind their initial decision to join compared to their current opinion. Thirdly, the individuals previous memberships of these groups, if any, and the influencing factors is their decision to not renew. Fourthly, whether they attend other networking groups outside of the main three or simply stick to their current membership. Fifthly, how do they rank the five key aspects of networking, according to the literature review. And finally, whether they record the return on their investment to these groups and is it just financially focused, or do they value the added, intrinsic benefits.

The first objective *"To critically evaluate the driving factors for small business owner-managers choosing to join commercial networking groups in Swansea"* will primarily be concerned with the findings from the second segment regarding the reasons why they chose to join a networking group in the first instance. This objective will also be helped by the findings from segments four and five, which aims to highlight the importance of networking overall in regards to each member and also what key aspects of networking are of primary concern to them.

The second objective *"To assess the key factors influencing the decision to renew membership"* is predominately related to the third segment of questions which directly enquires into the factors affecting exit from a previous membership. The second segment of questions will also highlight how the members' perception of the importance of various factors has changed as they now consider renewal rather than the initial plunge to join. The final segment will also help identify whether members chose to renew, or not, on an assumption of success or whether they actually measure the return on their investment.

3.3.3. Online Survey

An online survey was opted for, rather than face-to-face surveying or paper-based questionnaires. Due to the time and resources available, and the efficiency of sending and collecting via a designated, purpose-built system, this process was far more beneficial. Online surveying offers convenience for the researcher and the respondent, but the downsides are there is little ability to support any difficulties in understanding the questions or how to respond, and furthermore the ability to exit the survey at any point is far easier. This supports the decision to restrict the number of questions to just ten and although this may limit the quantity of data collection (Bryman & Bell, 2015) it was felt the questions asked were comprehensive enough to complete the research.

There are many advantages to using the internet to supply surveys and generate responses, including time, convenience, cost and range. Modern survey programs and cloud-based survey websites allow you to structure, send and analyse data with minimal effort and expertise. This can significantly reduce the time taken to construct and complete research, however, without prior warning, proper introduction or existing connections with your chosen response group, the response rate can be disappointing (Davies & Hughes, 2014). As a result, chasing responses and identifying missed individuals or groups can be resource heavy and time-consuming. In the case of this research, respondents were personal business connections and therefore more easily motivated and persuaded to take part. A common problem in the modern 'e-world' is often emails generated and sent via a website can be reported as junk or spam and are therefore missed by the receiver. Additionally, technical troubles can arise, without notification or remedy, at any level taking all control from the research and delaying the process (Burns & Bush, 2006).

The chosen online program for the generation and dissemination of the survey was SurveyMonkey.com, a World-leading online research software platform. The close alternative was the Google Forms solution offering similar function in design and collection, but falling short in competing on functionality and data analysis. SurveyMonkey offers more powerful statistical and analytical tools, not only in the visualisation of results but also the ability to filter and cross-tabulate responses. Although the free version was more restrictive in only allowing 100 responses and ten questions, compared to Google Forms unlimited range, the ability to easily compare groups and segregate results depending on varying factors was the decisive feature in choosing Survey Monkey.

The survey was disseminated to the target groups through direct emails to all members of each group - 140 from BNI (five separate 'chapters'/groups), 25 from 4N and 50 from BizNet.

The latest membership lists were sourced through existing personal business connections with the leaders and coordinators of each group.

A pilot survey was conducted through trusted business associates to evaluate the suitability and the flow of the questions. It also aided in eradicating errors and problematic sections, and provided a valid estimation of the time taken to complete the survey (Iarossi, 2006). The pilot provided constructive feedback was used to refine and simplify the final survey. In order to test the process fully the pilot was also conducted online via SurveyMonkey.com and the link was emailed directly to the known associates email address. Results were collated and analysed online through SurveyMonkey.com to check the analytic functions and options available were adequate.

3.3.4. Sampling Framework

The sample considered in this research consisted of owners, directors, managers and employees of small businesses who were members of at least one of the main commercial networking groups in Swansea, namely BNI (any of the five chapters), 4N or BizNet. A sample size of 100 respondents was targeted for the quantitative survey and this maximised the potential within the opted free version of Survey Monkey. This was deemed an appropriate number due to the diversity of small businesses involved in these groups who were perceived to have differing motivating factors. Within these target groups in Swansea there are approximately 150 members so this sample size would reflect a two thirds majority of members.

The research adopted a convenience sampling approach, described as a “non-systematic approach to recruiting respondents often allows a potential respondent to self-select into the sample” (Schonlau et al., 2002, p. 33). In opening the survey up to all respondents by simply emailing the web-link to all members of these groups, this ensured participation was voluntary and self-selected (Schonlau et al., 2002), and therefore removed any potential interference or bias. This was also more convenient requiring less time, effort and cost.

3.3.5. Data Analysis Techniques

For this research, as mentioned, Survey Monkey was used to collect and analyse the data collection due to its comprehensive and suitable analysis tools. Survey Monkey allows you to view individual responses, filter responses according to preferred variables, cross-tabulate results, as well as illustrate the findings in familiar graphs and tables. The data was analysed individually to identify clear trends and bi-variate analysis to explore relationships between the varying factors included in the survey (Bryman & Bell, 2015). One particular focus would be to detect any correlation between current chosen group membership and the networking factors and outcomes determined to be most important. The overall outcomes of the survey

and analysis would then be used to address the research objectives, theoretically and statistically.

3.3.6. Ethics, Reliability & Validity

This study required voluntary participation from the targeted groups, and therefore no mandatory questioning was included. This, together with assurance of anonymity of participation and from results, provided the permission required to collect responses and continue the research. Confidentiality of the respondent was safeguarded to ensure firstly their sincerity with their answers but also to protect their standings and continued relationships with and within the discussed groups.

This survey did not involve known vulnerable persons and did not requiring any specific safeguarding measures.

Reliability in relation to a survey is best defined as “the ability of a data collection instrument to yield the same results when used in a similar setting” (Corner, 2009). Validity is concerned with how accurate a data collection instrument can be in measuring what it was intended to measure (Dillman, 2000). To increase the validity of the results the interview questions were designed to be specific towards assessing networking factors as depicted by findings from the literature review. In addition, the pilot survey conducted prior to the full survey determined the validity as well as the functionality of the questions. This step enhances both the validity and reliability of the research (Dul & Hak, 2007).

3.3.7. Limitations

It is noted the sample size may have limited the findings however the restriction to just three organisations, within the locale of Swansea, up to a maximum of 100 respondents was deemed to be appropriate and it was concluded additional responses would have been comparative to the findings.

It could be considered the collection of data via online survey only may have affected responses but with digital and technological capability in the modern business world this was now seen as a significant threat.

The main limitation to this research, as discussed previously, is the lack of qualitative research possible due to the requirement to ensure anonymity. To gain a comprehensive understanding of the social behaviours involved in networking then a mixed methodology, pragmatic design would have been preferred. However, as protection of members identity was critical, together with restrictions on resource and time, the loss of qualitative research was a necessary choice. The quantitative approach can ensure bias is not an issue and clearly identify trends necessary for later discussion.

4. FINDINGS & ANALYSIS

The survey responses were collected with a two week window of 25th September 2015 to the 9th October 2015. The quota of 100 responses was achieved and successfully restricted to current members of Swansea-based networking groups of BNI, 4N and BizNet. All respondents completed the survey in full and no errors were noted during collection.

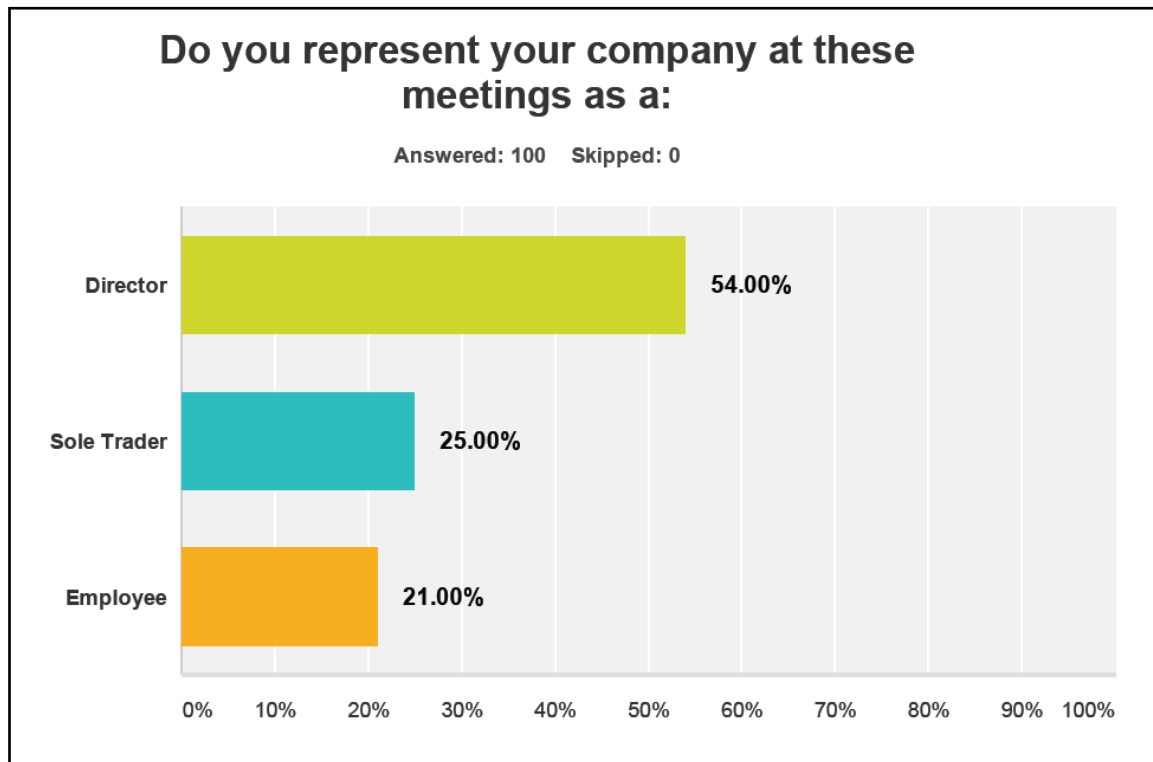
As a reminder, the aim of the research is **to analyse the real benefits that exist in ‘offline’ business networking in Swansea for small to medium enterprises (SMEs)**. The specific objectives addressed by this research are:

- 1. To critically evaluate the motivating factors for SMEs choosing to join commercial networking groups in Swansea.**
- 2. To assess the key factors influencing the decision to renew membership.**

To summarise the responses, the questions were divided into three sections (Appendix A). The first section consisted of three questions identifying the individual and company size and situation. The second section contained four questions intended to investigate what networking groups they attend and why, and if applicable why they have left networking groups in past. The final section consisted of three questions which gathered further evidence on the importance of networking to that person and/or company. The full results can be viewed in Appendix B.

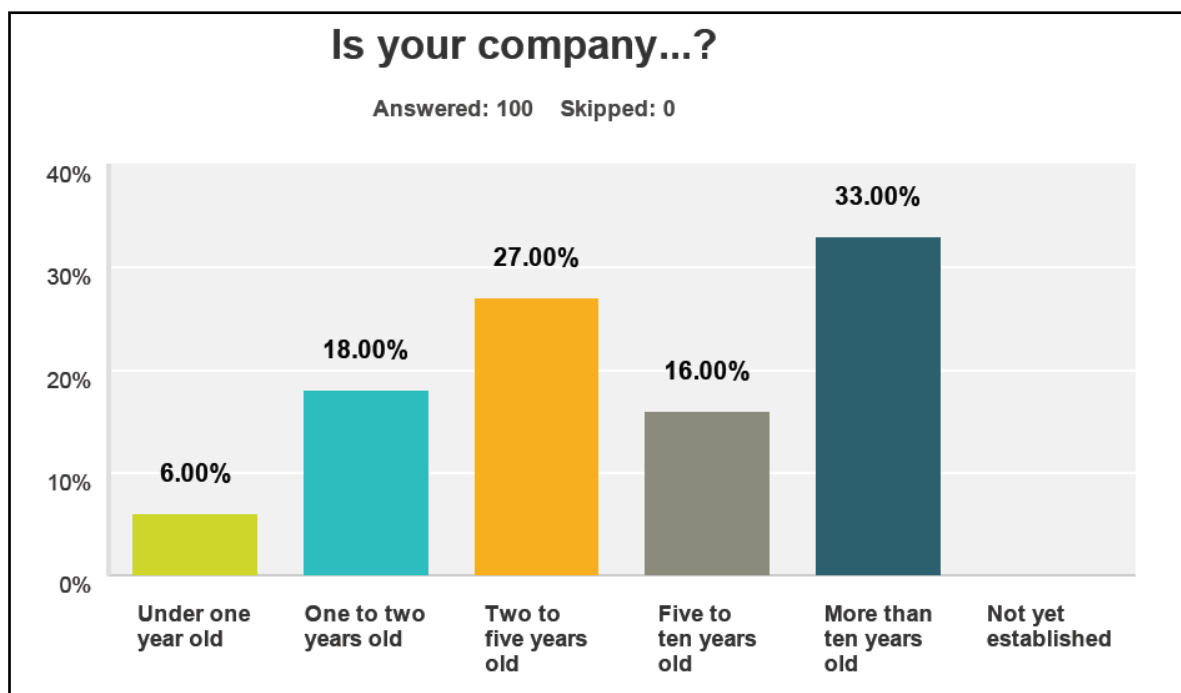
4.1. SECTION 1 – About You and the Company

Question 1 distinguishes what position the networking member has within the company they are representing. The results show the majority of attendees are Directors of the organisation they represent, with just over half the responses (54%), with sole traders 25% and employees of companies the least with 21%.



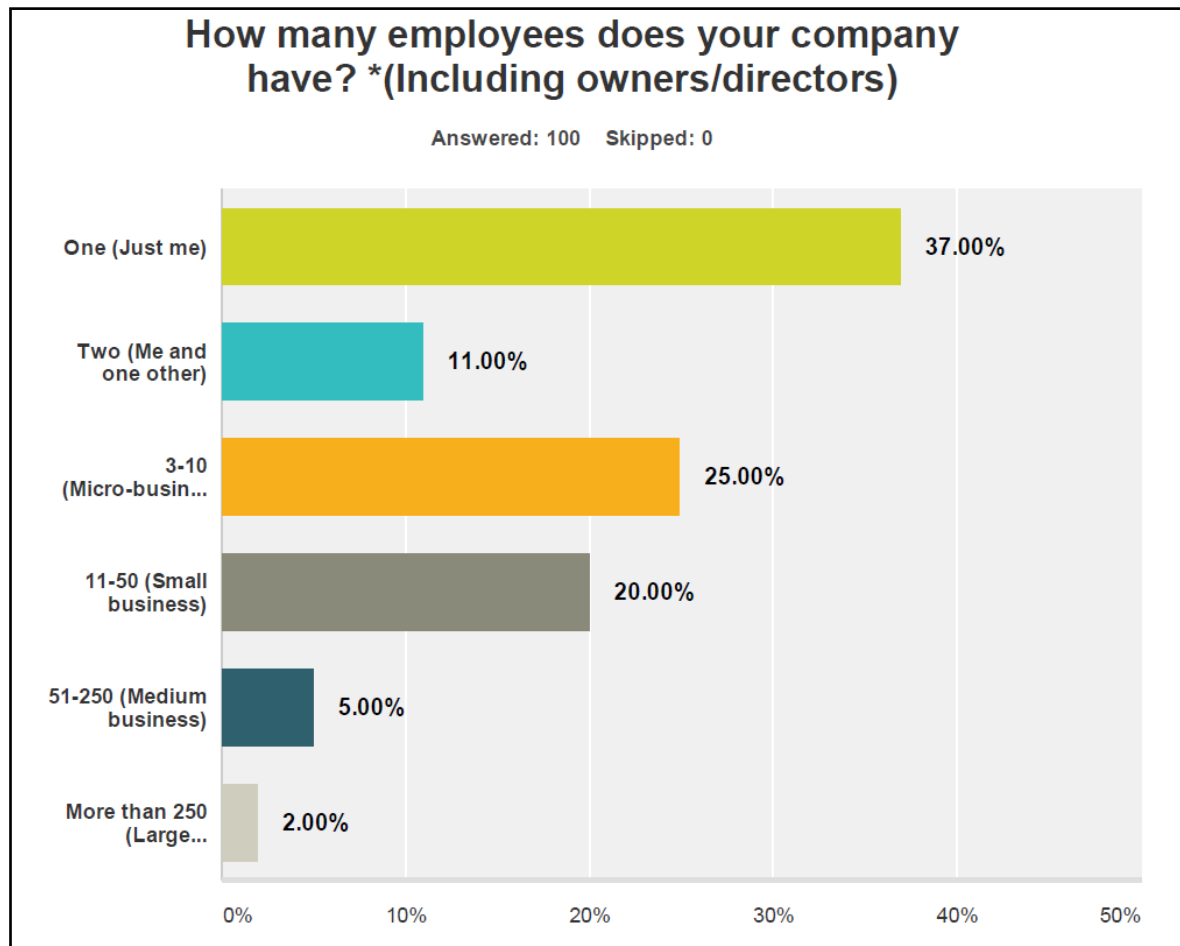
In combining directors and sole traders together as 'owners' of the business, then this group equates to over three quarters of 'networkers' in Swansea. This is important to note as employees may attend simply because they are employed to do so. They are there to market the company and get more sales, whilst owners may also be more interested in the added value such as saving costs, sharing knowledge or even socialising. It would also be prudent to point out some employees may in fact be instructed to attend so membership is less of a choice and more of a job requirement.

Question 2 looked to identify the age of the company as research highlighted networking may have more beneficial significance to early phase or start-up companies (Julien, 1995, Fuller-Love & Thomas, 2004, Schoonjans et al., 2013), whilst others have noted networks are key to long-term success and can help companies avoid stagnation (Felson, 2001; Mort & Weerawardena, 2006; De Klerk & Kroon, 2008). The findings for Swansea were surprisingly only 6% of businesses were still in their first year of trading. This increased to 18% at 2-3 years old, and again upwards to 27% for 2-5 year olds. Interestingly, in the findings it was at 5 to 10 years that the membership numbers took a dip, down to 16%. Then at ten years and upwards the statistics jump back up to the biggest catchment of 33% of responders.



This indicates as companies grow they see more and more benefits from networking so continued membership is preferred. The dip at 5 to 10 years suggests companies feel they have saturated their use of networking and so choose to exit at this stage.

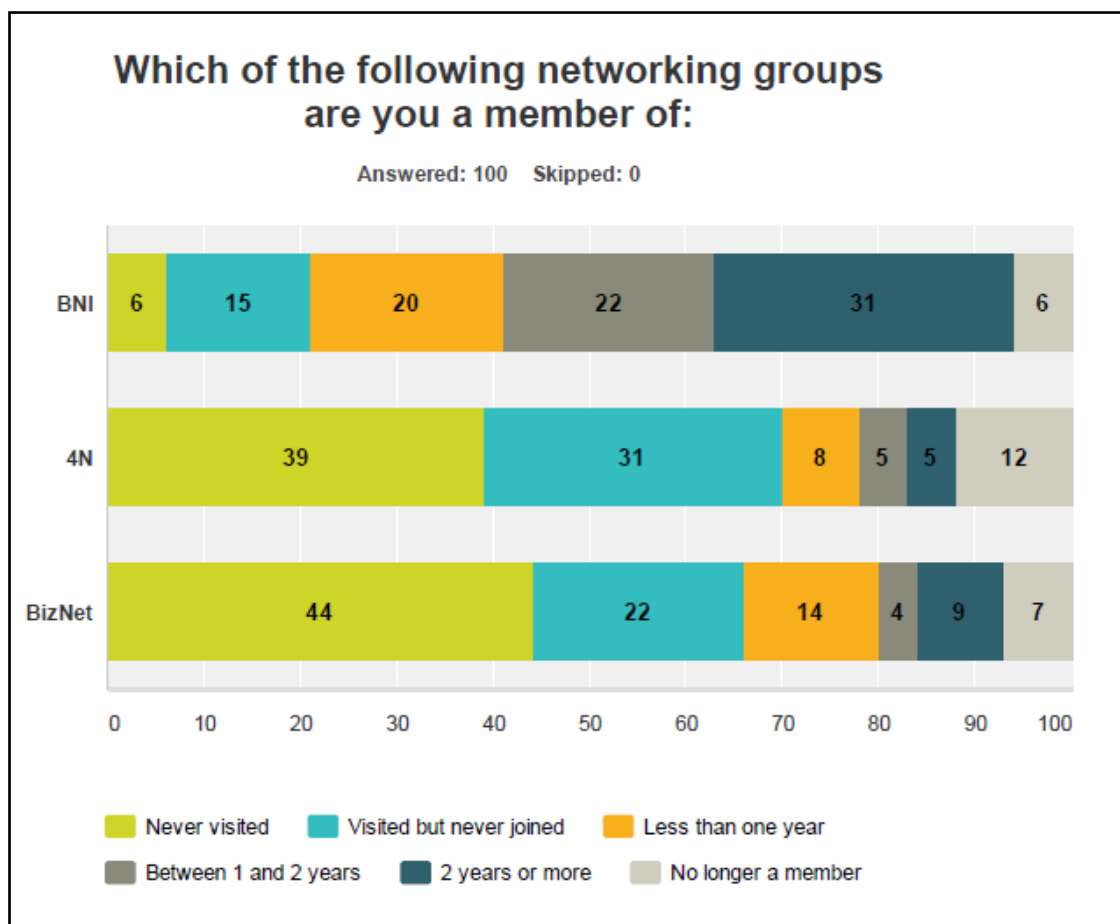
Question 3 was used to estimate the size and stature of a company, and replaced questions such as turnover and market share which would have potentially been unanswered due to the sharing of sensitive data. The majority (37%) of responses came from single-employee businesses, where the owner or director is that employee, and there were eleven partnership, or '2-person', companies.



These are important findings because it is likely these attendees are heavily burdened with ensuring company success and so their involvement more critical than say an employee. In classifying SMEs as any business with less than 250 employees, it can be stated from the findings that 98% of the responses fall into that category, with just 2 companies stating over 250 employees. This matches the findings from the secondary research regarding SMEs statistics and therefore confirms the findings as highly representative of the overall Welsh business demographic.

4.2. SECTION 2 – Your Membership

Question 4 confirmed the responder as a member of one or more of the three targeted networking groups. In filtering the data, it was shown only three responders were members of all three networking organisations. Oppositely, 82% were members of only one group and had either never visited, never joined or had previously left the other groups. 15% were members of two groups, but had decided not to join the third. In scanning these results there does not seem to be any recognisable pattern between which group members decided to leave out in relation to which they had joined. Of 100 responses 73 were members of BNI, 18 of 4N and 27 of BizNet. The results therefore are a fair representational spread of known Swansea membership figures as BNI has over 140 members within five chapters, BizNet is the second largest with just over 50 members and 4N is estimated to have around 25 members.



In reviewing the data, BNI clearly showed a higher level of loyalty from its members as numbers increased as the years of membership went up. In comparison, 4N numbers declined as age increased as did BizNet's in the main.

Interestingly, the figures show 39% of respondents had never visited 4N and 44% had never visited BizNet. For BNI this figure was only 6% but this is to be expected as 73% of

respondents were existing BNI members. This is significant because by joining one group the sample have indicated they judge networking to be a good opportunity for their business but these findings show a high proportion (56%) had not felt it worthwhile to assess all the options before committing. Furthermore, 33% had only visited the group they later joined and had not even investigated the other two options before committing; over 95% of this 33%. There may be various reasons why a company may decide to invest in BNI over the others, but understanding why they seem resistant to the sensible option of first assessing all opportunities is more challenging.

This question also showed that 21 respondents had left a group in the past (6% had left BNI, 12% 4N, 7% BizNet). This highlights success from networking is not guaranteed and renewal of membership is not a certainty for the organiser. It indicates the key to networking is getting the right fit between the individual/company and the networking organisation – what works for one, may not work for another. The networking organisation should collect feedback on exit to identify of problem areas; this is not currently practiced by any groups.

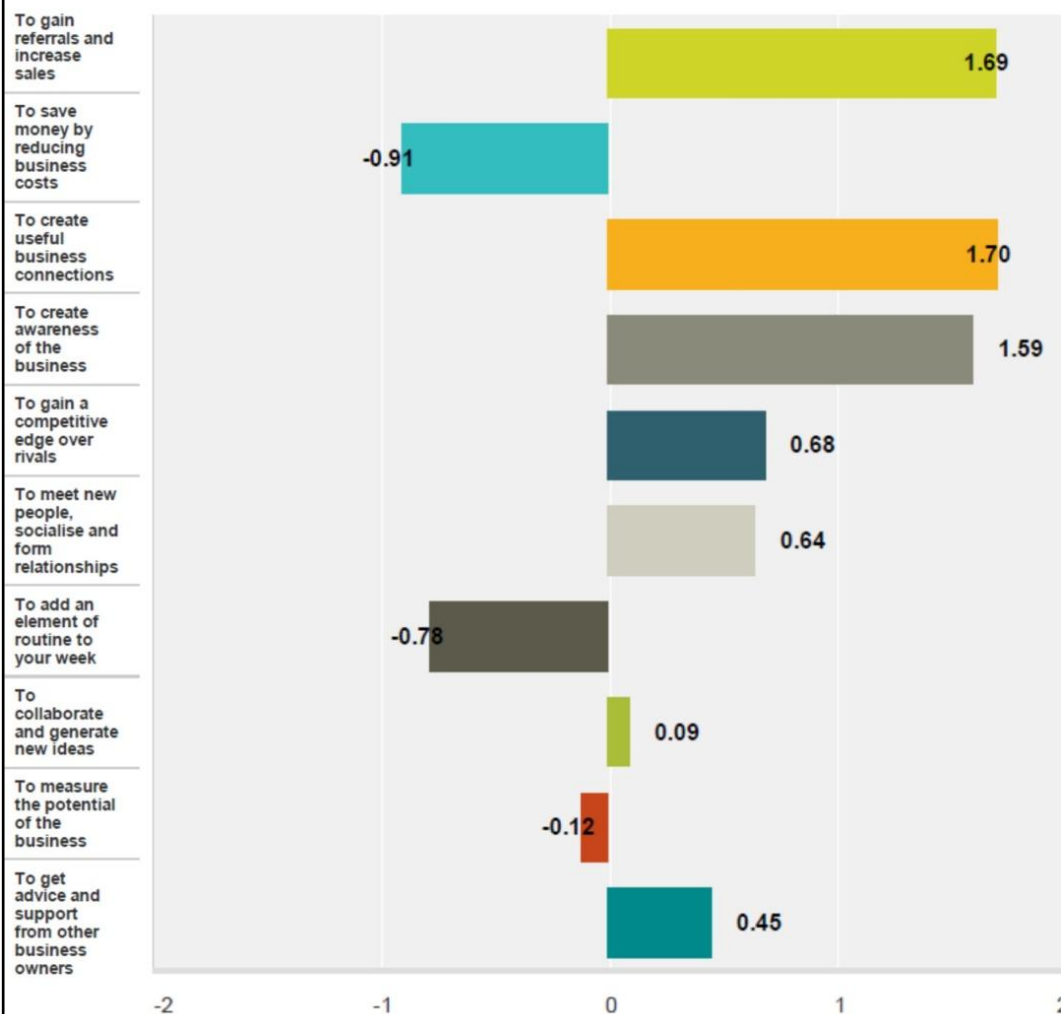
Questions 5 and 6 were designed to find out why members joined in contrast to why they may re-join in the future. The factors used were rated from 'not important' (-2 weighting) to 'extremely important' (+2 weighting). As the illustrated charts show, there is clearly similarity between pre- and post-membership. This is to be expected because Question 5 is based on the assumption the individual is able to think back to when they first joined; in reality then and now have probably blurred together. However, the subtle change and movements between the two will be enough to signify a change in mentality.

As expected 'To gain referrals and increase sales' was the most important factor in both cases. Over three quarters of respondents put this as extremely important suggesting if sales are not increased then networking would have failed for them. This was closely followed by 'to make business connections' and 'to create awareness'. Over two thirds of the sample chose these three factors as an extremely important benefit of networking.

Creating competitive advantage was considered important to over 60% of the sample in both scenarios, meaning 40% did not see it as of particular importance. This is interesting given the fact research suggested Wales was a saturated market (Welsh Government, 2015). However, the shift in the weighted average, from 0.68 to 0.83 indicates it is not until members begin networking that they become aware of competitors and the significance of having an edge.

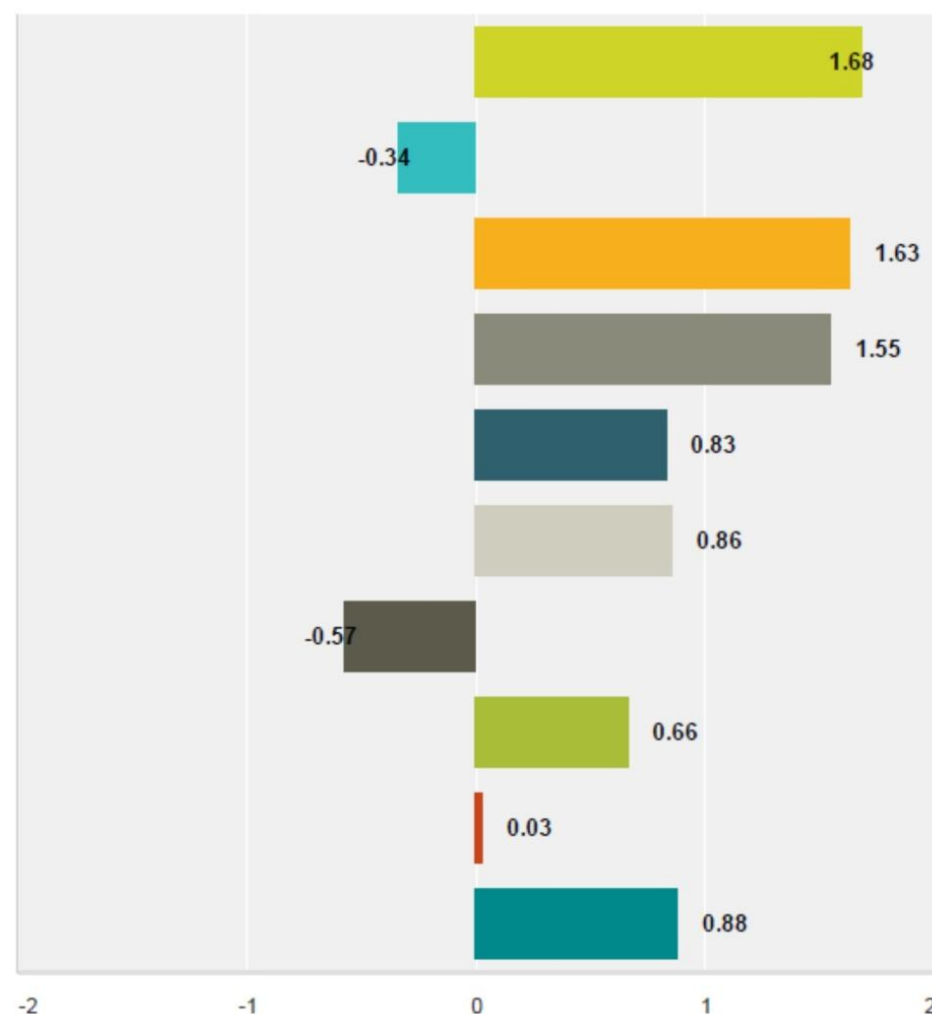
THINK BACK! How important were the following factors in your decision to join a group INITIALLY (rating each factor where 1 is 'not important' and 5 is 'extremely important'?)

Answered: 100 Skipped: 0



NOW, how do these same factors rank when considering renewing your membership (rating each factor where 1 is 'not important' and 5 is 'extremely important'?)

Answered: 100 Skipped: 0



In considering the social aspects of networking, in meeting new people and forming relationships, then this question provided strong support to the opinions formed in the literature review. Taylor et al. (2004) highlighted the value to SME's of creating friendships and Van Zyl (2009) documented improved productivity from 'happier' personnel due to networking activity. This factor was given as much significance on average as creating a competitive edge. The increase between Question 5 (0.64) and 6 (0.86) shows that over time these trusted relationships become more valued.

The greatest shift is attributed to collaborating and generating new ideas, as noted by Johannisson (1987), Uzzi (1997) and Lechner & Dowling (2003). Most did not see view it as a particularly important motivating factor in joining. However, after actively networking the attitude changed and it is now seen as important (0.66).

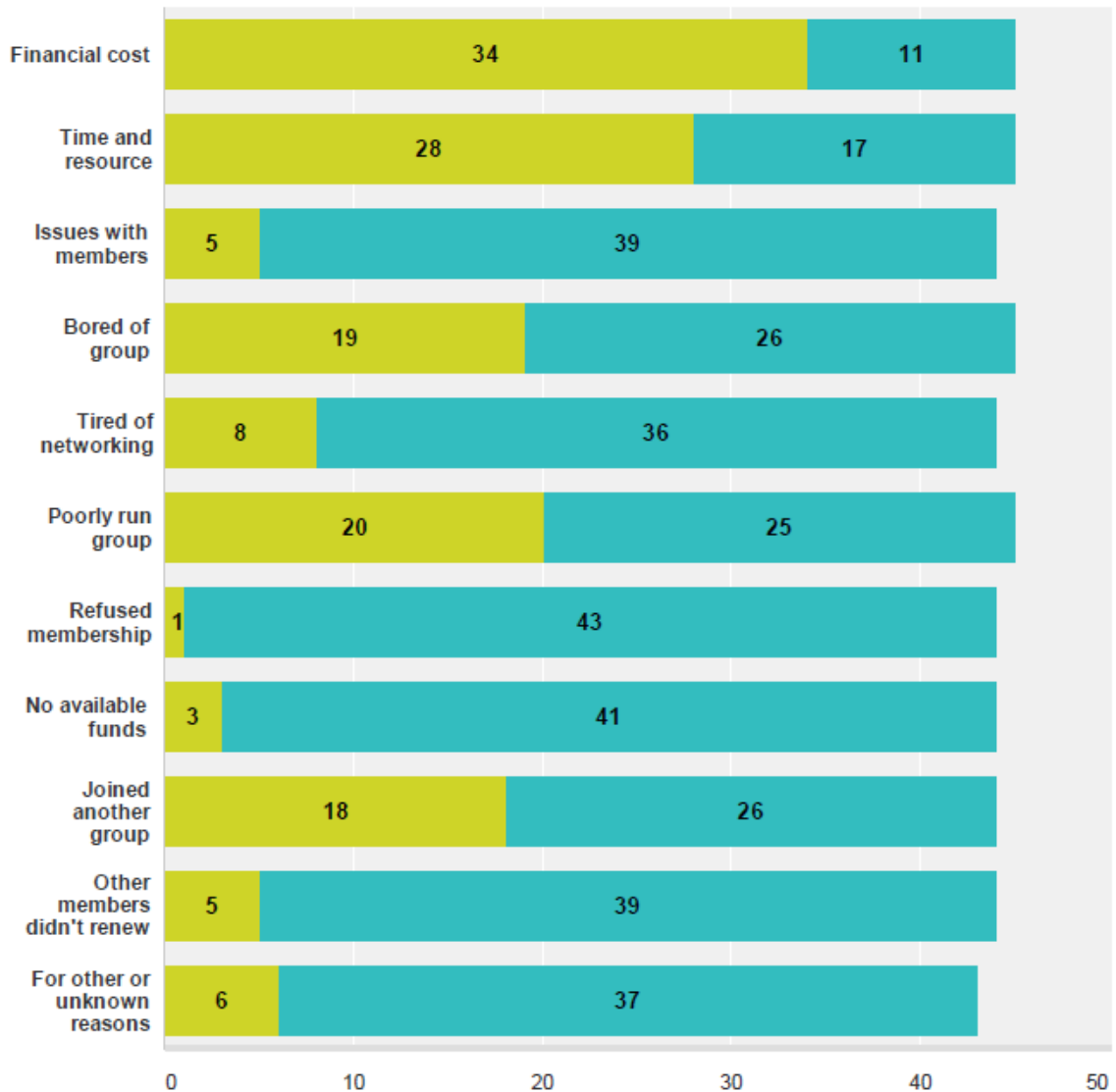
'Measuring business potential' and 'seeking support from others' also slightly increased, again suggesting introversion within business owners (Curran & Blackburn, 1994; Gray, 2004). This indicates that testing ideas, sharing methods and critiqued by other businesspeople is not positively viewed until trust is built. In fact, access to support and advice was considered the fourth most important aspect (weighting at 0.88) of networking in Question 6 compared to its previous placement of sixth (weighting at 0.45).

Importantly each individual factor has increased in importance emphasising that networking has an overall positive effect for members.

Question 7 enquires into why members have left a networking group in the past. Forty-six individuals responded to this question suggesting nearly half of the sample had previously been a member of a group that was ineffective in their view. Twenty-one of these responses were leavers of the target groups (identified in Question 4), the other twenty-five were from other networking groups (for example: Federation of Small Businesses, Swansea Bay Business Club). The main reason for exiting was financial cost outweighing the expected benefits for the next year (weighted average of 0.76). This reason was closely followed by the resource burdens of time and commitment (0.62). Of similar weightings (0.41 to 0.44) were a collection of responses asserting the decision to not renew was due to the deficiency of one group in comparison to another. This indicates a shift in blame from a lack of return on investment to a lack of capability from the networking organisation itself, whether that be ineffective processes or an inability to keep it appealing. Finally, the lowest ranking factors (0.02 to 0.18) were more member specific including lack of general interest, loss of key relations, direct grievances, or lack of company funds.

If you have previously joined a networking group and then not renewed your membership, please indicate why by completing the below? (If this does not apply to you then please skip to Question 8)

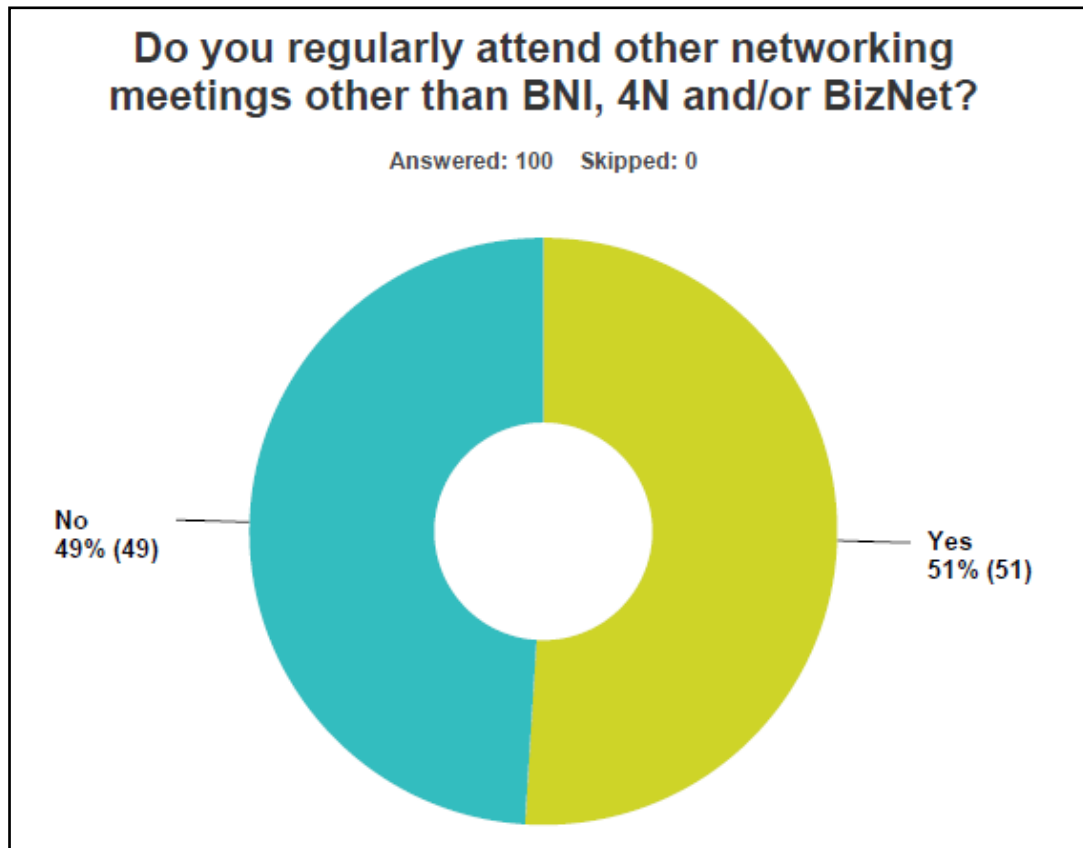
Answered: 46 Skipped: 54



It can be concluded therefore networking organisations must, as a priority, enable each member to achieve a profitable return from their investment of money, time and resources. They must also ensure they run efficiently and effectively, and endeavour to remain attractive against their competitors through innovation and adaptability.

4.3. SECTION 3 – More Networking

Question 8 was a more general and gauged whether the sample members engaged in other networking events outside of the three targeted. The assumption here would be if a company pays for a membership then they must associate a positive value to networking. Therefore, in principle it would be advisable to explore and utilise all networking opportunities in order to maximise business.

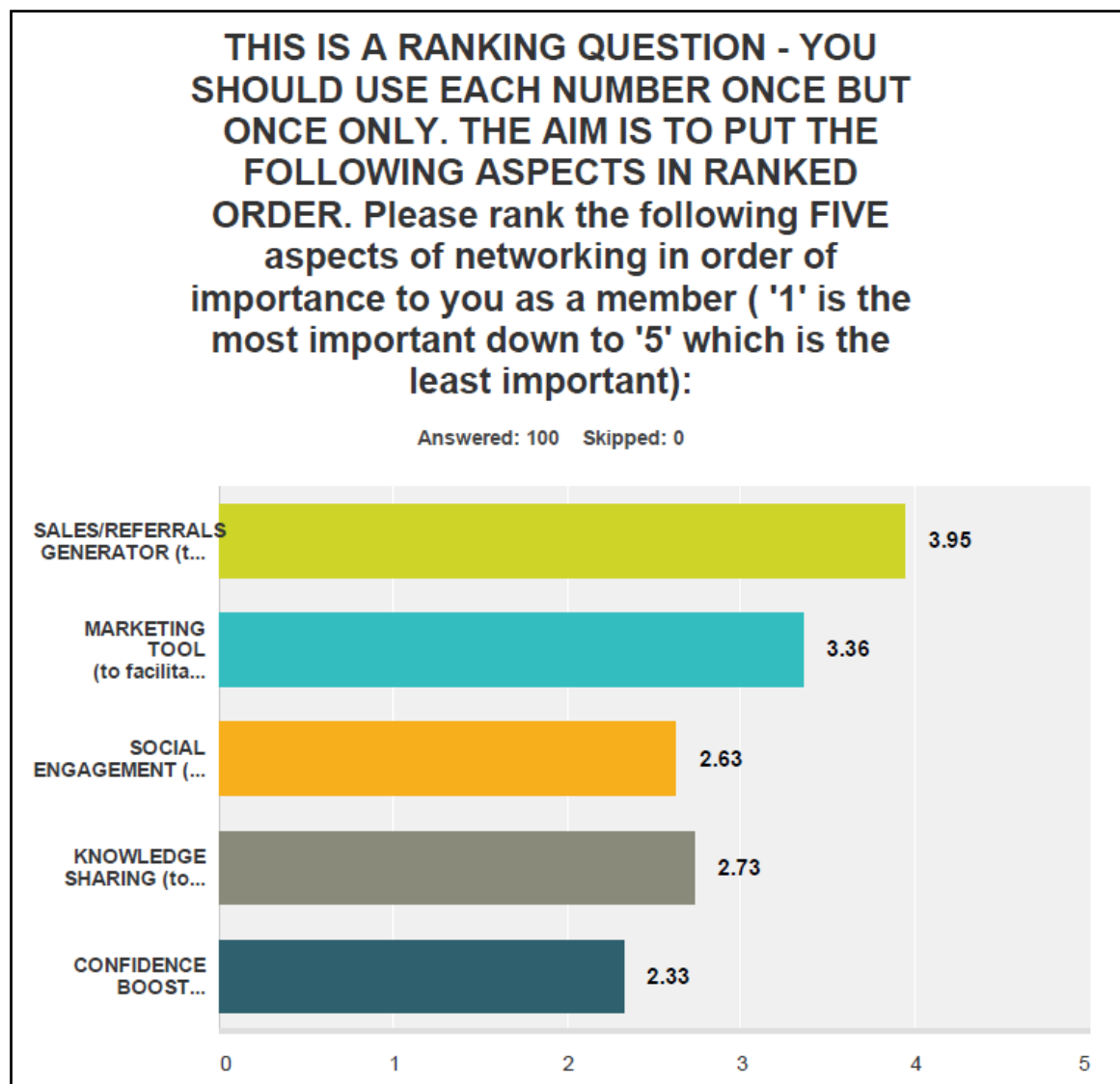


However, 49% of respondents stated they do not network outside of their membership group. Given the range of options in Swansea alone this is quite surprising. It is known from Question 4 that fifty-six respondents had not tried all three target groups, and thirty-three had only visited and joined one of the three. Therefore, this figure of nearly half is not so surprising. However, it does ask the question of how one in every two companies can value one form of networking so highly as to pay to join, without having directly experienced and evaluated the rest. Do the other groups offer less suitable times and places to meet? Is the lack of national or global recognition enough to persuade a businessperson to not even visit? Or is it purely based on financial cost?

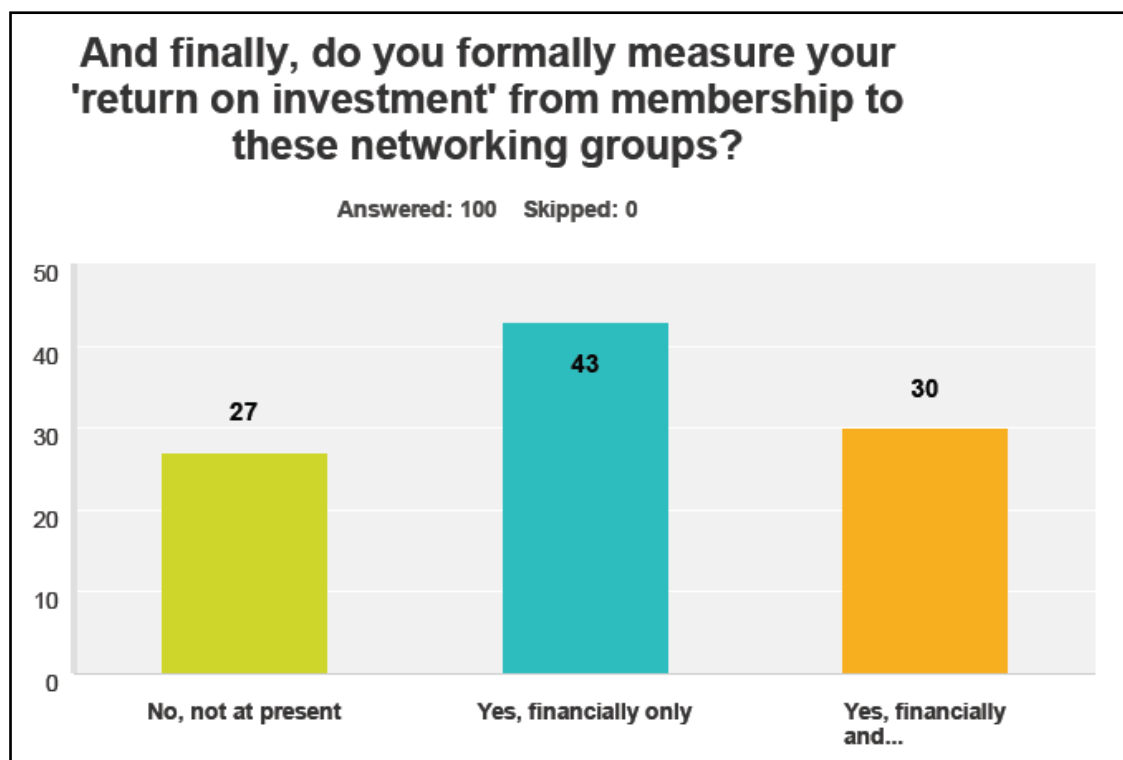
The conclusion to the literature review highlighted five key benefit categories to networking – Growth, Marketing, Knowledge Collaboration, Social Engagement, and Self-Confidence.

Question 9 was pivotal in assessing where the critical importance of networking lies for

businesses and members. Each member was required to put these five categories in order of importance to them and/or their company. The results showed clear alignment to the weightings of Question 5 and 6, and the factor which ranked top was networking as a Sales/Referrals Generator (weighting 3.95 out of 5) with 62% of the sample choosing this as number '1'. Second was networking as a Marketing Tool (weighting of 3.36) with 44% of people putting this as number '2' and 15% selecting this as most important above Sales/Referrals. Knowledge Sharing was third (2.73), just above Social Engagement at 2.63. The majority chose Social Engagement as fourth with just 3 individuals selecting it as number '1'. Finally, self-confidence was a close fifth (2.33) with 43% choosing it as their least important factor. Interestingly, the results showed fifteen individuals had chosen the Confidence Boost as their prime motivator potentially highlighting another undervalued and unadvertised benefit of networking. This is understandable given a lack of research and academic theory supporting this factor (Johannisson et al, 1994).



Finally, **Question 10** was based on a notion, highlighted in the literature review, that the benefits of networking can only be truly valued and judged if a positive return on investment is illustrated (Watson, 2007). Again, the assumption here would be businesspeople who are responsible for company decisions, profit levels and growth, would naturally implement some form of measurement or accountability for their investment in networking. However, 27% of respondents openly expressed they do not 'formally' measure their outcomes and returns from their membership to networking groups. 73% did measure the return on investment by keeping a track of the financial increase via added sales, and 43% also measured additional benefits such as number of positive business leads and referrals, supplier options, brand awareness, increased enquiries, personal reputation, and friendship.



It should be noted the 73% here have been identified as being different to the previous 73% figure stated for Question 4 that represented BNI members. This is important because although BNI does incorporate systems to track member's productivity it does not record what the member receives; instead it records what they give to the group in terms of contributions. Each BNI member is still individually responsible for tracking their own return from the group. Therefore, no matter where membership lies the responsibility to track the proceeds remains the responsibility of the individual and/or company. The question here is why would a company choose to not measure their return? From direct experience, the most common response expected would be 'because I know if it's working or not'. Therefore, should the organisers and networking groups offer a system to their members to help them track their payback from membership?

4.4. Cross-Tabulation of Findings

There were some notable findings from the cross-tabulation of the results but overall the filtering of the data did not generate any significant findings contradicting previous findings.

4.4.1. The Employee Segment

One area containing useful findings was the comparison of employee-based to directors/owners members. The perception is that if employed, there would be less enthusiasm, motivation and commitment to networking. 71% of respondents who were attending as employees (21 in total) were from organisations ten years old or more, simply indicating only the more established companies are willing to invest in networking using staff. The majority of this segment were members of BNI (15 in total) with only two being members of 4N and seven of BizNet. Interestingly, 43% of the employee respondents had never visited 4N or BizNet signifying that the more established BNI is the preferred investment option.

In examining the responses from this segment for Question 9 it was surprising to see the outcome differed to the overall sample weightings. Although networking as a Sales/Referral Generator was top for employees (with a weighting score of 4 out of 5), the surprise was Social Engagement came second (3.19) and Confidence Boost rated third at 2.71. This put networking as a Marketing Tool and for Knowledge Sharing, fourth and fifth respectively. This shows although the company may have a focus on marketing and increased knowledge, for the individual who physically attends the meetings, who is paid to attend, the personal development is more important as is their desire to build friendship and increase their self-assurance.

As an employee, acting on behalf of a company, it would be expected a high percentage of this segment would be forced to track the return they receive from their membership. The findings show 29%, almost a third, do not track financially, or otherwise, their return on investment from networking. This means the company is unable to judge the effectiveness and true benefits received from this activity.

4.4.2. Partnership/Two-Person Segment

Whether the two-person businesses are owner-partnerships or 'one owner and one employee', it is interesting that Question 5 & 6 responses differ quite significantly from the overall sample findings. The importance laid on increasing sales falls back from the 100 respondent position of first place to third. Instead increased knowledge and information is considered the more beneficial outcome of networking, with 'To create useful business connections' achieving a 1.82 weighting out of a possible 2.00 and 82% of the eleven respondents putting it as extremely important. Creating awareness of the business is a close

second, and collaborating to generate new ideas and getting support and advice get highly valued fourth and fifth places. This is interesting as a two-person business already has the ability to share ideas internally whereas a one-person business does not, but yet it is this segment that considers knowledge more important than sales.

Question 9 gives the best indication as to where the importance of networking lies for a two-person business and again it is this segment of the sample that has chosen differently to the overall sample by ranking networking as a Marketing Tool at number '1'. This highlights how strongly partnerships rely on creating awareness. Sales/Referrals is placed at number '2' with Knowledge Sharing in third, with a more significant gap to fourth (Social Engagement) and fifth (Confidence Boost) than is expressed in the full sample. The educated assumption here would be partnerships and two-person businesses feel obliged as part of a close team of two to disregard personal development and quick sales in exchange for building reputation and increasing the chances of long-term survival.

4.4.3. Long-term Members Segment

An important correlation was seen in the responses to Question 10 when segmenting 'two years or more' members. It is assumed these networking veterans are more educated in the importance of accurately assessing the return on membership, and the findings support this. For this segment, only 17% did not measure the return on investment compared to the overall percentage of 27%. This would indicate lessons have been learned and to warrant continued expenditure in this activity the return must be reviewed consistently and in-depth. Supporting this, of the 21 respondents who indicated they have chosen not to renew in the past, only 10% had chosen to not record their return financially going forward, again showing a lesson had been learned.

5. DISCUSSION & CONCLUSIONS

The following aims to link the findings to the main themes discussed in the literature review and critique the theory against actual results.

5.1. Objective 1

In considering the first objective of the research - **To critically evaluate the motivating factors for SMEs choosing to join commercial networking groups in Swansea** – it seems appropriate to associate the survey findings to the five categorised benefits highlighted for SMEs as highlighted in the literature review; those being:

1. Growth (through referrals and sales)
2. Marketing (greater market awareness, credibility and reputation)
3. Knowledge Collaboration (creation of new ideas and shared knowledge)
4. Social Engagement (social interaction and creation of personal connections)
5. Self-Confidence (individual and organisation empowerment and belief)

5.1.1. Growth

The findings certainly support the theory that company growth is a critical benefit to networking (Felson, 2001; Mort & Weerawardena, 2006; De Klerk & Kroon, 2008) as the vast majority of respondents put this as their top incentive. Question 5, 6 and 9 directly investigated the importance of increased sales and referrals (Birley, 1986; Kingsley & Malecki, 2004) as a motivating factor in companies networking and becoming members. This is somewhat of a given benefit to networking though and one exhaustively promoted by all the networking organisations. It could be said a company would expect this to happen when they partake in networking activity but what may sway their decision over what group to join is more influenced by the more hidden benefits and nice surprises if you like. Certainly, even by just completing the survey, it could be argued some members may have been enlightened by reading what the other benefits consist of. It could be further argued members solely focus on how much money the group has made them when considering renewal, when in actual fact they should measure the value of the other benefits in addition to this (Watson, 2007). Something the findings have shown does not happen in practice with only 30% (Question 10) of responses making more holistic assessments.

5.1.2. Marketing

Overall, networking as a marketing tool, was a worthy second favourite after sales referrals. This was similarly suggested in the researched literature, particularly by Hoang & Antoncic (2003), Lechner & Dowling (2003), Witt (2004) and Watson (2007). Question 5, 6 and 9 showed companies consider networking to be an effective promotional tool for their business

and also understand the benefits of adopted credibility and reputation by aligning with successful networking groups (suggested by Question 5 & 6 results for 'To create useful business connections'). The interesting findings, in terms of marketing, were although these businesses obviously saw enough potential value in networking to pay for membership, large portions failed to assess all the opportunities before committing and furthermore many seem reluctant to assess the return on investment which is so fundamental to strategic marketing (Watson, 2007). Another notable result from this research is although Wales' SME markets are known to be competitively dense (Welsh Government, 2014a), many of the respondents failed to see networking as a means to creating a critical competitive edge in their markets. What is interesting here is the consideration this may be down to BNI's exclusivity condition that only one member from each professional can join each chapter. In essence, those joining a BNI chapter see being protected from their competitors as a positive, but are they then also blinded to the existence and mobility of their competitors, and therefore unknowingly failing to react and adapt to new entrants and new threats. The results fail to show this factor as having increased importance for 4N or BizNet members (filtering these groups in Question 5 & 6 caused minimal variation in comparison to the overall results), but with a majority of respondents being BNI members it is still worth consideration.

5.1.3. Knowledge Collaboration

Knowledge sharing and idea generation are running themes in network theory research (Granovetter, 1983; Putnam, 1995; Schoonjans et al., 2013) and are considered critical in both the start-up and growth stages of businesses (Uzzi, 1997; Hisrich & Smilor, 1998; Burt, 1997; Elfring & Hulsink, 2003). However, in a SME market dominated by single owner businesses, this is a concept easily and often overlooked and underrated. The findings for Question 9 show most understand the importance of it but many fail to rate it as being crucial to their businesses success. In fact, 'social engagement' is seen by some to be a more attractive benefit of networking than knowledge. The findings for Question 6 are a good representation of this notion in that having access to support and advice is marginally more important than having the ability to meet new people and socialise, with the more ambitious benefit of 'collaboration and idea generation' coming some distance behind that. This may go some distance in highlighting the disparity between theory and practice especially when considering SMEs (Wyer & Carberry, 1998). The literature review focused on relationship marketing as a new-age approach to modern businesses (Berry, 1983; Gummesson, 1987; Hakanson & Snehota, 1989) and these findings certainly highlight this is needed. Knowledge collaboration may well be an important and unseen benefit but it is not effectively promoted or fully understood by those involved in networking. Creating more tangible evidence of the benefits of collaboration and encouraging further interaction may help businesses to understand and place greater value on the benefits of knowledge transfer.

5.1.4. Social Engagement

Social inclusion and the interaction with other businesspeople was an expected and natural benefit of networking. However, the level of importance members put on this was less predictable. From the literature review and social network theory in particular, it was noted this engagement between people is crucial to successful networking as business does not take place in a social vacuum (Granovetter, 1985). However, this was mainly as a pre-cursor to the eventual creation of relationships which generated collaboration, referrals and increased business (Hakasson & Snehota, 1989). What is surprising is many saw these commercially-based, paid-membership groups as a worthy investment for the creation of personal friends and for regular occasions to socialise. In fact, two comments left for Question 10 stated 'friendship' as a gauge for measuring their return from membership.

However, for the critical questions (5, 6 & 9) social engagement was noted as significantly less important when compared to increased sales for example. This indicates it is vitally important networking organisations get this combination of factors right. Some groups can be seen as being too formal and results focused, whilst others are more informal and social occasions. Again, what works for that company and that individual is ultimately what guides the choice of membership. The difference in importance between the overriding factors does not change when the results are filtered by membership choice of BNI, 4N or BizNet. This is intriguing given the setup of these groups is noticeably different with BNI more goals orientated and formal in comparison to the more socially-focused 4N. This signifies each groups understanding of what drives members to join and where their priorities lie (i.e. increased sales above social engagement). What differs is each individual networking organisation sees their approach as being the best model for achieving greater levels of benefits for its members. This leads on to the question of whether there is an ultimate model for networking? Is BNI already the perfect combination given its global success, or does the constant creation of new networking formats mean there will always be a different way of appealing to new members?

5.1.5. Self-Confidence

Leading on from this is the finding that using networking as a confidence building tool is indeed considered a notable benefit of membership. The inclusion of this option in the survey was purely as a result of the findings from the literature review where it was suggested this may be the case in some minor instances (Johannisson et al., 1994). However, the findings have shown this is valued far more than expected. Certainly engaging in networking, standing up in front of peers and respected businesspeople, is daunting for even the most comfortable speaker but engaging in this to actively improve confidence is a surprising motivation. Question 9 did rank this as least important but in analysing the figures

it was shown 15% saw confidence boost as the primary stimulus for networking. A total of 38% of respondents put this factor within their top three placing it higher than increased sales, marketing function and access to knowledge. This is worth discussing further because not one known networking group promotes this as a benefit of their activity, certainly not BNI, 4N or BizNet. This is not to say there is potential in creating a group primarily focused on helping self-assurance and individual confidence, but it may be worth a mention as an important ancillary benefit. It could be argued however, a networking organisation stating members can boost their confidence by attending may in fact be conveying a lesser image of the standard and quality of their membership. In the competitive SME world, a lack of assurance does not instil a feeling of trust within relationships. Connections with suppliers and customers could be damaged if an individual openly expresses they are short of confidence in themselves as this may infer a lack of capability and/or strength within the service they are selling. Again, it is the balancing of these differing benefits which is obviously crucial to a successful networking group.

5.2. Objective 2

In evaluating the results in relation to the second objective - To assess the key factors influencing the decision to renew membership – the Member Life Cycle [Fig. 3] can be effectively applied as discussed below.

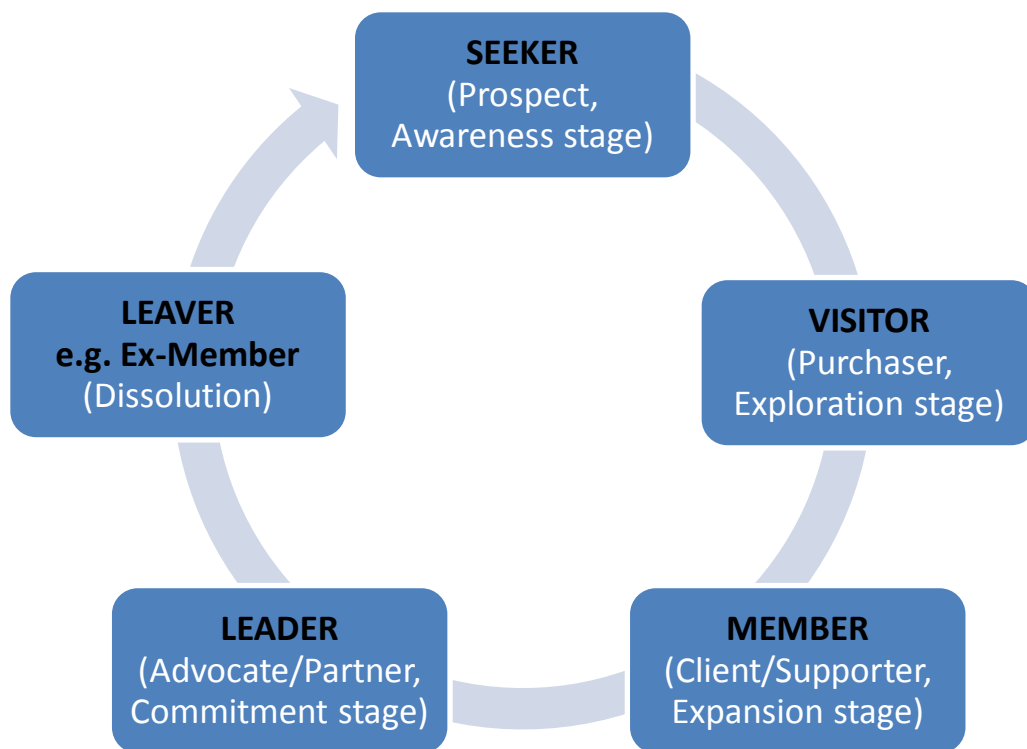
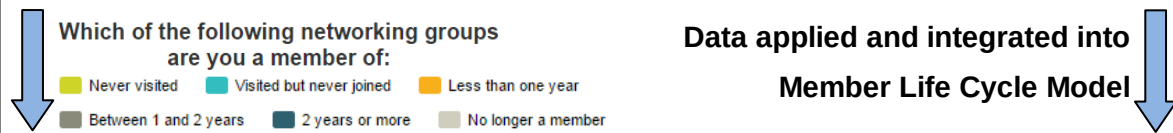


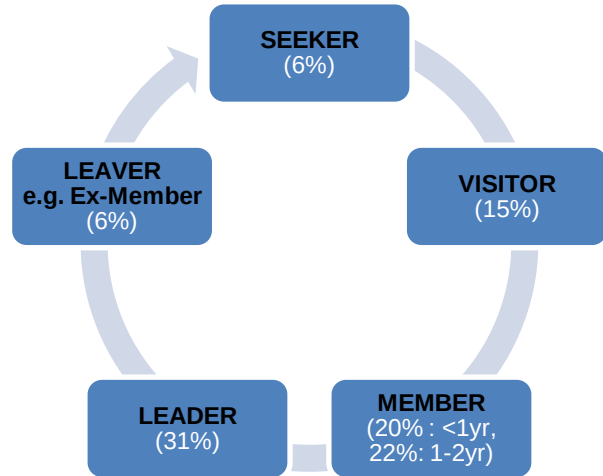
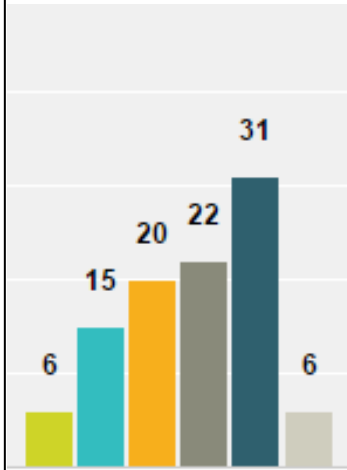
FIGURE 3 – New Model: The Member's Life Cycle
Adapted from Brassington & Pettitt's (2006) Relationship Life Cycle and Christopher, Payne & Ballantyne's (2003) Ladder of Loyalty

It was clearly identified from Question 4, and then subsequently Question 7, a good proportion of current members had taken the decision to leave a networking group at some point in the past. This supports the decision to look at membership as a continuous cycle (Kotler et al., 2014), which starts, ends and restarts. Therefore it is justifiable to apply the Member Life Cycle to the findings, using age of membership to directly correlate with the different stages. Figure 4 shows the results from Question 4 (shown on the left) and converts these into percentages for the relevant stage of the cycle (shown on the right):

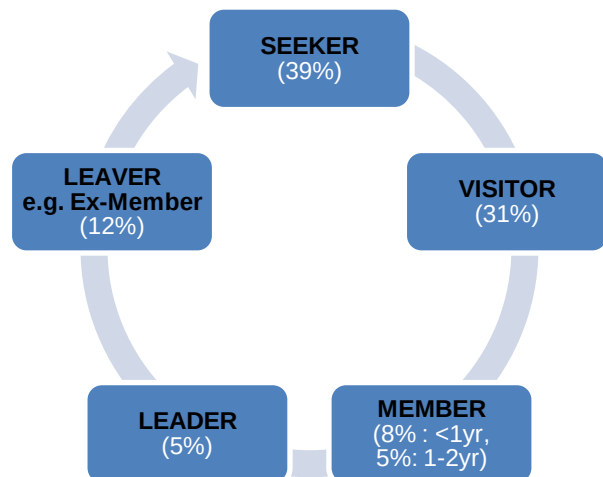
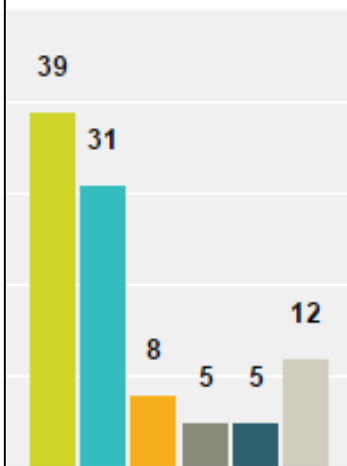
FIGURE 4 – The Member's Life Cycle Model applied to results from Question 4



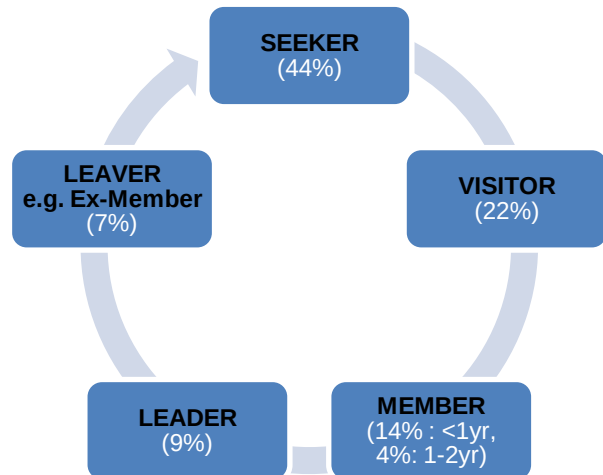
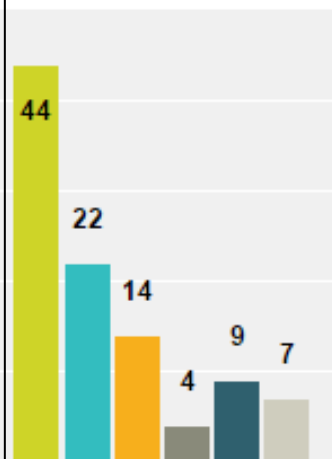
BNI



4N



BizNet



The result of the application of this model is a more clear illustration of recruitment and retention effectiveness. BNI has a strong model where potential members (Seeker& Visitor stage) are efficiently converted to members (Member stage) and retained (Leader stage), with minimal exits (Leaver stage). Of course, there was a greater sample of BNI members than any other group but this should make their recruitment and retention figures more respected. Both 4N and BizNet show high numbers of 'Seekers' indicating inefficiency in promotion and conversion, subsequent progression through the life cycle. These organisations clearly need to do more to create awareness and engage interest, specifically as these 'Seekers' are actively seeking networking opportunities. Similarly, both these groups have higher numbers in the 'Visitor' stage in comparison to BNI, again showing an inability in converting to 'Member' stage.

It is important to remember just because an individual decides to join one group, as shown in a few cases in the findings, it does not mean they cannot visit and join the other groups. Certainly, the suggestion would be if they have seen the value in one group then potentially it would be easier to persuade them of the value in another. If a company saw a return on investment from advertising in one magazine, surely they would look at opportunities in other magazines; effective marketing is often about repeating what is proven to work. So, the question would be why are 4N and BizNet struggling to attract and convert active networkers into their groups in comparison to BNI. And furthermore, why statistically they seem to underperform in retention when compared to BNI, highlighted by higher percentages of 'Leaders' and 'Leavers'?

In comparing the Member Life Cycles below, it can be clearly seen 4N's and BizNet's trends are opposite to BNI. As age increases, numbers drop suggesting as these members move through the cycle they continue to accelerate until they exit. This would indicate low levels of loyalty and commitment to those groups. The suggestion for 4N and BizNet would be instead of looking to create a mass of members they should instead focus on strategies to increase retention and durability with its members. BNI focuses on retaining members by offering leadership roles and they are driven to attaining new visitors, although their exclusivity feature for their chapters does reduce the options somewhat. Oppositely, 4N and BizNet have comparatively better 'Visitor' numbers but holding on to 'Members' once they have joined seems to be problematic. Could this be straightforward confirmation that networking groups need to enforce a level of accountability and contribution from its members rather than simply offering a social and collaborative event. BNI shows that it converts visitors to members more effectively than the other groups, and then performs strongly in creating 'Leader' members. The reason for this must lie in the difference in process from that of BizNet and 4N, and the most noticeable of these differences is BNI's compulsory

requirement of a weekly contribution to the group and its implementation of a system to track accountability. If the overriding benefit sought by a business is to increase sales then surely a networking organisation enforcing each member to refer work and accurately track financial performance is going to be the preferred choice. The overriding conclusion is membership renewal is quite simply governed by the associated return on investment for that member. What is important going forward is how networking organisations can make greater efforts to express and illustrate their value to potential and existing members, and subsequently, how they can help members to track the positive return received from every aspect of their membership.

6. RECOMMENDATIONS & PRACTICAL IMPLICATIONS

The research has produced findings with real-world implications on the business world. The following are concise recommendations based on the research.

6.1. Recommendations for SMEs

The research has produced findings of immediate relevance to SMEs. The conclusion was most SMEs will search for membership in return for increased sales and profits. However, the research has indicated it may be beneficial for the company to first look at all the potential benefits – knowledge, social, confidence, reduced costs – in order to assess the importance of these factors also. The research showed not all networking organisations operate the same way and as a potential member there is a choice. The crucial element is ensuring organisation's motivations for joining align to the benefits offered by that networking organisation. And with this, the company upon joining must be committed to their membership in order to truly benefit from trust and mutual support. The clear recommendation for SMEs, notably relaxed in the findings, is to ensure the return on investment is measured, and all benefits are quantified and track in some way. Membership should be seen as a long term investment (more than one year) and so when renewal is considered, the company must have a justifiable and positive reason for reinvesting. The recommendation would be to ensure the financial return received is recorded, as well as implementing a means of documenting corporate benefits such as enhanced knowledge, reduced expenditure, reduced resource-usage, marketing effectiveness, collective strength and access to advisory support. The company should also not be opposed to the suggestion of measuring the benefits experienced by the individual in attendance, including increased social interaction, friendship and self-confidence, as these too will have value and subsequent effects on employee development and performance.

6.2. Recommendations for Networking Organisations

The research has highlighted various areas of good practice and with it areas of potential concern for networking organisations. In evaluating what motivates members to join, and consequently what motivates them to renew, networking organisations may be able to construct and remodel their processes to better fulfil the desires of their members and achieve greater success. This research will be useful to the organisers and controllers of networking organisations, such as BNI, 4N and BizNet, helping them to appraise their current effectiveness in meeting the needs and desires of their members. This itself is a recommendation for these organisations to ensure they regularly evaluate their own offerings and ensure they consider, advertise and facilitate the full breadth of potential benefits created by networking. For example, could a networking group improve the social aspect of its service by offering more engagement activities, or create opportunities for

collective thinking in terms of cooperative applications for large tenders, or even provide opportunities for individual presentations and public speaking to boost self-confidence.

The findings also suggested BNI was the stronger of the organisations in terms of the recruitment and retention of membership levels, but the responses from 4N and BizNet members highlighted BNI was not the complete solution. This is encouraging for new networking organisations entering the market, as it demonstrates alternative groups with varying activities can be successful in attracting different types of members who seek differing benefits. However, it is clear the majority of SMEs search for financial return and company growth in exchange for investment in membership so this must be the priority for any networking organisation. Interestingly, the three networking organisations included in this research failed to offer a way for individual member's to track financial return. This forms the main recommendation whereby networking organisations should look to actively help their members track the financial return, and other outcomes, from their involvement in the group. If BNI can accurately track a member's outward contribution, then there should be little difficulty in recording the inward return. And, if BNI can implement these systems then there is little reason why other networking groups cannot also. However, consideration needs to be given here as this could be as destructive as it is constructive. If a networking organisation knows the financial return for their members is not significant in comparison to other groups, instead their focus is in valuing shared knowledge and social engagement, then a financial tracking system will most likely reduce retention figures.

Ultimately, networking organisations should continuously collect honest and accurate feedback from members in an effort to combat issues and improve their service; to ultimately boost retention levels and aid recruitment. Long term members are a key marketing tool for networking organisations so efforts must be made to ensure their satisfaction and to maintain their trust and loyalty.

6.3. Recommendation for Governmental Action

Overall, the secondary and primary research highlighted the value embedded with business networking within Swansea, which is most likely representational of the wider business community of Wales and beyond. This research has illustrated why companies choose to network and build connections with other businesses, and the continued investment in this activity by those members is a clear indication of the economic value and growth derived from networking. This is evidence of the importance of business networking to the local and national economy of Wales, and potentially the UK and globally, and would suggest increased investment in establishing more networking opportunities would be wholly beneficial. Not only do the findings indicate the financial value of networking, but both

primary and secondary research has shown increased knowledge and collaboration are important and typical outcomes. These are key factors in boosting innovation and innovation is a key focus for Welsh Government at present. The recommendation here would be for increased funding from Welsh Government to support the creation and enhancement of regular business networking events throughout Wales to help businesses perform better and behave more collectively to further support their local and national economies. This recommendation could be made for the UK and other countries worldwide on the prerequisite further research is undertaken in order to understand cultural, economical and corporate differences.

7. LIMITATIONS & FUTURE STUDIES

Various limitations to this field of study and the research have been referred to throughout. From the secondary research, the main limitations were the lack of theory and peer research specific to SMEs in the field of network theory and to the activity of 'offline' business networking in particular. Future studies will need to again take this into consideration and as a result focus on the primary research in order to give clearer indications of the practical aspects and implications of business networking.

The primary research was limited in its sample, being focused on Swansea and limited to 100 responses from the three main networking organisations in the area. Further research would be useful if conducted on a wider scale covering larger regions such as Wales, the UK as whole or even global differences, and incorporating all types and brands of networking organisation. Although it is felt the sample number was suitable for this research, a larger sample would be prudent if covering a larger market size and if including more networking groups. The findings from larger research could be used in comparison to the findings from this research to establish whether the results are indicative and representational to the wider world.

Finally, the greatest limitation to this research was the lack of qualitative findings. As mentioned, qualitative research would have given great depth and insight into individual member's opinions of networking. This would be the main recommendation for future study, to conduct first-person interviews or focus groups to gauge a more personal and emotive response to the important factors of business networking. The findings would hopefully offer greater understanding of the factors that motivate companies to become members and consequently what affects their decision at the point of renewal.

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APPENDIX A - Survey Questions

Your View on Networking in Swansea

THANK YOU FOR TAKING PART! This will only take a few minutes.

1 / 4 25%

All answers and results are anonymous and will not be shared so please be honest!

For my MBA I'm looking into the motivating factors behind networking in Swansea and membership to certain groups. Your input is very much appreciated!

Neil Dyer - NeoDynamic Ltd - neil@neodynamic.co.uk - 07970828927

About You and Your Company

2 / 4

50%

THANK YOU FOR TAKING PART! This will only take a few minutes.

All answers and results are anonymous and will not be shared so please be honest!

For my MBA I'm looking into the motivating factors behind networking in Swansea and membership to certain groups. Your input is very much appreciated!

Neil Dyer - NeoDynamic Ltd - neil@neodynamic.co.uk - 07970828927

*** 1. Do you represent your company at these meetings as a:**

- ☐ Director
- ☐ Sole Trader
- ☐ Employee

*** 2. Is your company...?**

- ☐ Under one year old
- ☐ One to two years old
- ☐ Two to five years old
- ☐ Five to ten years old
- ☐ More than ten years old
- ☐ Not yet established

*** 3. How many employees does your company have? ***
(Including owners/directors)

- ☐ One (Just me)
- ☐ Two (Me and one other)
- ☐ 3-10 (Micro-business)
- ☐ 11-50 (Small business)
- ☐ 51-250 (Medium business)
- ☐ More than 250 (Large business)

Your Membership

3 / 4 75%

*** 4. Which of the following networking groups are you a member of:**

	Never visited	Visited but never joined	Less than one year	Between 1 and 2 years	2 years or more	No longer a member
BNI	☐	☐	☐	☐	☐	☐
4N	☐	☐	☐	☐	☐	☐
BizNet	☐	☐	☐	☐	☐	☐

*** 5. THINK BACK! How important were the following factors in your decision to join a group INITIALLY (rating each factor where 1 is 'not important' and 5 is 'extremely important'?)**

	1	2	3	4	5
To gain referrals and increase sales	☐	☐	☐	☐	☐
To save money by reducing business costs	☐	☐	☐	☐	☐
To create useful business connections	☐	☐	☐	☐	☐
To create awareness of the business	☐	☐	☐	☐	☐
To gain a competitive edge over rivals	☐	☐	☐	☐	☐
To meet new people, socialise and form relationships	☐	☐	☐	☐	☐
To add an element of routine to your week	☐	☐	☐	☐	☐
To collaborate and generate new ideas	☐	☐	☐	☐	☐
To measure the potential of the business	☐	☐	☐	☐	☐
To get advice and support from other business owners	☐	☐	☐	☐	☐

*** 6. NOW, how do these same factors rank when considering renewing your membership (rating each factor where 1 is 'not important' and 5 is 'extremely important'?)**

	1	2	3	4	5
To gain referrals and increase sales	☐	☐	☐	☐	☐
To save money by reducing business costs	☐	☐	☐	☐	☐
To create useful business connections	☐	☐	☐	☐	☐
To create awareness of the business	☐	☐	☐	☐	☐
To gain a competitive edge over rivals	☐	☐	☐	☐	☐
To meet new people, socialise and form relationships	☐	☐	☐	☐	☐
To add an element of routine to your week	☐	☐	☐	☐	☐
To collaborate and generate new ideas	☐	☐	☐	☐	☐
To measure the potential of the business	☐	☐	☐	☐	☐
To get advice and support from other	☐	☐	☐	☐	☐

7. If you have previously joined a networking group and then not renewed your membership, please indicate why by completing the below? (If this does not apply to you then please skip to Question 8)

	True	False
The financial cost outweighed the expected benefits	☐	☐
The time and resource commitment was too heavy	☐	☐
Issues with another member (individual or company)	☐	☐
Grew tired/bored of the group	☐	☐
Grew tired/bored of networking at the time	☐	☐
It was poorly run and ineffective	☐	☐
I/my company was refused membership	☐	☐
There were no available funds at the time	☐	☐
I/my company joined another group instead	☐	☐
Because other important members did not renew	☐	☐
For other or unknown reasons	☐	☐

More Networking

4 / 4

100%

*** 8. Do you regularly attend other networking meetings other than BNI, 4N and/or BizNet?**

☐ Yes

☐ No

*** 9. THIS IS A RANKING QUESTION - YOU SHOULD USE EACH NUMBER ONCE BUT ONCE ONLY. THE AIM IS TO PUT THE FOLLOWING ASPECTS IN RANKED ORDER. Please rank the following FIVE aspects of networking in order of importance to you as a member ('1' is the most important down to '5' which is the least important):**

		SALES/REFERRALS GENERATOR (to increase revenue)
		MARKETING TOOL (to facilitate promotion)
		SOCIAL ENGAGEMENT (to meet others)
		KNOWLEDGE SHARING (to seek advice and collaborate)
		CONFIDENCE BOOST (reassurance for self and company)

*** 10. And finally, do you formally measure your 'return on investment' from membership to these networking groups?**

☐ No, not at present

☐ Yes, financially only

☐ Yes, financially and...

... in other ways. (Please specify)

APPENDIX B - Survey Results

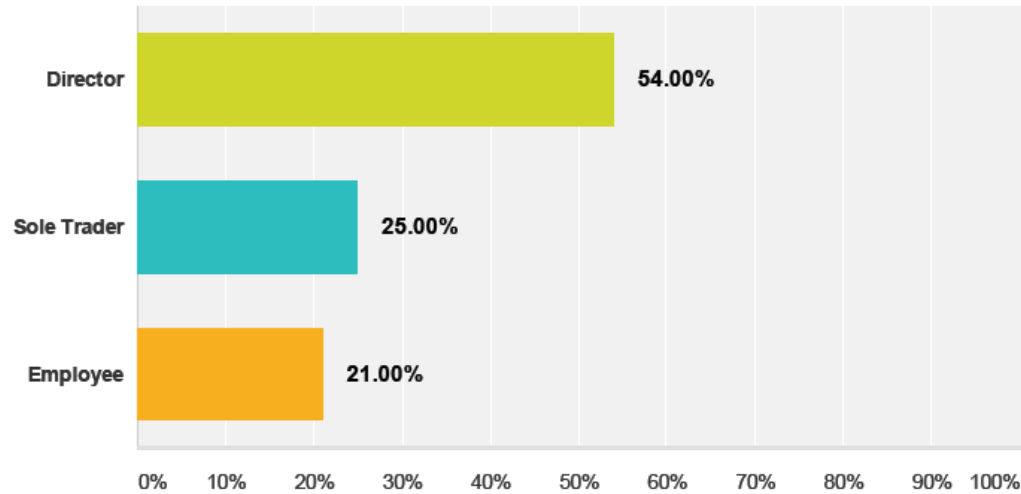
Q1

[Customize](#)

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Do you represent your company at these meetings as a:

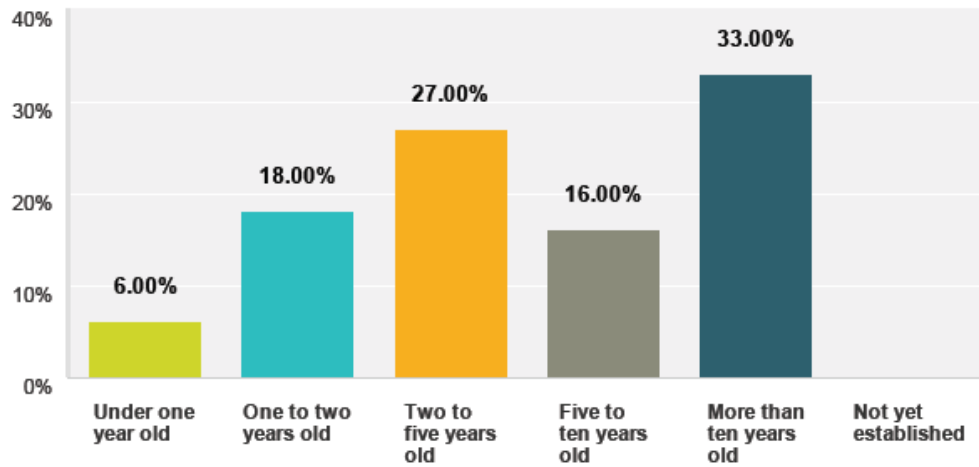
Answered: 100 Skipped: 0



Answer Choices	Responses	
▼ Director	54.00%	54
▼ Sole Trader	25.00%	25
▼ Employee	21.00%	21
Total		100

Is your company...?

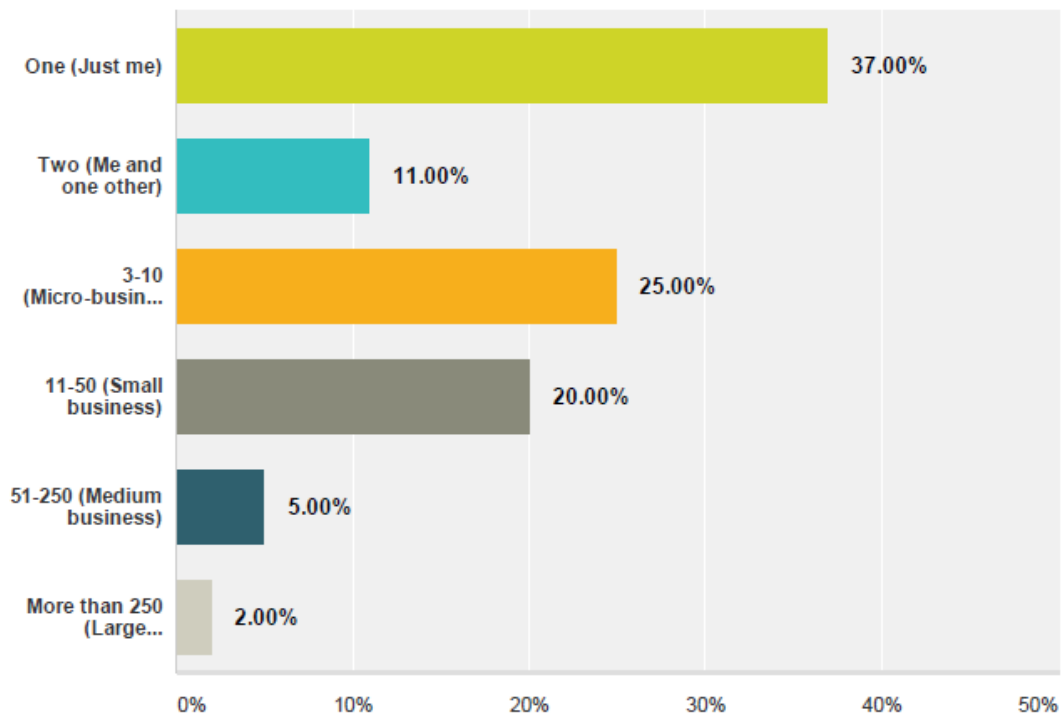
Answered: 100 Skipped: 0



Answer Choices	Responses
Under one year old	6.00% 6
One to two years old	18.00% 18
Two to five years old	27.00% 27
Five to ten years old	16.00% 16
More than ten years old	33.00% 33
Not yet established	0.00% 0
Total	100

How many employees does your company have? *(Including owners/directors)

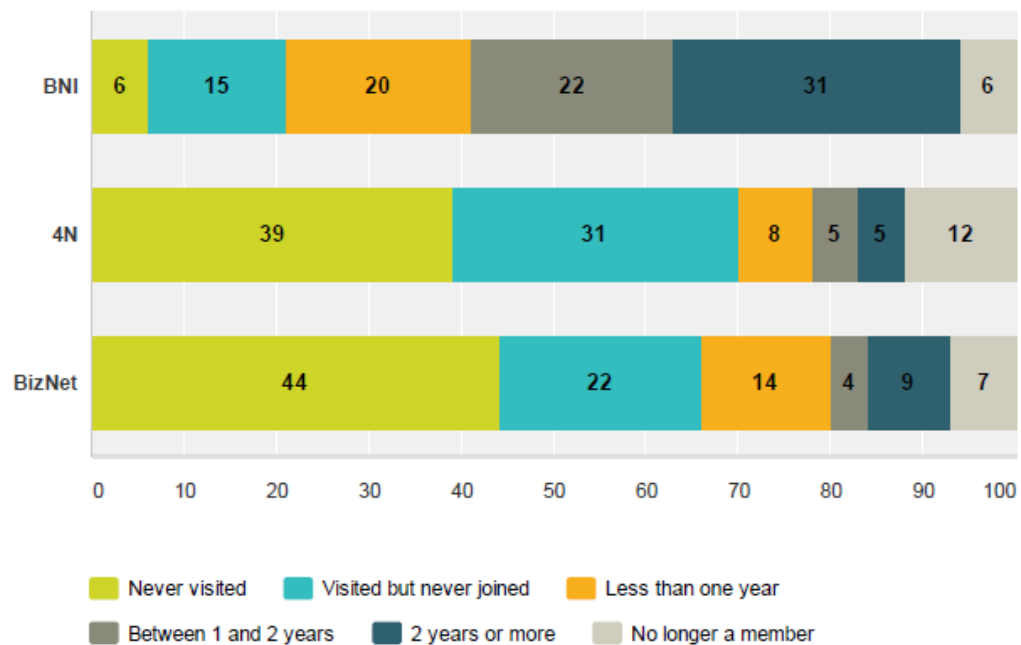
Answered: 100 Skipped: 0



Answer Choices	Responses
One (Just me)	37.00% 37
Two (Me and one other)	11.00% 11
3-10 (Micro-business)	25.00% 25
11-50 (Small business)	20.00% 20
51-250 (Medium business)	5.00% 5
More than 250 (Large business)	2.00% 2
Total	100

Which of the following networking groups are you a member of:

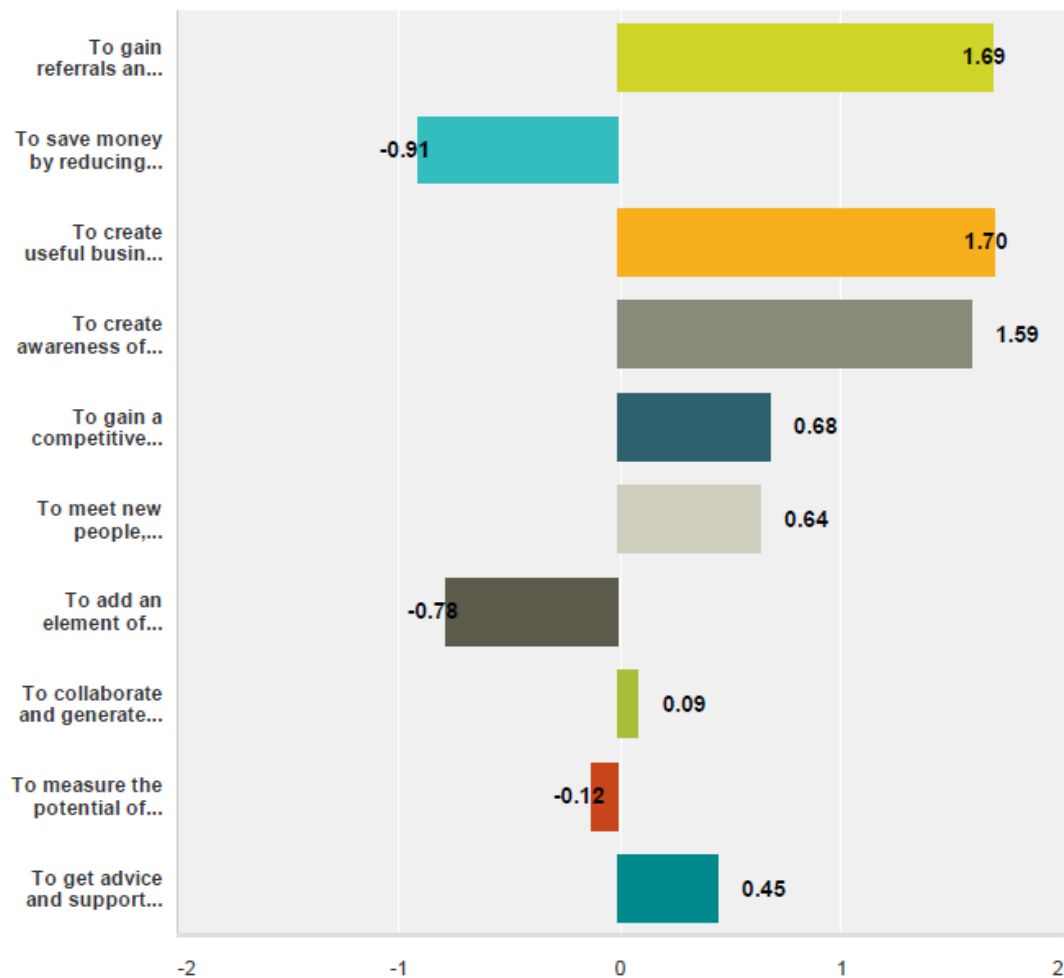
Answered: 100 Skipped: 0



	Never visited	Visited but never joined	Less than one year	Between 1 and 2 years	2 years or more	No longer a member	Total
BNI	6.00% 6	15.00% 15	20.00% 20	22.00% 22	31.00% 31	6.00% 6	100
4N	39.00% 39	31.00% 31	8.00% 8	5.00% 5	5.00% 5	12.00% 12	100
BizNet	44.00% 44	22.00% 22	14.00% 14	4.00% 4	9.00% 9	7.00% 7	100

THINK BACK! How important were the following factors in your decision to join a group INITIALLY (rating each factor where 1 is 'not important' and 5 is 'extremely important'?)

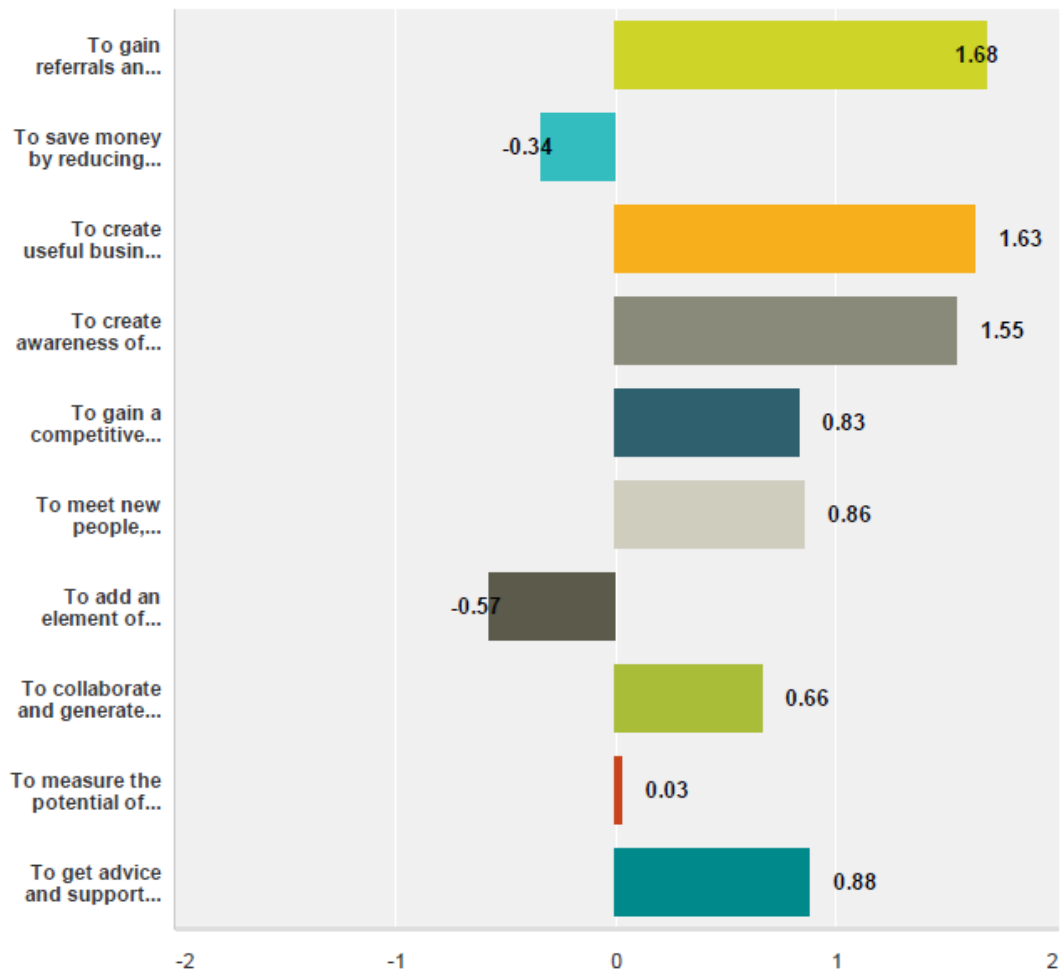
Answered: 100 Skipped: 0



	1	2	3	4	5	Total	Weighted Average
▼ To gain referrals and increase sales	1.00% 1	0.00% 0	6.00% 6	15.00% 15	78.00% 78	100	1.69
▼ To save money by reducing business costs	43.00% 43	22.00% 22	24.00% 24	5.00% 5	6.00% 6	100	-0.91
▼ To create useful business connections	0.00% 0	0.00% 0	4.00% 4	22.00% 22	74.00% 74	100	1.70
▼ To create awareness of the business	1.00% 1	0.00% 0	7.00% 7	23.00% 23	69.00% 69	100	1.59
▼ To gain a competitive edge over rivals	10.00% 10	11.00% 11	17.00% 17	25.00% 25	37.00% 37	100	0.68
▼ To meet new people, socialise and form relationships	8.00% 8	14.00% 14	18.00% 18	26.00% 26	34.00% 34	100	0.64
▼ To add an element of routine to your week	40.00% 40	22.00% 22	21.00% 21	10.00% 10	7.00% 7	100	-0.78
▼ To collaborate and generate new ideas	16.00% 16	19.00% 19	22.00% 22	26.00% 26	17.00% 17	100	0.09
▼ To measure the potential of the business	21.00% 21	21.00% 21	20.00% 20	25.00% 25	13.00% 13	100	-0.12
▼ To get advice and support from other business owners	9.00% 9	12.00% 12	24.00% 24	35.00% 35	20.00% 20	100	0.45

**NOW, how do these same factors rank
when considering renewing your
membership (rating each factor where 1 is
'not important' and 5 is 'extremely
important'?)**

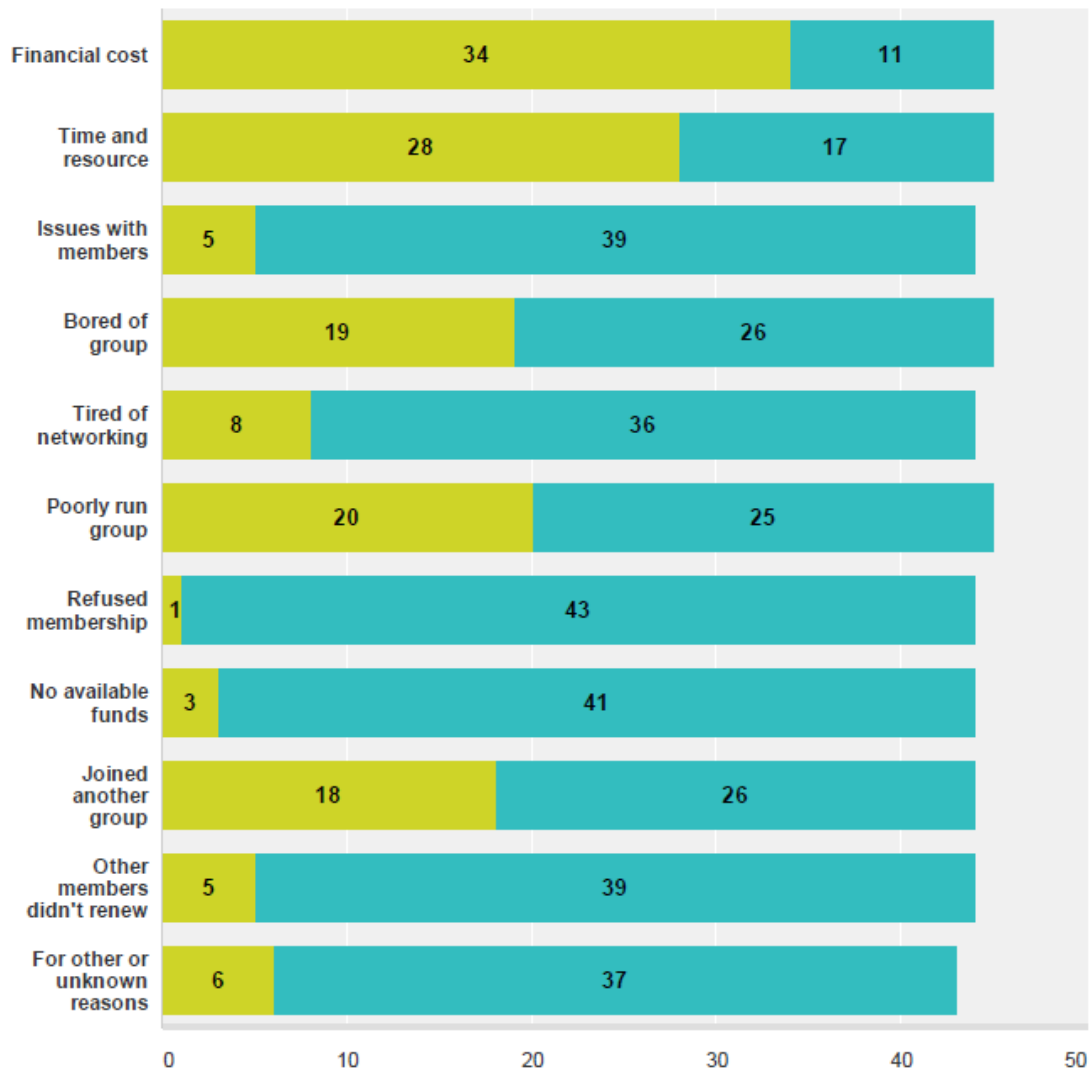
Answered: 100 Skipped: 0



▼	1 ▼	2 ▼	3 ▼	4 ▼	5 ▼	Total ▼	Weighted Average ▼
▼ To gain referrals and increase sales	1.00% 1	2.00% 2	4.00% 4	14.00% 14	79.00% 79	100	1.68
▼ To save money by reducing business costs	30.00% 30	14.00% 14	25.00% 25	22.00% 22	9.00% 9	100	-0.34
▼ To create useful business connections	0.00% 0	1.00% 1	6.00% 6	22.00% 22	71.00% 71	100	1.63
▼ To create awareness of the business	1.00% 1	3.00% 3	6.00% 6	20.00% 20	70.00% 70	100	1.55
▼ To gain a competitive edge over rivals	11.00% 11	10.00% 10	10.00% 10	23.00% 23	46.00% 46	100	0.83
▼ To meet new people, socialise and form relationships	5.00% 5	11.00% 11	17.00% 17	27.00% 27	40.00% 40	100	0.86
▼ To add an element of routine to your week	37.00% 37	20.00% 20	15.00% 15	19.00% 19	9.00% 9	100	-0.57
▼ To collaborate and generate new ideas	9.00% 9	6.00% 6	20.00% 20	40.00% 40	25.00% 25	100	0.66
▼ To measure the potential of the business	24.00% 24	14.00% 14	17.00% 17	25.00% 25	20.00% 20	100	0.03
▼ To get advice and support from other business owners	3.00% 3	7.00% 7	23.00% 23	33.00% 33	34.00% 34	100	0.88

If you have previously joined a networking group and then not renewed your membership, please indicate why by completing the below? (If this does not apply to you then please skip to Question 8)

Answered: 46 Skipped: 54



▼	True ▼	False ▼	Total ▼	Weighted Average ▼
▼ Financial cost	75.56% 34	24.44% 11	45	0.76
▼ Time and resource	62.22% 28	37.78% 17	45	0.62
▼ Issues with members	11.36% 5	88.64% 39	44	0.11
▼ Bored of group	42.22% 19	57.78% 26	45	0.42
▼ Tired of networking	18.18% 8	81.82% 36	44	0.18
▼ Poorly run group	44.44% 20	55.56% 25	45	0.44
▼ Refused membership	2.27% 1	97.73% 43	44	0.02
▼ No available funds	6.82% 3	93.18% 41	44	0.07
▼ Joined another group	40.91% 18	59.09% 26	44	0.41
▼ Other members didn't renew	11.36% 5	88.64% 39	44	0.11
▼ For other or unknown reasons	13.95% 6	86.05% 37	43	0.14

Do you regularly attend other networking meetings other than BNI, 4N and/or BizNet?

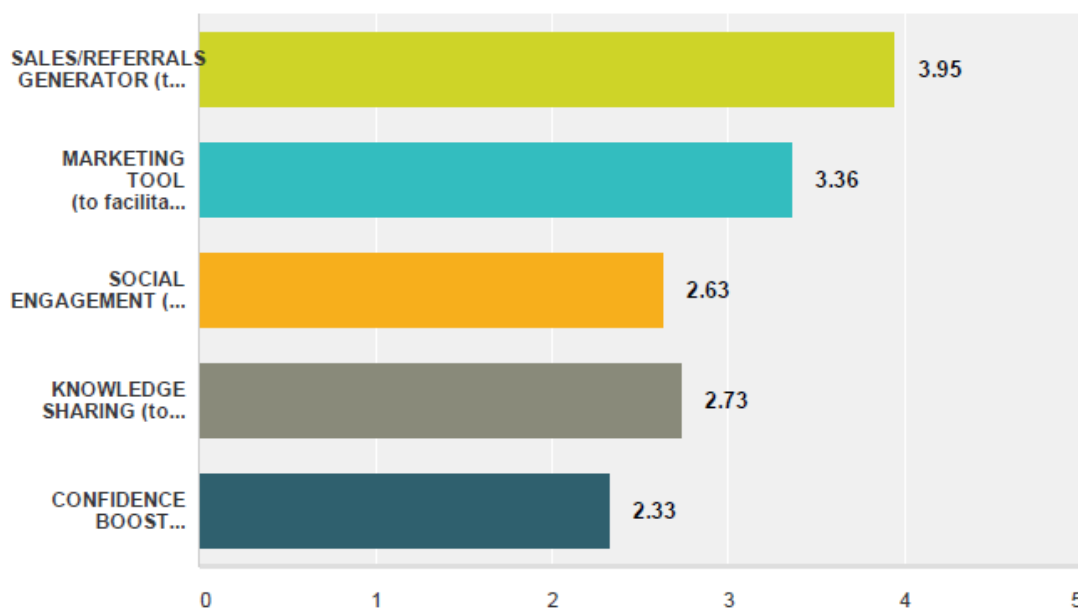
Answered: 100 Skipped: 0



Answer Choices	Responses	
Yes	51%	51
No	49%	49
Total		100

THIS IS A RANKING QUESTION - YOU SHOULD USE EACH NUMBER ONCE BUT ONCE ONLY. THE AIM IS TO PUT THE FOLLOWING ASPECTS IN RANKED ORDER. Please rank the following FIVE aspects of networking in order of importance to you as a member ('1' is the most important down to '5' which is the least important):

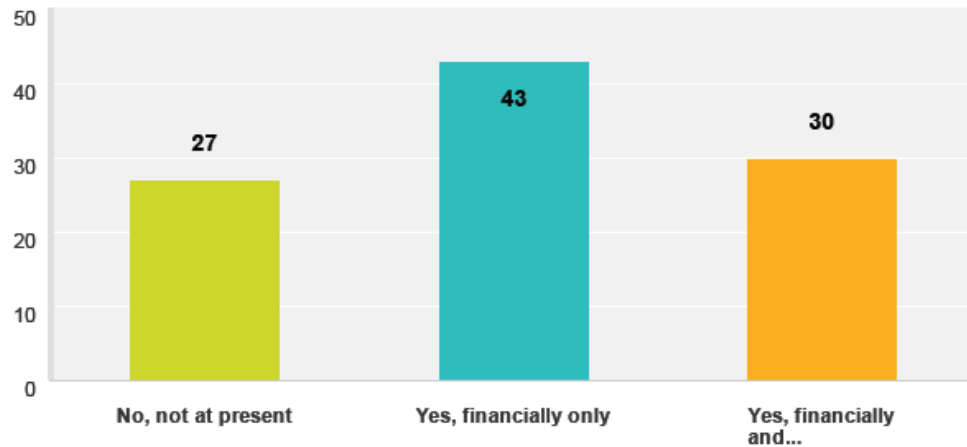
Answered: 100 Skipped: 0



	1	2	3	4	5	Total	Score
SALES/REFERRALS GENERATOR (to increase revenue)	62.00% 62	11.00% 11	6.00% 6	2.00% 2	19.00% 19	100	3.95
MARKETING TOOL (to facilitate promotion)	15.00% 15	44.00% 44	13.00% 13	18.00% 18	10.00% 10	100	3.36
SOCIAL ENGAGEMENT (to meet others)	3.00% 3	24.00% 24	20.00% 20	39.00% 39	14.00% 14	100	2.63
KNOWLEDGE SHARING (to seek advice and collaborate)	5.00% 5	13.00% 13	46.00% 46	22.00% 22	14.00% 14	100	2.73
CONFIDENCE BOOST (reassurance for self and company)	15.00% 15	8.00% 8	15.00% 15	19.00% 19	43.00% 43	100	2.33

And finally, do you formally measure your 'return on investment' from membership to these networking groups?

Answered: 100 Skipped: 0



Answer Choices	Responses
▼ No, not at present	27.00% 27
▼ Yes, financially only	43.00% 43
▼ Yes, financially and...	30.00% 30
Total	100

[Comments](#) (23)

difficult to quantify outside of group as brand awareness is also a key factor.

10/7/2015 1:35 PM [View respondent's answers](#)

Brand awareness

10/7/2015 11:58 AM [View respondent's answers](#)

value of other members

10/7/2015 11:44 AM [View respondent's answers](#)

best use of time.

10/6/2015 10:43 AM [View respondent's answers](#)

General social feel of belonging at events

10/5/2015 1:47 PM [View respondent's answers](#)

number of leads, conversion rates and quality of leads, quality of delivery from the business I refer to others (do they impress MY contacts)

10/3/2015 12:16 PM [View respondent's answers](#)

Use other trusted suppliers and source expertise

10/2/2015 8:55 AM [View respondent's answers](#)

leads and reputation

10/1/2015 4:15 PM [View respondent's answers](#)

socailly

10/1/2015 3:02 PM [View respondent's answers](#)

growth of my database (ranked according to the quality of relationship), social invitations received (although this is not quantified, rather gut feel),

10/1/2015 12:25 PM [View respondent's answers](#)

Pipeline building and awareness

10/1/2015 10:45 AM [View respondent's answers](#)

number of referrals, referral sources.

10/1/2015 10:02 AM [View respondent's answers](#)

the potetial value or savings I can make with other members

10/1/2015 9:46 AM [View respondent's answers](#)

Acknowledge the increased respect and profile in which my business is now regarded.

10/1/2015 9:24 AM [View respondent's answers](#)

Friendship

10/1/2015 8:49 AM [View respondent's answers](#)

Supplier basis

10/1/2015 8:48 AM [View respondent's answers](#)

in the ability for me to give a complete service to my clients whether that is in my sphere of work or assisting them in resolving issues they may have told me of as a result of my interaction with them. In other words becoming a first point of contact/first thought for all issues. A trusted adviser.

10/1/2015 8:18 AM [View respondent's answers](#)

Friendship and cwtchy love

9/30/2015 7:59 PM [View respondent's answers](#)

on a personal level, gains in confidence, social connections, help from other businesses etc.

9/30/2015 6:31 PM [View respondent's answers](#)

Use of contacts for problem solving or connecting to the wider network so to speak

9/30/2015 4:51 PM [View respondent's answers](#)

lead generation and enquiries

9/30/2015 11:56 AM [View respondent's answers](#)

and in terms of support and being able to refer on in confidence.

9/30/2015 11:53 AM [View respondent's answers](#)

lead generations, confidence building

9/30/2015 11:32 AM [View respondent's answers](#)

END
