THE EFFECTS OF AN ENTREPRENEUR'S RELATIONSHIPS WITH EXTERNAL STAKEHOLDERS ON COMPANY'S POSSIBILITIES TO EXPAND FROM MICRO-ENTERPRISE TO SME

ABSTRACT

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The effects of an entrepreneur's relationships with external stakeholders on company's possibilities to expand from micro-enterprise to SME

Bachelor's thesis
2023
33 pages, 2 figures, and 1 appendix
Examiner: Post-doctoral researcher Roman Teplov

Keywords: entrepreneur, external stakeholder, micro-enterprise, SME

There are many micro-enterprises, and the goal of most of them is to expand their business and improve the company's profit. External stakeholders play an important role in many micro-enterprises, and therefore it is important to study the effects relationships with external stakeholders have on companies' opportunities to expand, so that micro-enterprises can grow their business and grow from micro-enterprise into an SME.

This bachelor's thesis examines the effects of the entrepreneur's external stakeholders on the company's opportunities to expand from a micro-enterprise to an SME. The research material has been collected through qualitative semi-structured interviews, in which two entrepreneurs from different fields participated, both of whom had grown the company from a micro-enterprise to an SME.

The results of the study show that relationships with external stakeholders are important and accelerate the company's growth. Relations with external stakeholders increase opportunities, facilitate sales and bring recognition. The biggest area that external networks have an impact on is the increase in awareness and thus the opportunities.

TIIVISTELMÄ

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Yrittäjän ulkoisten sidosryhmien vaikutukset yrityksen mahdollisuuksiin laajentua mikroyrityksestä pk-yritykseksi

Kauppatieteiden kandidaatintyö
2023
33 sivua, 2 kuvaa ja 1 liite
Tarkastaja: Tutkijatohtori Roman Teplov

Avainsanat: yrittäjä, ulkoinen sidosryhmä, mikroyritys, pk-yritys

Mikroyrityksiä on erittäin paljon ja suurimman osan tavoitteena on laajentaa liiketoimintaa ja parantaa yrityksen tulosta. Ulkoiset sidosryhmät ovat monissa mikroyrityksissä tärkeässä roolissa ja siksi niiden vaikutuksia yrityksien mahdollisuuksiin laajentua on tärkeää tutkia, jotta mikroyritykset voivat kasvattaa liiketoimintaansa ja kasvaa pk-yritykseksi.

Tämä kandidaatintyö tutkii yrittäjän ulkoisten sidosryhmien vaikutuksia yrityksen mahdollisuuksiin laajentua mikroyrityksestä pk-yritykseksi. Tutkimuksen aineisto on kerätty laadullisin puolistrukturoiduin haastatteluin, joihin osallistui kaksi yrittäjää eri aloilta, jotka molemmat olivat kasvattaneet yrityksen mikroyrityksestä pk-yritykseksi.

Tutkimuksen tulokset osoittavat, että suhteet ulkoisiin sidosryhmiin ovat tärkeitä ja nopeuttavat yrityksen kasvua. Suhteet ulkoisiin sidosryhmiin lisäävät mahdollisuuksia, helpottavat myyntiä ja tuovat tunnettavuutta. Suurin osa-alue, johon ulkoisilla verkostoilla on vaikutusta, on tunnettavuuden kasvu ja sitä kautta lisääntyvät mahdollisuudet.

ABBREVIATIONS

SME   Small- and medium-sized enterprise

SMME   Small-, medium- and micro-enterprise

IT   Information technology

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1. INTRODUCTION

This thesis studies entrepreneur's relationships with external stakeholders and the impact it has on enterprises to grow from micro-enterprise to SME-enterprise. However, it is fundamental to have a precise understanding of the terms and the topic before getting to know the actual research. In this thesis, there are a few fundamental terms that can be interpreted in many ways depending on which perspective the reader is considering the topic. This section introduces the reader to the terms, previous studies, research objectives, and delimitations.

Networks consist of individual networks, which then form large complex multi-level networks. In network studies, real-world noninteracting systems are rare, because most network systems interact with other networks. (Dror 2015) Networks are mostly complex systems with many different branches to them. Networks consist of two things, links, which represent selected units, and nodes, which represent ties between those units (Batagelj 2014).

It is argued by stakeholder theorists that an organization's performance and possibly its survival, depends on the relationships it has formed with a group of stakeholders (Freeman et al., 2010). An organization or a company can have different kinds of relationships with different types of stakeholders. In my study, I will focus on relationships with external stakeholders. External stakeholders have an indirect interest in the company. Possible external stakeholders can be for example suppliers, customers, business partners, investors, creditors, trade unions, community members, and others. Employees that work with these stakeholders have a huge impact on shaping the relationships for the company (Korschun 2015).

The importance of entrepreneurs' skills in networking is increasing, because it can lead to discovering and recognizing new opportunities (Rui 2018). The career of an entrepreneur does not suit all people. Entrepreneurs need certain characteristics, and those can affect the company's approach to business' risk assessment and with that the success of the business (Kozubíková 2015).

Succeeding and expanding an enterprise is a useful topic to many entrepreneurs. Spars and cohesive networks further firms' performance when they meet the company's resource

challenges (Hite 2001). Networks in the early stages of a firm's growth must be utilized in order for expansion and growth to happen. Besides the relationships with internal stakeholders, the relationships with external stakeholders are valuable.

Small-, medium- and micro-enterprises (SMMEs) play a huge role in economies. SMMEs covers small-, medium- and microenterprises but in this study, I will separate SMMEs into more specific blocks, which are micro-enterprises and small- and medium enterprises (SMEs). One way to define the size of an enterprise is through employees. Microenterprises are smaller businesses and usually have less than ten employees, instead SMEs have usually ten to 250 employees.

There are studies related to networks, entrepreneurs, different enterprises, and relationships with external stakeholders, but none of these studies research the effects of an entrepreneur's relationships with external stakeholders on a company's possibilities to expand from micro-enterprise to SME-enterprise. There are many case studies sidetracking the topic, for example "Managing the network: 'the case of a micro-enterprise" (Bhattacharyya et. al 2010) and "Neural network credit scoring model for micro enterprise financing in India" (Mittal et. al 2011). Even though previous literature indicates that there is a gap in current research on this specific subject, from previous studies arises a question how to measure the impact of networks' on a company's success. One case study shows that networks can help SME case companies to get information and advice, which can help with risk management (Pääkkönen 2018). Another case study researches how intra-organizational networks improve knowledge sharing and collaboration in multinational companies, which conclusion was that internal networks can create and maintain social interaction and knowledge sharing in organizations (Huhtilainen 2020). Most of the studies research networks from SME-sized enterprises' point of view or from a large multinational enterprise perspective such studies as "SME Networks and International Performance: Unveiling the Significance of Foreign Market Entry Mode" by (Stoian et. al 2017), "The Uppsala model on evolution of the multinational business enterprise – from internalization to coordination of networks", (Vahlne 2013), "Broadening the Business Model Construct: Exploring How Family-Owned SMEs Co-Create Value with External Stakeholders.", (Gamble et. al 2021) and "The Influence of the External and Internal Environments of Multinational Enterprises on the Sustainability Commitment of Their Subsidiaries: A Cluster Analysis." (Franco 2021). Large and multinational companies usually have limitless

networks, so applying research about large or multinational companies to micro-enterprise or SME would not offer reliable information.

This thesis topic strongly relate to networks and especially relationships with external stakeholders in the context of entrepreneurship. The goal is to figure out on which areas those networks and relationships with external stakeholders effect the most and how wide are the effects. This thesis focuses on micro-sized enterprises and the ways external networks can help enterprises to expand to SME. The goal is to figure out how to use external networks as an advantage to expand a business and also how to create and maintain those important networks.

1.1 RESEARCH OBJECTIVES

The purpose of this study is to research what impacts networks and relationships with external stakeholders have and how to utilize them as an advantage. The intention is to collect information from experienced entrepreneurs and study how much value networks and relationships hold in the business world. The research question that I will focus on and base my study on are:

Q1: How do an entrepreneur's relationships with external stakeholders affect a company's possibilities to expand from micro-enterprise to SME-enterprise?

Q2: Which areas of the business, relationships with external stakeholders affect?

To research these questions, I will use an semi-structured interview as a form of qualitative method. Qualitative method is an subjective research method and is great way to research as the topic of this research is subjective. I will study those relationships and the effects in detail, asking a few experienced entrepreneur questions in person concerning this subject and form conclusions from the answers.

1.2 RESEARCH STRUCTURE AND DELIMITATIONS

Introduction concludes motivation to the topic and to the research. Another part of introduction is about explaining the structure of the thesis and delimitations of the research. Another part of introduction is a part where, there is explained all the concepts related to the research, such as relationships with external stakeholders, networks, entrepreneurs and different enterprises, like micro-enterprises and SME-enterprises. After explaining the concepts of the study, it is time to get to know the goal of the research and the research questions. After that I'm going to get to know previous studies and challenges about the same subject and describe them. Besides those, I talk about the research gap that this research is meant to fix.

The theoretical framework is a crucial part of the research. All the findings are going to be supported by theories and scientific literature. The theories are going to support my arguments for the research. The theoretical framework gives this research a direction on what kind of questions to ask and how to interpret and combine respondents' answers.

The methodology is a part where I will focus on the research method that I am using in this research. I will tell you how I collected and produced data in detail. I will also describe the reasons for the decision to use qualitative methods and interviews.

Findings is a part where I describe what I found in the research. In qualitative research, the challenge of presenting findings is to present them discernible to different audiences (Sandelowski 2002). Findings will be written in a clear style and without the possibility to misinterpret them. In the discussion section, I will talk about what I found, and evaluate the findings. It consists of a discussion of the findings and how they are relevant to the study. Discussion is the main chapter and the chapter that all the other chapters are leading to (Evans 2014). Discussion collects the research together. The conclusion is the closing paragraph. In conclusion, I will summarize the research and point out the most important findings of the study. The conclusion is supposed to leave the reader with clear results or findings.

I limited the subject of this research by deciding which size of business from expand to which size of business. The delimitation on that is from micro-enterprise to SME-enterprise. I

delimited the research to concern only entrepreneurs because they are the ones who can influence their relationships and networks with the company. Besides those delimitations, I decided to focus only on relationships with external stakeholders instead of focusing on both external and internal stakeholder relationships. The entrepreneurs that I interviewed had businesses in different fields. The other respondent had enterprise in the field of IT industry and the other one had business in the field of events. This part of the study wasn't limited to only one industry, because the aim was to find out how the relationships with external stakeholders affect the possibilities to expand from micro-enterprise to SME-enterprise holistically in the business world.

2. THEORETICAL FRAMEWORK

This section of the thesis describes previous literature on networks and relationships with external stakeholders and concepts related to the topics. These studies and theories will form a theoretical framework for this bachelor's thesis. In this section theories and studies are introduced necessary for this research.

2.1 NETWORK THEORY

People recognize that "who you know" is important, but it is hard for people to see the value of having networks and whether it pays off or not (Kuwabara et al. 2018). Networking has a huge role in teamwork (Joshi 2006), innovations (Reagans et al. 2001), and job search (Wanberg et al. 2000). It is argued that the nature of networks, that are formed entrepreneurial firm is a central determinant factor of regional growth differentials. It has been suggested that network dynamics should be further incorporated into theories concerning the link between knowledge diffusion, entrepreneurship and regional growth. (Huggins 2015) The central idea of network theory is, that opportunities are determined by locations and social structures as well as constrains binding and actors. Position in webs of relationships determines the economic and social benefit. Social networks impact on shaping the information flow and trace the links through which financial capital flows. (Stuart 2005) Networks have an impact on many fields in companies and the impacts are mostly positive, however there have been noticed some negative aspects too. Not utilizing the potential from networks can lead to missed opportunities (Czakon 2018). Using too many sources of external knowledge can also have a negative impact. It is important to have right amount of collaboration partners, because too many can take up too much resources and have a negative outcome for a company's performance. (Pillai et. al 2017)

2.2 SOCIAL CAPITAL THEORY

Social capital theory basically means the benefits individual gets from social relationships. It usually appears if individuals are entrenched in dense networks. Social capital theory is often used in economics, business and political science, health, social work and many other fields and it has become a core concept. All individuals usually share common resources

and that is why individuals should retain their dense networks. The relationships between bonding and bridging individual, collective resources and social capital are complex. (Johnson 2013) Social capital theory is defined by Pierre Bourdieu as: "The aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital, a 'credential' which entitles them to credit, in the various senses of the word." (Bourdieu 1986). So social capital theory is a staple of established social theory, which highlights social relationships, that ease the satisfaction of individual interests (Qi 2013).

2.3 STAKEHOLDER THEORY

Creating value through business models is necessary to extend them to include different values created for different stakeholders. This kind of value creation results in a value portfolio that holds different kinds of values shared between the company and all its stakeholders. (Freudenreich et al. 2020) Stakeholder theory has been developed over the last thirty years to solve or reconceptualize some specific problems. First problem that stakeholder theory is supposed to solve is the problem of value creation and trade. The problem has formed from the thoughts, that how can value and trade happen in business when business relationships are constantly changing and depending on the industry, national and societal context. Solving this problem with fundamental assumptions about capitalism was a great idea and it worked. With the capitalism came a problem of the ethics of the capitalism. The problem related the conflict of ethics and capitalism and it caused people to think, that how can "business" and "ethics" be put together practically and conceptually. With these two things combined people came across with a third issue, which was the problem of managerial mindset. How can economic theory be redefined for it to be useful with all ethical changes in the world. With this stakeholder theory developed by Freeman, it is suggested to adopt as a unit of analysis the relationships between individuals and business groups would ease the problems described. (Freeman et al. 2010) Relationships with stakeholders have a positive impact on improved innovation performance if it enriches the external and internal sharing of knowledge or it creates a development process for a new or improved products (Markovic et al. 2018). Co-creation as a

collaborative process offers both external and internal stakeholders of the company value, but it requires understanding the shared interests of both parties and resolving possible tensions between the parties (Erhardt et al. 2019).

2.3.2 EXTERNAL STAKEHOLDER VALUE CREATION

External networks have a huge impact on team functioning (Joshi 2006). Corporate diplomacy tells the business sense of strategical view of building relationships with stakeholders and creating real business value. In a book written by Henisz, there are 12 traps that companies fall into when building relationships with external stakeholders. In this section will be described the most relevant traps for this thesis and its topic. Complacency is the first one and it comes from the people not recognizing the need for corporate diplomacy. The second one is not learning from failure; many companies give up on corporate diplomacy when it doesn't succeed on the first time. One possible mistake is rewarding the stakeholders who complain and possibly threaten, which creates a pathway for other stakeholders to do the same if it works. Arbitrary budgeting concerns corporate diplomacy because corporate diplomacy doesn't offer obvious financial returns which might cause it not to be prioritized or even not use corporate diplomacy at all. As said measuring the financial return of corporate diplomacy is challenging and trying to measure it precisely can undermine the process because it can look like a process that wastes funds but doesn't return measurable benefit. The desire for control or arrogance is a mistake for corporate diplomats, and it undermines stakeholder trust in them. Corporate diplomats should not handle situations without their own morals and normative goals coming in the way of the company and the stakeholders or either the company should choose someone with the same morals and normative goals, so they do not come in the way of business relationships. (Henisz 2017)

These theories are outlined in the form of a figure below (Figure 1). Networking theory and social capital theory are their own separate theories. Stakeholder theory is a separate theory also but it is specified with the external stakeholder value creation. All of these theories are related to networks and relationships with stakeholders. With a help with these theories it is easy to study the effects of relationships with external stakeholders in a context of expanding a company from micro-enterprises to SME.
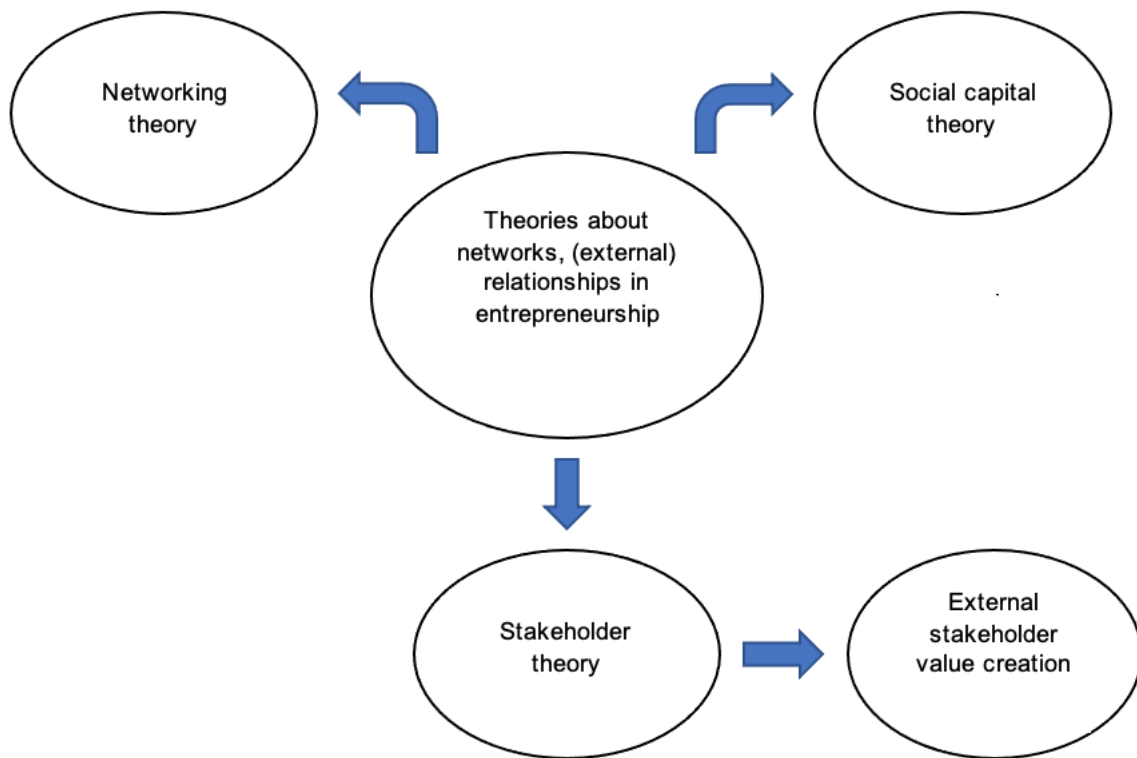
Figure 1: Theories about networks, (external) relationships in entrepreneurship.

3. METHODOLOGY

This research was implemented using a qualitative method due to the nature of the research and the topic. Qualitative method is informative in subjective studies, where answers can't be measured numerically. Interviews offer detailed information and opinions with reasoning. This section describes the form of the research, interview respondents and their backgrounds, data, and the process of data analysis. In this research the goal is to find parts of networking that affect the company's ability to grow. Due the qualitative research does not try to measure anything, it is an subjective way to study, which means that sociocultural and environmental context affect the results of the research (Dodgson 2017).

3.1 DATA AND DATA COLLECTION

The data collection is from semi-structured interviews, where the interviewer knows what they want to find out and so has questions and topics on what to ask and cover. However, the conversation is free and usually varies between the participants. (Fylan 2005) In this research the interview had six main topics that were covered, and each had sub questions to specify the main question or to guide the direction of the interview.

There were two interview respondents, who both were entrepreneurs with a company which grew from micro-enterprise to SME. The respondents had enterprises in different fields and the first one had an enterprise in the field of IT and the second one had an enterprise in the field of events. The respondents will be referred to as an IT-entrepreneur and an event-entrepreneur. Both of the respondents form of the company was limited liability company and both of them had business partner or partners.

Both entrepreneurs were contacted first via email and then agreed to set up a meeting. With the IT-entrepreneur the interview was implemented on a face-to-face setting and with the event-entrepreneur the interview was implemented on a call in Microsoft Teams. The respondents were sent the interview template so they could prepare themselves for the questions and so it would be easier for them to follow the interview. Sending the interview template can also reduce the respondents stress for the interview and it helps the interviewer to get more clear and informative answers. The interviews were conducted in Finnish. The

interviews took place in March 2023. Interview with the IT-entrepreneur took 64 minutes and interview with the event-entrepreneur took 24 minutes. The length of the interview depended on the extent of the responses.

The interview was formed with six main questions and sub questions to the main questions and the total questions was 26 questions. The first section of the interview dealt with respondents' past careers and the reasons for becoming an entrepreneur. It also sidetracked the main focus of this research, networks, there was a question about the impact of networks affecting the decision to become an entrepreneur and if they had networks in the business world before becoming an entrepreneur. The second section was about the process of starting their business. The third section dealt with the growth of the company and the role of networks in it. The fourth section was the main focus of the study and in it the focus was to handle the networks and relationships with external stakeholders. The aim was to go a little deeper into those subjects and the effects they had on their business. The fifth section was about networking strategies and opinions on networking strategies and their importance. The interview ended with a question about why they had sold their company and did networks had effects on who they sold the company to.

3.2 ANALYSIS

Analysis of the data consist of seven phases, that are, firstly preparing and organizing the data for it to be ready for analysis, then transcribing the collected data and getting familiar with the data. After these are memoing the data, coding the data, changing codes to categories and categories to themes and lastly making the process of analysis transparent. (Lester 2020) I started with making a file for the recordings of the interviews. I transcribed the interviews, which was a time consuming process but helped with the analysis later on because the answers were easy to find from the transcribed files. Interview with the IT-entrepreneur transcribed was 5 570 words and interview with the event-entrepreneur was 2 106 words. The first part of coding was to get to know the data and recall the discussions in the interviews and besides this, remove all the unnecessary information that was unrelevant for this study. After that, I started coding the data, changed the codes to categories and categories to themes, and this way I was able to find the data easily and compare the answers separately in each theme and category. The codes, categories and

themes are in the form of figure below (Figure 2). In the end I had the two interviews in the same file and each category and theme had both answers so I could compare them.
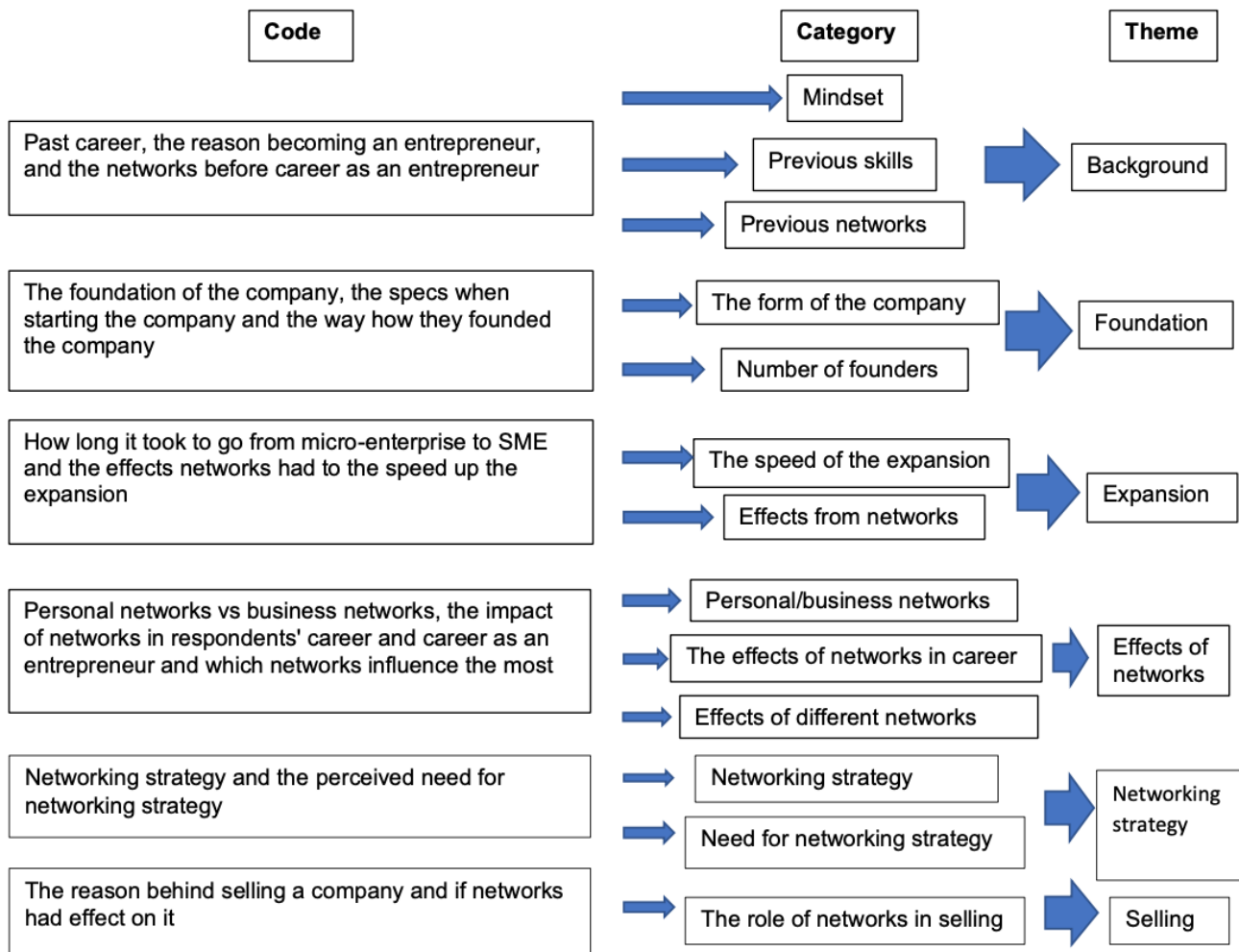

Figure 2: Codes, categories and themes.

4. FINDINGS

This chapter of the thesis describes the findings from the interviews with the two entrepreneurs. In this chapter it will be described how the entrepreneurs experience the effects of having relationships with external stakeholders affect the possibilities to expand from micro-enterprise to SME.

4.1 FOUNDATION OF THE COMPANIES

The first set of questions studies the entrepreneurs past career, the reasons becoming an entrepreneur and whether they had networks before becoming an entrepreneur. The second set of questions also focuses on the backgrounds of the entrepreneurs. There are questions about the company form, with who they established the business and how the employee amount has changed throughout the years. IT-entrepreneur had networks from the business world and specifically from the IT industry of business due his previous career as an employee in the IT industry.

> *"I have, because I've already been in the IT industry for 20 years in different jobs, so I have. I almost knew everyone. For 20 years I've been doing the same thing, there were quite a lot, there were customers, there were competitors, etc."* -IT-entrepreneur

The event-entrepreneur didn't have networks from the business world due to his young age, however he had networks from the music industry, which also was the cause of becoming an entrepreneur, the music.

> *"I didn't have any, I was so young after all. It started from the music, that was a network in a way, then from there I started to find producers and gig sellers and all kind of things from the music circles. That's where I built the business, but I've started from scratch, I didn't know anyone."* -Event-entrepreneur

The second set of questions dealt with the start of the company. There was a question about the starting process of the company and if there was others involved, the amount of employees in the start and at the time of the sale and what was the form of the company.

Both of the companies were limited liability companies at the moment of sale but the event-entrepreneur started the business as a sole trader but changed it to limited liability company after six years when another entrepreneur joined his company. The IT-entrepreneur didn't start the business alone, he joined two entrepreneurs in the beginning of the enterprise establishment process, replacing a third entrepreneur who left the company early days. Both entrepreneurs had companies which grew from micro-enterprise to SME considering turnover.

"The main owner founded it alone, but it was accompanied by two, or three, they founded, but I then replaced this third one in the beginning meters." -IT-entrepreneur

"Yes, well, the very first company was under a sole trader, which is the basis on where I started doing the whole event. It was very small, I think there were 23 people in the first year organizing the event and then I ran it for four years and the turnovers were moderate. In 2007 another entrepreneur jumped in, with whom I then hustled it for about 10 years. In 2008 we founded a limited liability company, which the event was then moved in a way and both started to do the business. And that's what we started to grow and from then on it grew, but maybe it didn't turn into slightly more serious business until 2009." -Event-entrepreneur

The third section of the interview was about the speed of the growth of the company and whether networks had effects on the growth or its speed. The topic of this study is how does the relationships with external stakeholders affect company's possibilities to expand from micro-enterprise to SME, so this study focuses on the time gap when the companies expanded from micro-enterprise to SME. SME in this case is considered to be a company which turnover is over 2 million per year. The next answers are for the question: "How long did it take for the company have over two million turnover?"

"Two million we passed, it was linear at the time, it has gone for sure five to six years after the start of the company." -IT-entrepreneur

"Ten years" -Event entrepreneur

The question I used to study the importance of networks in this matter was: "Did your network speed up the company's growth? If yes, how?" Both entrepreneurs experienced that they had had benefitted from networks and it had somehow affected the speed of growth. The answers differed in the aspect on how have they benefitted from networks and how easy it is to distinguish which areas those have impacted.

"Well of course! In practice, the networks are two-way, so our customers, I had a lot of old familiar customers. I knew a lot of people. Then the other direction was that we found people to be recruited, hired, and also freelancers, which are, those who came to work only on an hourly basis." -IT-entrepreneur

"We had two types of customers, this kind of traditional customer, we did coding, we sold to a company that had, for example, its own product or product family, such as software/product, they had their own product development team, so we sold guys there to do something for them as project type contract. Well they didn't do those from project base, they did long contracts there and were so called extra and brought some new skills for the customer or the customer just needed more people in the development team. But we started to do sales work for other IT houses, for example old employees, for the company I last worked as an employee, we sold consultants because they have big projects and they couldn't recruit people, which is why they bought consultants from us as an hourly job contracts." -IT-entrepreneur

"Well, I guess they had an effect somehow, I guess people don't do those things alone. Our network was our customers, the genre and the event. The media was a network, it helped us grow, in a way, recognition grew, and the speed of the growth of recognition was helped by the fact that the number of customers increased and they supported that thing. Artists were a network, that's true, yes, in that sense. You can say that the networks accelerated the growth." -Event entrepreneur

4.2 THE IMPACT OF NETWORKS IN BUSINESS

This sections findings are the most relevant part of this thesis. In this part of the interview I figured the role of personal networks and networks from the business world, how networks

have influenced the respondents career as an employee and as an entrepreneur to the company and which they have had networks influence the most. The IT-entrepreneur didn't find personal external networks that important in his career and the event-entrepreneur couldn't separate his personal and business networks, which can be sometimes hard to separate because those can overlap one another.

"Well, personal networks don't affect that much for me, for example, none of my friends are even in this field, I don't remember if anyone helped even a little, I don't remember. Although, since then, the old colleagues have become friends, but I think they haven't influenced either. They are in the same field, they are working for competitors, so we don't really talk about work matters, maybe sometimes some sales leads are shared between us." IT-entrepreneur

"Well, for me all the networks or what I know are personal, I don't distinguish whether they are personal or not. I am my company and my company is who I am, so all the networks are personal." -Event-entrepreneur

The answers lead to the conclusion that relationships with external stakeholders and networks influence the overall possibilities in business and can benefit in different scenarios. It is also highlighted that it is always good to know people and without networks a business wouldn't survive. It also emerges that the event-entrepreneur considers that it is dependent on the field of work.

"The fact that you know a lot of people and that way you can get customers, because it's easier if I know "Pena" from that company x and call "Hello Pena, do you want to go to lunch?", if I didn't know Pena, he would say that I'm not going, because his phone rings three times a day and he is being asked to lunch, so why would he go to lunch with me. So for sure that's the biggest thing, when you know a lot of people you get to talk and then selling or buying is easier when you know the person, buying still is a feeling thing, as someone has said. However, the products and services are pretty much the same, so you buy from someone you trust, or it's an acquaintance or friend, or you feel like it could work with him, that's how it goes." -IT-entrepreneur

"I can't say where the most. Overall no one can't manage without a network, you have to have a network in every case. It's a difficult question to answer. What you do, how you develop, and the brand develops, each industry has its own things that affect, but I can't say in detail which would be the biggest thing networks have had impact on." - Event-entrepreneur

I asked the entrepreneurs whether they had networking strategy and if they consider it necessary or important for companies to have. I also asked if they thought that it is dependent on the industry or not. Both of the respondents thought that it is dependent on the company and the industry. The term networking strategy wasn't so familiar with the entrepreneurs, but as I explained it both of them came to the conclusion that they had some kind of approach to the subject. The IT-entrepreneur listed things they have planned to do to grow their networks and the event-entrepreneur experienced that his networks had grew over the years with his networking skills and social personality.

"It probably depends on the company. It's important, of course, one example what I said is that you can sell more easily, but the other side in our business is, that you know consultants a lot, because that's how you find them for those projects, because often that's the problem, that there is a shortage of the consultants. A customer has a need, to which we were sent to find that consultant for their need and if we didn't find a consultants for them, we didn't get the deal. If we didn't have a good network, such a network of consultants, we wouldn't have gotten the deal either. That was actually mostly what company x bought from us, that we had been in that consulting business for 10 years and created a networks of consultants. We probably did about five to ten interviews a week on average. So kind of a job interviews, so that we could constantly add people to the database, so when the client asks if we need this, with this expertise, with these technologies, with this history, we had a guy to offer for them." -IT-entrepreneur

"For us it started to turn into a purposeful fact that we didn't want to hire people anymore, but we started looking for more of these freelancers who had their own company, but they worked for us through their own company. So that network had to be there, and that was probably what company x was looking for with the acquisition, that we had a huge network, we already had a few thousand consultants in our

network, from which we could say that we knew what that person knows, what kind of type they are, most of them we had met at least on the phone, many of them face-to-face and nowadays it is done with Teams. It has been a strategy to grow the network so big that we can find coders for our clients" -IT-entrepreneur

"Not right. I was just wondering why I can't answer. It was such a lifestyle of entrepreneurship, I just grew up with those things, sometimes I failed, sometimes I succeeded, there wasn't much thought going into any strategies, honestly, at the very beginning, we just worked hard and then we realized that we are becoming adults and something must be done properly. We've always had pretty good networks and they've come along the way, I'm quite skilled at networking and yes I like to mingle and get to know people, and it's always been there. Networks have always supported everything and I have learned a lot from others." -Event-entrepreneur

"It probably depends a little on the company, the entrepreneur and the industry. Networking strategy isn't probably necessary for everyone, but no one or any company, especially a start-up company, cannot do everything alone, it needs stakeholders around it, and to get them, you need to be able to network." -Event-entrepreneur

Last question was later added question as both of the entrepreneurs had sold their company at some point and I wanted to find out if external networks had some role in the selling process. Both of them had received offer from the company and probably wouldn't selled it yet if they hadn't had the offer. Both entrepreneur grabbed the offer when the opportunity and a good offer came along. Besides the reason why the entrepreneurs sold their company I asked if external networks played a part in the matter. In the offer of the event-entrepreneurs, networks didn't play a part and the IT-entrepreneur considered it to be also minor thing in the selling process, however the company they sold the firm, had already worked with them for five years, so it was some sort of network who bought the firm.

"I remember that I really, really agonized over this decision and I thought that there is a time for everything and I had done quite long, since 2004 and we would sell it in 2015, so I've been working on it for 13 years. I thought I can do something else now. We were not just selling the festival, we were selling the whole company, and there were four different festivals involved and different concepts. At the time of the sale,

eight years ago, there were no buyers in the market, times were a bit different. When I did those festivals in 2010, most of the events were person driven and the event personified really strongly with me. Nowadays in 2023, these big festivals are owned by multinational companies, they are no longer run by private individuals, times change, so at that time I thought I wouldn't get that kind of offer very often, that's why I decided to sell it." -Event-entrepreneur

"There was an opportunity to sell and we got an offer, which was quite reasonable, and on top of that, the company was the same we had been working together for five years before the moment of sale. We knew that we would have to work there, so we wanted for the company to be the kind of company we would like to work in. We wouldn't have gone to all the places, we had an idea of what those conditions and terms should be and they were mostly met." -IT-entrepreneur

5. DISCUSSION

In this chapter of the thesis, the findings from chapter four and theoretical framework from chapter two, are presented, compared and combined. This part of the thesis will discuss the research questions, the findings from them with the theories from the theoretical framework. This research studied the effects of an entrepreneur's relationships with external stakeholders on company's possibilities to expand from micro-enterprise to SME. Besides that, this research studies which areas of the business those relationships with external stakeholders affect.

According to my research, relationships with external stakeholders is a crucial part of entrepreneurship and relationships with external stakeholders create possibilities, including the possibilities to expand a company, for example from a micro-enterprise to SME. It is noticed that networks overall create possibilities and affect the scope of possibilities depending on how wide the network entrepreneur has with external stakeholders. Networks mostly affect the possibilities to get customers, to get knowledge for the firm and to cooperate, but it is hard to recognize which areas it affect the most and which the least. From this research can find out, that personal and professional relationships can be sometimes hard to separate as an entrepreneur and if they are easy to separate, personal relationships don't add a considerable advantage for the business and the entrepreneur. The findings support the main idea of network theory, which is, that opportunities are determined by locations and social structures as well as constrains binding and actors (Stuart 2005). The position for someone in networks of relationships can determine the economic and social benefit. From the findings it is strongly visible that relationships with external stakeholders have a clear influence on entrepreneurs social and economic situation. Social capital theory is defined by Pierre Bourdieu as: "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital, a 'credential' which entitles them to credit, in the various senses of the word." (Bourdieu 1986), and this study is supported by this statement by Bourdieu and can be fully applied to this research. Stakeholder theory and external stakeholder value creation supports the answers and results from this study. Value from external stakeholders is created through shared knowledge as mentioned in the theory (Freudenreich et al.

2020) and as noticed in the interviews. Stakeholder theory is created to reconceptualize or solve some problems and mostly to it suggest that relationships between business groups and individuals would ease those problems and the interview and the findings from it supports that it would ease most of those problems.

6. CONCLUSIONS

The aim of this research was to explore the effects of external relationships in the contexts of business and from the perspective of entrepreneurs. The focus of this study was expansion from micro-enterprise to SME. These topics were studied through interviews with entrepreneurs, whose enterprise fit these frames. To prime the subject, theories related to this topic were introduced.

The key findings from this research showed that relationships with external stakeholders are crucial and a company couldn't survive without those networks. According to this research it can be argued that relationships with external stakeholders are important and accelerate the company's growth. Relations with external stakeholders increase opportunities, facilitate sales, accelerates the amount of customers and bring recognition. The biggest area that external networks have an impact on is the increase in awareness and thus the opportunities. It proves how important this topic is and how necessary it is to be studied. It was also found that networking strategy is not necessary but would not be for bad either. This research found out the width of impacts networks have.

6.1 IMPLICATIONS

The results of this study suggests to have a suitable network and to have a right amount of relationships with external stakeholders. However the network should be manageable sized network. Relationships with external stakeholders create possibilities to sell, to get recognition and to get collaborations and deals. However too wide network can take up too much resources in a micro-enterprise to handle the network and that is the reason why the network should be suitable for each company individually.

6.2 RELIABILITY AND LIMITATIONS

The conclusions from this research are made based on two interviewees, and hence cannot be a generalization for all entrepreneurs. The interviewees worked in different field of industry and due the perspective for their observations can be very unlike and dependent on the industry or field they work in. As the other respondent work in IT industry, he had

different kind of network than the one working in the field of events. In both of the field and industries it is important to have a great reputation and recognition for the companies is beneficial. Both fields have different kinds of external stakeholders such as customers, partners, media and other external stakeholders. In the field of events media is more present and in the IT industry bigger companies as a customers are huge part of the network. However this research gives observations of experienced entrepreneurs about the research topic.

Validity in this study accumulates from the sources for this research. Both entrepreneurs offer firsthand information from their company and career as an entrepreneur. The entrepreneurs have access to their company's data and information. They were able to provide insightful opinions and comments from their own perspective.

The data was handled in detail and multiple times to eliminate the risk for misinterpretation and mistakes. The interview was semi-structured, which gave room for free conversation. Free conversation gave possibility for the respondents to be able to direct the discussion to what they consider to be relevant issues for the research and that is why I got everything they considered to be relevant to this study.

6.3 FUTURE RESEARCH

Entrepreneurs with micro- or small-enterprise would benefit from studies about this topic in a deeper level. This topic would give entrepreneurs new ideas for networking, point out the importance of the relationships with external stakeholders and networks and give beneficial observations how to use it as an advantage. Future research should focus on also smaller enterprises instead of large enterprises. More extensive and wide research about this subject would give more deeper knowledge and possibility for generalization. Both external and internal relationships and their affects should be studied. This research could be done for some specific industries to offer more precise knowledge. Overall future research should study the effects and importance of external and internal relationships and networks in all business sizes and different industries.

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APPENDIX

Appendix 1: Interview questions

Interview questions:

Tell me about your career?

1.1 When did you decide to become an entrepreneur, why?

1.2 What factors influenced this decision?

1.3 Did you have networks from the business world before becoming an entrepreneur?

1.4 Did your network influence your decision to become an entrepreneur?

How did you start your business?

2.1 Did you start the company alone or with others?

2.2 How many employees did you have when the company was founded, and what about now?

2.3 What corporate form was/is the company?

How fast did the company grow?

3.1 How long did it take for the company to be an SME

3.2 Did your network speed up the company's growth? If yes, how?

What kind of networks do you have?

4.1 Do your personal networks affect your company, or only your networks in the business world?

4.2 Which of your networks have a greater impact on your company's growth?

4.3 What have your networks influenced the most in your career as an entrepreneur?

4.4 What things in your company have your networks influenced the most?

4.5 Have the networks influenced you more during your time as an employee or as an entrepreneur?