The Exploratory Study of the Entrepreneurial Network of Malaysian Bumiputera Entrepreneurs: Cases of Small Firms in the Southern Region of Malaysia

by

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The overall aim of the research is to empirically explore the dynamics of strong and weak ties within entrepreneurial networks during periods when the entrepreneurs face tipping points, and to show how network interaction can affect the subsequent performance of small businesses. The literature review shows that many studies have explored the mix of strong and weak ties in small businesses, linking them to stages of business development. More recent literature, however, has conceptualised firm growth through the notion of tipping points that must be successfully tackled in order to continue along a development path. While the importance of network ties has been well documented in relation to growth stages, only limited work has been done to investigate the contribution that strong and weak ties make as a firm faces specific tipping points. This research therefore aims to answer the following research objectives: 1) To investigate the configuration of network ties in the entrepreneurial ventures of Malaysian Bumiputera (Indigenous) SME entrepreneurs; 2) To explore the change and development of network ties in relation to the tipping points faced by these entrepreneurs.

This qualitative research uses a multiple case study approach involving eight small firms in the southern region of Malaysia. The data collection methods include analysis of secondary documentation and in-depth interviews with the entrepreneurs, using critical incident interview technique. The data has been analysed using NVIVO software and has employed Miles and Huberman (1994) flows of analysis activity. The triangulation of data was carried out by
interviewing individuals who were seen as strong or weak ties within the network, and who were identified through interviews with the entrepreneurs.

The major findings of the study are illustrated below. Six themes were explored when characterising the configurations of entrepreneurial network ties: personal network, business network, professional network, reputation network, competition network and community network. In addition, the discovery of the existence of a dormant tie associated with the reputation network has provided support for the argument centred on the multiplicity of entrepreneurial network ties in small businesses. Newly emerging findings show that human capital and attitudes are significant for entrepreneurs when deciding the strength of their relationships. Findings suggest that network changes occur not only due to staged life cycle processes of business, but due to also when entrepreneurs face tipping points.

Finally, this research provides theoretical and methodological contributions as well as offering implications for entrepreneurs, government agencies and policy-makers.
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CHAPTER 1: INTRODUCTION TO THE THESIS

1.1 Introduction

The concept of social capital and social networks are interrelated and are both associated with the concept of entrepreneurship (Anderson et al., 2007) and they are regarded the crucial feature in entrepreneurship (Chell and Baines, 2000, Hoang and Antoncic, 2003, Jack et al., 2008, Jack et al., 2010, Slotte-Kock and Coviello, 2010). They are referred to as all the relationships or ties an entrepreneur establishes around him or herself. They are useful in obtaining resources (Aldrich and Zimmer, 1986, Birley, 1985, Casson and Della Giusta, 2007) and gaining information relating to market strategy and competitors (Steier and Greenwood, 2000), which is then used to inform entrepreneurs' decision making. Social networks are not only considered important in the process of business formation (Johannisson, 1986) but also function to support business growth and the development process (Elfring and Hulsink, 2003, Hite, 2005, Jack, 2005). In the literature, discussions on networks centre on the network ties that can be strong or weak. Even though research relating to the mix of strong and weak ties in entrepreneurial networks has been extensively discussed, the different functions of each tie in relation to the tipping points of small and medium enterprises requires further exploration.

Small and Medium-sized Enterprises (SMEs) play a vital role in the economic development of developed countries as well as the developing countries and overall, their contributions have a major impact on the economy as a whole. SMEs are also important trade and service providers to primary industries and a large number of them are also producers of finished goods and services. In the Malaysian context, collectively, these SMEs have contributed to the growth of various sectors, namely manufacturing, services and agriculture sectors, as well as ICT services, in terms of output, value-added, employment and exports (IMP3, 2006). Additionally, Hashim and Wafa (2002) mention that SMEs offer job opportunities, initiate improvement, accelerate competition and support big companies. Recent evidence shows that SMEs in Malaysia contribute 32 per cent to gross domestic product, 56.4 per cent to employment opportunities and 19 per cent to export (Aris, 2007). Thus, it is important to understand their growth and development...
as they bring numerous advantages to the economy. Extant research employs stages of SMEs business development in looking at their growth. However, it is recently argued that the stages perspective is no longer relevant to the study of organisational growth (Phelps, Adam and Bessant, 2007). More recent literature has conceptualised firms' growth through the notion of tipping points. Therefore, it is worth looking at the roles of network ties during the tipping points of small businesses that enhance their growth.

This present study aims firstly to contribute to our understanding of the dynamics of the roles of strong and weak ties within entrepreneurs' networks during periods when the entrepreneurs face tipping points. Secondly, the aim of this thesis is to examine the changes and development of network ties. The research makes significant contribution to our understanding of how entrepreneurs utilise networks within dynamic business conditions and at the tipping points of the business.

1.2 Research Context: Malaysia

The section discusses the role of SMEs in Malaysia in general, and specifically provides a background of Malaysia and Malaysian SMEs, the definitions of SMEs, and the impact of these SMEs on the Malaysian economy.

1.2.1 Background of Malaysia

Malaysia gained her independence from Britain in 1957 and is a parliamentary democracy government (Senik, 2010). The country is situated in South East Asia, and is made up of Peninsular Malaysia (also known as West Malaysia) and East Malaysia. Peninsular Malaysia consists of 11 states, which extend from the Thai Border to the island nation of Singapore; these are Perlis, Kedah, Penang, Perak, Kelantan, Terengganu, Pahang, Selangor, Negeri Sembilan, Melaka and Johore. East Malaysia, which is separated from Peninsular Malaysia by the South China Sea, is made up of two states - Sabah and Sarawak - that are located in the northern part of Borneo Island. All these states are administered by the individual state governments. In addition to the 13 states, there are three territories, Kuala Lumpur, Putrajaya and Labuan, which are managed by the Federal Government. The strategic geographical position of Malaysia, located between the Indian Ocean and South
Chinese Sea, creates a tactical meeting location for traders and investors from west and east.

The population of Malaysia is about 28 million and the country has a land area of around 329,847 square kilometres. It is a multiracial country with three major ethnic groups, which are Malay, Chinese and Indian. Malay encompasses 50.4 per cent of the total population and forms the major ethnic group in Peninsular Malaysia, while Chinese and Indians account for 23.7 per cent and 7.1 per cent, respectively.

The population of East Malaysia is more diverse compared to the population in Peninsular Malaysia. Within Sabah itself, there are about 30 different indigenous groups that include Kadazan and Bajau, whereas Sarawak has 26 indigenous groups including the Iban, Bidayuh and Penan (Hamidon, 2009), who account for 11 per cent of the indigenous population in Malaysia. The Malays together with the other indigenous groups are recognised by Malaysia’s constitution as the ‘sons of the soil’ or the Bumiputera (Hamidon, 2009, Marimuthu, 2010). The Bumiputera benefit from various rights and privileges under the constitution which are employment in the public service, entitlement to scholarship and education, and reservation of permits or licences for trade and businesses (Hamidon, 2009).

1.2.2 Definition of Small and Medium-Sized Enterprises (SMEs)

There is no accepted worldwide definition of SMEs (Omar, Arokiasamy and Ismail, 2009). In Malaysia, the term SME is frequently used interchangeably with small and medium scale industries ‘SMI’ (IMP3, 2006). The accepted definition of SMEs in Malaysia was formed after the establishment of the National SME Development Council (NSDC) in 2004 (Senik, 2010). The NSDC (2005) suggests it is essential to introduce accepted definitions for SMEs, since the present definitions focus on the manufacturing sector and largely disregard other sectors (Senik, 2010). Two criteria characterise the standardised definitions proposed by the NSDC (2005): the number of employees, or annual sales turnover. These apply to four main sectors: 1) Primary Agriculture; 2) Manufacturing (including agro-based); 3) Manufacturing-Related Services; and 4) Services (including information and Communications Technology). Table 1 shows the range of current SME definitions in Malaysia.
Table 1: Approved Standard SME Definitions

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of Full-Time Employees</th>
<th>Annual Sales Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufacturing (including Agro-based &amp; MRS)</td>
<td>Services Sector (including ICT and Primary Agriculture)</td>
</tr>
<tr>
<td>Micro</td>
<td>Less than 5 employees</td>
<td>Less than 5 employees</td>
</tr>
<tr>
<td>Small</td>
<td>Between 5 and 50 employees</td>
<td>Between 5 and 19 employees</td>
</tr>
<tr>
<td>Medium</td>
<td>Between 51 and 150 employees</td>
<td>Between 20 and 50 employees</td>
</tr>
</tbody>
</table>

Source: Adapted from NSDC (2005)

Instead of having quantitative figures in the definition of SMEs, researchers have included qualitative criteria depending on their specific focus of research; for example, Hashim and Wafa (2000) incorporated four components, these being 'actively managed by its owner, highly personalised, largely local in its area of operations and largely dependent on internal sources of capital to finance its growth' (pp.10-12).

1.2.3 Background of Small and Medium Sized Enterprises (SMEs) in Malaysia

As at 2006, there were 523,132 total establishments in Malaysia, in which SMEs accounted for the vast majority, at 99.2 per cent (518,996), while only the remaining 0.8 per cent was occupied by large companies (Aris, 2007). There are three sectors - manufacturing, services and agriculture. The SMEs’ position in Malaysia within these three sectors as at 2006 is shown in Table 2. Micro establishments constitute the largest number with more than three quarters out of total SMEs formations (Omar, Arokiasamy and Ismail, 2009). They are primarily represented in the services and agriculture sectors with the proportions of 80.4 and 93.3 per cent respectively. Small companies make up 18.4 per cent and medium companies account for 2.2 per cent. The manufacturing sector also displays the
same pattern; however, the percentage of micro firms for this sector is lower (55.3 per cent) and small firms accounted for 39.5 per cent (Refer to Tables 2 and 3 below) (Aris, 2007).

The main activities in a manufacturing sector are processing and production of raw materials; while the service (general business) sector includes construction, wholesaling and retailing, transport and storage, and hotels and restaurants. On the other hand, the agriculture sector involves rubber, palm oil, paddy, coconuts, fruits, and vegetables.

Table 2: General Profile of SMEs in Malaysia

<table>
<thead>
<tr>
<th>Sector</th>
<th>Establishments</th>
<th>Number of SMEs</th>
<th>Percentage of SMEs</th>
<th>Percentage of Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>39,219</td>
<td>37,866</td>
<td>96.6%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Services</td>
<td>451,116</td>
<td>449,044</td>
<td>99.4%</td>
<td>86.9%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>32,397</td>
<td>32,126</td>
<td>92.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Overall Total</td>
<td>523,132</td>
<td>518,996</td>
<td>99.2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Aris (2007)

Table 3: Total number of establishments according to sector and size of the companies as at 2006

<table>
<thead>
<tr>
<th>Sector/Size</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>20,952 (55.3%)</td>
<td>1,969 (5.2%)</td>
<td>22,921 (60.5%)</td>
<td>37,886</td>
</tr>
<tr>
<td>Services</td>
<td>361,000 (80.4%)</td>
<td>79,025 (17.6%)</td>
<td>899 (2%)</td>
<td>449,004</td>
</tr>
<tr>
<td>Agriculture</td>
<td>27,976 (93.3%)</td>
<td>2009 (6.7%)</td>
<td></td>
<td>29985</td>
</tr>
</tbody>
</table>

Source: Aris (2007)

1.2.4 The Importance of Networking to the Malaysian SMEs

SMEs play a vital role in the development of the Malaysian economy. Their contributions have had a major impact on the economy as a whole. SMEs are also important trade and service providers to primary industries. Furthermore, a large number of SMEs are also producers of finished goods and services. Collectively, these SMEs have contributed to the growth of various sectors, namely
manufacturing, services and agriculture sectors, as well as ICT services, in terms of output, value-added, employment and exports (IMP3, 2006). Additionally, Hashim and Wafa (2002) mention that SMEs offer employment opportunities, initiate improvement, accelerate competition and support big companies. In addition to these contributions, SMIDEC (2006) claimed that SMEs, regardless of their sectors, contribute tremendously to the Malaysia economy and offer a strong base for the entrepreneurial and management talent as well as developing skilled and semi-skilled employees.

Considering the speed of the development of these SMEs, the Malaysian government has instigated numerous initiatives, schemes and facilities to help boost the SMEs’ performance by the establishment of various agencies to facilitate their growths. Among the various government support programmes are:

“Business loans and grants, for example Development Financial Institutions (DFIs) and Enterprises Rehabilitation Fund (ERF); Consultancy services, for example Business Advisory Centre and Standard Industrial Research Institute of Malaysia (SIRIM); Training and technical assistance for example National Productivity Centre (NPC) and Malaysian Entrepreneurial Development Centre (MEDEC); Advertising, Selling and Market Research for example MEDEC and NPC” (Farinda, Kamarulzaman, Abdullah and Ahmad, 2009, p.153).

Despite these facilities and initiatives, Malaysian SMEs are still facing a range of challenges and tipping points to enhance their business performance and sustainability. In his investigation of the challenges encountered by the entrepreneurs in the Asian countries that include Malaysia, Thailand and Philippines, Habaradas (2007) found that the array of challenges includes improving the product quality, intensifying the entrepreneurial activity, emphasising the innovation and technological advancement, expanding the utilisation of the government schemes and offers, and developing the human capital. These challenges can be addressed through networking activities. Senik et al. (2007) found that networking is vital for the Malaysian SMES to venture into the international market. They also found that, through networking, Malaysian SMEs are better able to gain access to the sets of support and assistance provided by the government agencies (MOA, MITI, MArTRADE, MTDC, MIDF, SMIDEC, and NPD among others for which the explanation of these agencies are in Chapter 2) to penetrate the international exportation market. Scholars believe that network ties -
whether strong or weak offer various advantages to the entrepreneurs at different stages of the business development that allows entrepreneurs to access various resources and opportunities eventually achieving growth and competitive advantages (Aldrich et al., 1997, Reese and Aldrich, 1995).

This study investigates the Malay ethnic group entrepreneurs in their networking activities. Previous research such as Hassan, Samsudin and Yusoff (2007) and Omar (2006) shows that most of the SMEs in Malaysia are owned by the Malaysian Chinese ethnic groups, which are reported to have controlled the business dealings in Malaysia for decades. This group owns the majority of the equity such as 82 per cent of wholesale trade, 59 per cent of the retail trade (see Gomez et al., 2004). On the other hand, the Malay ethnic who have dominated the political and the government environment since the creation of Malaysia in 1957, are yet to perform diligently in business (Minai et al., 2011). There are numerous reports and claims that the Malaysian Government has given priority to the indigenous people, particularly the Malay ethnic group, in providing facilities and assistance to ensure the economic stability among ethnic groups (Minai et al., 2011). Yet, the Malay community still lags behind in the business arena. Therefore, there is a need to explore how this Malay ethnic group is performing their networking activities thus providing insights of how this particular group to perform better in the local business environment as well as expand its business to the international market.

This study took into account the social context of the Malaysian Bumiputera entrepreneurs and their relational embeddedness in the relationships between the entrepreneurs and the social networks of various parties such as family, friends, suppliers, customers, employees, banks, government agencies and so forth.

1.3 The Research Aims, Objectives and Questions

The research aims, objectives and questions are set as follows.

The overall aim of the research is to empirically explore the dynamic roles of strong and weak ties within entrepreneurs’ networks during periods when the entrepreneurs face tipping points, and network interaction affects the subsequent performance of the small businesses.
More specifically, the research objectives are

1. To explore the configurations of network ties in the entrepreneurial venture of Malaysian Bumiputera SMEs entrepreneurs in the Food and Beverage Manufacturing industry in the Southern part of Malaysia (Johore).
2. To explore the change and development of network ties in relation to the tipping points faced by these entrepreneurs.

The translation of these objectives into research questions is illustrated in Table 4 below.

Table 4: The Research Objectives, Research Questions and Themes

<table>
<thead>
<tr>
<th>Research Objectives</th>
<th>Research Questions</th>
<th>Themes/Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>To explore the configurations of network ties in the entrepreneurial venture of</td>
<td>1. Network involvement (Who are they networked with? What are the network groups they</td>
<td>Network Types</td>
</tr>
<tr>
<td>Malaysian Bumiputera SMEs entrepreneurs in the Food and Beverage Manufacturing</td>
<td>are networked with? What are the network groups they are networked with? Who are</td>
<td>Network Ties</td>
</tr>
<tr>
<td>industry in the Southern part of Malaysia (Johore).</td>
<td>their strong and weak ties and other, if any?)</td>
<td>Network Bases/Governance</td>
</tr>
<tr>
<td></td>
<td>2. Basis of network strength (On what basis have they decided whether their network</td>
<td>Network Creation Process</td>
</tr>
<tr>
<td></td>
<td>ties are strong or weak?)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Network Creation (What are the network creation process?)</td>
<td></td>
</tr>
<tr>
<td>To explore the change and development of network ties in relation to the tipping</td>
<td>1. Exploration of the Tipping Points and their effect on growth (What are the</td>
<td>Network Change</td>
</tr>
<tr>
<td>points faced by these entrepreneurs.</td>
<td>tipping points that they have faced that enhances their growth?)</td>
<td>Tipping Points</td>
</tr>
<tr>
<td></td>
<td>2. Network ties change and development (How have the network ties changed and</td>
<td>Growth/Performance</td>
</tr>
<tr>
<td></td>
<td>developed?)</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Researcher)
1.4 The Significance of the Study

1.4.1 Theoretical

Firstly, this research contributes in network governance literature that network ties’ human capital play a crucial role in governing the tie intensity in an entrepreneurial network. The extant literature shows that entrepreneurs’ human capital is a necessary component for small business success and firm performance (Coleman, 2007); however, it tends to overlook network ties’ human capital as the basis for an entrepreneur to decide the strength of those ties. This study adds value to both network and human capital literature.

Next, this research provides empirical evidence on the utilisation of dormant ties. This study extends previous studies by Jack (2005) and Hite (2005). These dormant ties, when awakened, are useful and provide better support than the current ties, and are more committed to the relationships. Besides that, this research has found that the professional, reputation and competition ties as well as the clubs/associations are the dormant ties of most of the cases. These dormant ties, which were regarded as dormant in the early business establishment in some cases, were then being recognised after the businesses reached the developing stage when they are in need of advice and consultation. In this situation, the entrepreneurs would go for consultants, getting more information from the clubs/associations about new business opportunities such as franchising to expand the business.

This study also provides empirical evidence on the conceptual proposition by Martinez and Aldrich (2011) on the need to balance the transaction between the strong cohesive ties of entrepreneurs and the weak diversity of ties. This is particularly so for the relationships of an entrepreneur with suppliers and customers.

Besides that, this study contributes to network change literature by providing evidence on the use of the notions of tipping points to conceptualise growth of business and how they have triggered network ties change and development.
1.4.2 Methodological Contribution

Research on SME networking is dominated by quantitative methodology (Jack, 2008). Because of the nature of the subject, it is recommended that qualitative research be employed to gain an in-depth understanding of the networking activities (Anderson et al., 2007; Chell and Baines, 2000). Therefore, this study is taking up this challenge. Besides that, an in-depth qualitative interview technique is adopted not only with entrepreneurs but also with other actors such as the strong ties (family, friends) and weak ties (suppliers, customers, employees, government agencies, etc.) thus increasing the validity, and shows triangulation of data.

1.4.3 Empirical evidence (Malaysia)

No empirical evidence has so far been produced in the Malaysian context; in particular, studies on Bumiputera entrepreneurs that focus on SME social networking. Recently, a conceptual framework was identified on business networking in Malaysian SMEs (Farinda et al., 2009). However, this does not present a holistic approach to social networking of Malaysian SMEs; rather it focuses only on the determinants of business networking activities.

All in all, this study not only contributes to the network and growth literature which predominantly employs a quantitative approach; but also provides empirical evidence to Malaysia SMEs’ entrepreneurial network studies, hence offering recommendations for policy and practice in the field of entrepreneurial support in Malaysia and other developing countries. This study demonstrates that there is necessity for the government agencies to increase their attentiveness to and knowledge of the value and implications of networking towards these Bumiputera entrepreneurs. Despite the fact that government agencies have provided significant support programmes, more importantly, government agencies have to understand that what is more critical is to educate these entrepreneurs with networking skills so that they will be able to manage their entrepreneurial network effectively and utilise them systematically in enhancing the business growth.
1.5 **Structure of the Thesis**

Overall, the thesis contains six chapters. **Chapter 1**, the introduction chapter, provides an overview of the thesis that involves delineating the research context of the study undertaken, the research aims and objectives, as well as the rationale and contributions of the study.

**Chapter 2** provides the review of the literature that comprises these sections; namely, the entrepreneurial networks, the network ties, reviewing the previous network literature in the entrepreneurial context, network ties and growth, overview of the Malaysian government's entrepreneurial support to SMEs, the conceptual framework and finally the important concepts of the study.

**Chapter 3** specifies the methodology adopted for the study. This chapter contains these sections: the research paradigm, justifications of the research paradigm and the research methodology, the research design, data collection method, data collection procedure, data analysis process, the research credibility and finally the ethical considerations.

**Chapter 4** presents the within-case analysis of the eight cases. The analyses were about the case background, the tipping points, the network configurations and the change and development of network ties. This is followed by **Chapter 5** that provides cross-case analysis and discussions about the topic under study.

Finally, **Chapter 6** offers the conclusion of the thesis that covers the restatement of the objectives and key outcomes, the contributions, managerial and policy implications, research limitations and lastly the directions for future research.
CHAPTER 2: LITERATURE REVIEW

2.1 Social Capital, Social Network and Entrepreneurship

The concepts of social capital and social networks are entwined (Jack and Anderson, 2002), and are both linked to entrepreneurship (Anderson et al., 2007). Researchers have long attempted to address the entrepreneurial process from the social relations point of view (Aldrich and Zimmer, 1986; Jack and Anderson, 2002). Jack and Anderson (2002) argue that entrepreneurship is not only an economic process but is one that is also derived from the social context that produces the entrepreneurial outcomes. They further argue that entrepreneurs’ embeddedness in the local structure will facilitate the gaining resources and opportunities. Their work is built upon Gidden’s (1987) view of structure and focus on the notion of social embeddedness to explore how entrepreneurs use structure in the creation and operation of their businesses. This is in a similar vein with McKeever, Anderson and Jack (2014) who assert that entrepreneurship is a socially embedded process connected to the entrepreneurs’ positions in the structure. The sections below discuss the nature of this relationship.

2.1.1 The overlapping nature of social capital and social network

The concept of social network overlaps extensively with the concept of social capital (Schuller et al., 2000) and social capital is viewed as a representation of the social network (Casson and Della Giusta, 2007; Anderson et al., 2007). It was suggested by Jack and Anderson (2002) that the notion of social capital is better converted into 'networking capital' since they are interrelated in the sense that they represent a relational phenomenon and "a term that actually refers to the social connections entrepreneurs use to obtain resources they would otherwise acquire through expending their human or financial capital" (Cope et al., 2007, p.63). In addition, entrepreneurs who have high levels of social capital and extensive social networks help entrepreneurs to gain the required capital and resources for their business operations (Baron, 2007). Furthermore, it is difficult to study social capital without looking at social networks (Anderson et al., 2007). They highlight that both social capital and social networking are connected, and neither would survive without the other.
2.1.2 The linkage between Social Capital and/or Social Network and Entrepreneurship

The study of entrepreneurship has initially associated the individual traits approach and cognitive models with an entrepreneur; however, since the 1980s, the importance of social capital in the respect of social networks has widely accepted (Cope et al., 2007). One of the early researchers who became the pioneer in this field is Birley (1985); she examined the role of social networks in entrepreneurship. Cope et al. (2007) highlight that a new perspective has emerged which views the entrepreneur as the one who develops social capital through social networks which will then provide access to information, financial support, expertise, and learning. Furthermore, Anderson and Miller (2002) emphasise that social capital affects the nature of the entrepreneurial business venture, while Staber and Aldrich (1995) reinforce this view that entrepreneurship is “embedded in social context, channelled and facilitated or constrained and inhibited by people’s position in social networks” (p.4). In addition, Drakapoulou et al. (2002) assert that entrepreneurship has employed networking theory as a method to explore the formation and development of new firms. Aldrich and Zimmer (1986) stress that the starting point for examining entrepreneurship through social networks takes the form of either a relationship or a transaction between two individuals by means of communication (passing information from one person to another), exchange (exchange of goods or services between two people), or normative content (expectations persons have of one another).

Cope et al. (2007) in their special issue argue that despite the extensiveness of research on the entrepreneurial benefits of social capital, there is limited research in understanding the specific social processes involved. They give insights in expanding the social capital discourse in entrepreneurship research by looking at the extent to which entrepreneurship is carried out through social interactions and networks, and the extent to which different types of networks are used for different stages of entrepreneurial activity which this study focuses on. Thus, the next section extensively discusses the social networks and the ties involved at the different phases of entrepreneurial venture development.
2.1.3 Social Capital and its Associated Dimensions

Scholars (e.g., Burt, 2000; Liao and Welsch, 2005; Kim and Aldrich, 2005) argue that social capital is one of the most important forms of capital for an entrepreneur. Entrepreneurs need social skills in maintaining relationships with other businesses; without it, entrepreneurs may not find it easy to compete in the ever-changing business environment (Liao and Welsch, 2005). Hence, the next section discusses the definition of social capital and how it is related to the concept of social networks.

Since the 1990s, there has been an explosion of interest in social capital (Field, 2003), and it has become a well-received concept in a broad range of social science fields (Bourdieu, 1986, Adler and Kwon, 2000, Tsai and Ghoshal, 1998); for example; the family unit (Coleman, 1988), the firm (Burt, 1995), the market (Baker, 1990), and society (Putnam, 1995). It is noted in organisational research that social capital brings success in various aspects at organisational level (Adler and Kwon, 2002), such as in career success (Burt, 1995), job opportunity (Granovetter, 1973), intra-firm resource exchange and product innovation (Tsai and Ghoshal, 1998), intellectual capital (Nahapiet and Ghoshal, 1998), reducing labour turnover rates (Krackhardt and Hanson, 1997), and firming up supplier relations (Uzzi, 1997). In the study of entrepreneurship, social capital is found to influence three aspects; these are opportunity recognition, resource acquisition, and project implementation (Casson and Della Giusta, 2007).

Despite the advantages it brings to various field (Kim and Aldrich, 2005), the definition of social capital brings a number of controversial issues (Anderson et al., 2007) due to its high degree of ambiguity (Anderson and Jack, 2002, Lin, 2001a). The concept itself is complicated to define (Theingi et al., 2008), because of the variety of meanings that have been associated with it (Casson and Della Giusta, 2007, Anderson and Jack, 2002). Table below shows the various definitions given to the concept.
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<th>Perspective</th>
<th>Authors</th>
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<td>Bridging</td>
<td>Baker</td>
<td>&quot;A resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationship among actors&quot; (1990, p. 619)</td>
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<td>Bourdieu</td>
<td>&quot;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 or recognition&quot; (1985, p. 248)</td>
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<td>Bourdieu and Wacquant</td>
<td>&quot;The sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance or recognition&quot; (1992, p. 119)</td>
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|             | Burt    | "Friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital" (1992, p. 9)  
"A function of the brokerage opportunities in a network" (2000, p. 4) |
|             | Knoke   | "The process by which social actors create and mobilize their network connections within and between organizations to gain access to other social actors' resources" (1999, p. 18) |
|             | Noteboom| "Contributing to goal achievement of actors on the basis of relationships. Here, actors may be individual people but they may also be groups, such as firms or other organizations. In the latter case the relevant relationships are those between, or within, the groups. Of course, within the group one also has social capital in relationships between people, but then the relevant actors are the members of the group, not the group as a whole" (2007, p. 32) |
|             | Portes  | "The ability of actors to secure benefits by virtue of membership in social networks or other social structures" (1998, p. 6) |
| Bonding     | Cohen and Prusak | "Social capital consists of the stock of active connections among people: the trust, mutual understanding, and shared values and behaviours that bind the members of human networks and communities and make cooperative actions possible" (2001, p. 4) |
|             | Coleman | "Obligations and expectations, information channels, and social norms" (1988, p. 95)  
"Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: they all consist of some aspects of social structure, and they facilitate certain actions of individuals who are within the structure" (1990, p. 302) |
|             | Fukuyama| "The ability of people to work together for common purposes in groups and organizations" (1995, p. 10)  
"Social capital can be defined simply as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them" (1997, p. 378) |
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<th>Author(s)</th>
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<td>Knack and Keefer</td>
<td>&quot;Trust, cooperative norms, and association between groups&quot; (1997, p. 1251)</td>
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<td>Knack</td>
<td>&quot;Encompasses common values, norms, informal networks, and associational membership that affect the ability of individuals to work together to achieve common goals&quot; (2002, p. 42)</td>
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<td>Portes and Sensenbrenner</td>
<td>&quot;Those expectations for action within a collectively that affect the economic goals and goal-seeking behaviour of its members, even if these expectations are not oriented toward the economic sphere&quot; (1993, p. 1323)</td>
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| Putnam               | "Features of social organization such as networks, norms, and social trust that can improve the efficiency of society" (1993, p. 167)  
|                      | "Connections among individuals – social networks and norms of reciprocity and trustworthiness that arise from them" (2000, p. 19) |
| Thomas               | "Those voluntary means and processes developed within civil society which promote development for the collective whole" (1996, p. 11) |
| Adler and Kwon (Bridging and bonding) | "Social capital is the goodwill available to institutions or groups. Its source lies in the structure and content of the actor’s social relations. Its effects flow from information, influence, and solidarity it makes available to the actor" (2002, p. 23) |
| Loury                | "Naturally occurring social relationships among persons which promote or assist the acquisition of skills and traits valued in the market place... an asset which may be as significant as financial bequests in accounting for the maintenance of inequality in our society" (1992, p. 100) |
| Inkpen and Tsang      | "The aggregate of resources embedded within, available through, and derived from the network of relationships possessed by an individual or organization" (2005, p. 151) |
| Nahapiet and Ghoshal | "The sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through the network" (1998, p. 243) |
| Woolcock             | "The information, trust, and norms of reciprocity inhering in one’s social network" (1998, p. 153)                                       |
| Woolcock and Narayan  | "The norms and networks that enable people to act collectively" (2000, p. 225)                                                           |
| World Bank           | "Social Capital refers to the norms and networks that enable collective action. It encompasses institutions, relationships, and customs that shape the quality and quantity of a society’s social interactions. (...)Social capital, when enhanced in a positive manner, can improve project effectiveness and sustainability by building the community’s capacity to work together to address their common needs, fostering greater inclusion and cohesion, and increasing transparency and accountability" (2005). |
According to Adler and Kwon (2002), the bridging perspective is an external linkage of an actor; by which social capital is inherent in the social network of the main actor that ties together the other actors. They further explain that the actions of individuals are significantly drawn up and influenced by the direct and indirect links to other actors in the social networks. In contrast, the bonding perspective is the collective internal characteristics of actors in a collective group that may be an organisation, a community, or a nation where strong interrelationships exist that give collective strength and cohesiveness to achieve certain goals (Adler and Kwon, 2002). Meanwhile, the third perspective of social capital definitions is a neutral view in the sense it maybe a combination of the two views. These three perspectives show the holistic view of social capital definitions that encompasses the relationships of an individual with the other individuals or groups in the social environment.

Among all the definitions highlighted above, Knorringa and van Staveren (2006) summarised that, "The most general definition of social capital is that relations matter" (p. 23). It can be clearly seen that the most striking feature that is associated with the concept of social capital is the network. A network acts as a link between people in sharing and exchanging information and resources through the process of ‘networking’. Anderson and Jack (2002) mention that the ‘bridge-building’ process helps the actors to improve the relationships with the other actors in the network and this may help to enhance the importance of networking. They have also confirmed that the structural component of social capital is the foundation of the bridges while the relational components of social capital characterise the resources; for example, the ties embedded in relationships (Baker, 1990; Burt, 1992; Coleman, 1990; Liao and Welsch, 2003).

2.1.4 Social Capital and Embeddedness

Nahapiet and Ghoshal (1998) take into account both stances on the definition of social capital which are bonding and bridging perspectives; and consider three dimensions of social capital - the structural, the relational, and the cognitive. The definition of structural dimension was drawn from Burt (1992) as the "overall pattern of connections between actors – that is who you reach and how you reach them" (p.244). Likewise, Steier (2001) proposes that structural dimension means "the overall configuration of the network pattern of connections between actors"
(p.262). In contrast, the relational dimension refers to “actual relationship or bonds between actors that enable them to make claims on one another” (Steier, 2001, p.262). Nahapiet and Ghoshal (1998) recognise a further dimension of social capital, the cognitive dimension, defined as, “Those resources providing shared representations, interpretations, and system of meaning among parties” (p. 244). This dimension emphasises the following characteristics among network members - common languages, codes, and communication channels.

The three dimensions of social capital proposed by Nahapiet and Ghoshal (1998) are claimed in the literature to have a link with Granovetter’s embeddedness approach (1973, 1985). The embeddedness approach is considered one of the main concepts in social network theory. These two views are related to each other; by which the structural dimension is defined by a “dyad’s mutual contracts are connected to one another” (Granovetter, 1992, p.35). Gulati (1998) proposes a further definition: “structural embeddedness (positional perspective) on networks go beyond the immediate ties of firms and emphasise the informational value of the structural position these partner occupy in the framework” (p.296). These definitions portray the impacts that the structure of relationships can have on actors’ activities in the relationships. Nahapiat and Ghoshal (1998) assert that structural embeddedness incorporates the properties of the social system and the network relationships; which delineate the formal configuration of linkages between actors such as the intensity of ties (whether these are sparse or densely attributed). However, as Burt (1992) critically contends claims; the more structural embeddedness present in a network, the more it will affect the behaviour of each actor concerned. In contrast, Jones, Hesterly and Borgatti (1997) stress that the more structural embeddedness there is, the more useful information will be acquired by an actor – specifically, with whom to exchange and with whom to avoid doing so.

The relational dimension of social capital is related to Granovetter’s view of relational embeddedness (Nahapiet and Ghoshal, 1998). It refers to personal relationships of an actor developed through the interactions with the other actors in the network (Granovetter, 1992). Gulati (1998) adds that this dimension, which he refers to as the cohesion perspective, emphasises the role of direct cohesive ties in obtaining ‘fine-grained’ information. Rowley et al. (2000) define relational embeddedness as the characteristics of relationships, for example the strength of
dyadic ties, which are strong and weak. Nahapiet and Ghoshal (1998) further elaborate on the focus of relationships of an individual to satisfy social needs such as associability, approval and prestige, which centre on trust and trustworthiness (Fukuyama, 1995, Putnam, 1995), norms and sanctions (Coleman 1988, Putnam 1995), and obligations and expectations (Burt, 1992, Coleman 1990, Granovetter, 1985). Specifically, trust is regarded as a crucial value or norm because it facilitates the exchange of resources and information which lead to high performance (Uzzi, 1996). Relational embeddedness, among others, is explored in this work which focuses on the various aspects of relationships between individual entrepreneurs and their social networks (family, friends, suppliers, employees, customers, banks and government agencies).

2.2 Entrepreneurial networks

This section provides a discussion on the types of entrepreneurial networks and its associated roles and functions in supporting entrepreneurs. They include personal, business, professional, reputation and competition.

The concept of network in entrepreneurial study has been heavily researched in recent years (e.g. Casson and Della Giusta, 2007, Elfring and Hulsink, 2007, Jack et al., 2008). It is considered a crucial feature in entrepreneurship (Chell and Baines, 2000, Hoang and Antoncic, 2003, Jack et al., 2008, Jack et al., 2010, Slotte-Kock and Coviello, 2010) as it provides enormous benefits to entrepreneurs. Brass et al. (2004) defined network as 'A set of nodes and the set of ties representing some relationship, or lack of relationship, between the nodes' (p.795), while Bowling (1991) defined it in a comprehensive manner as

"... the web of identified social relationships that surround an individual and the characteristics of those linkages: It sees each individual as a node in a network of people and each exchange between them as a link. It is the set of people with whom one maintains contact and has some form of social bond" (p.69).

Essentially, the definition above highlights that a network is a set of linkages among individuals who are bonded by the set of ties formed amongst them. Networks, though, are also regarded as providing instrumental ties among various groups (Hansen, 1999) that link with the other network groups. They consist of
interconnected dyadic relationships where the nodes may be roles, individuals or organisations (Johannisson et al., 2002). This study adopts the above stance of defining a network that regards the entrepreneur as the main actor who located in the middle of a network, and who then has a set of linkages with other actors in the internal as well as external environments, and is connected with the other network groups.

According to the entrepreneurship perspective, networks may be referred to as all the relationships or ties an entrepreneur establishes around himself or herself in obtaining resources (Aldrich and Zimmer, 1986, Birley, 1985, Casson and Della Giusta, 2007) and gaining information (Steier and Greenwood, 2000) to succeed in the pursuit of business (Brüderl et al., 1992, Jack and Anderson, 2002). It involves forming and maintaining relationships with other actors in the business environment. The benefits of networks are that they aid in the process of business formation (Johannisson, 1986), support business growth and the development process (Elfring and Hulsink, 2003, Hite, 2005, Jack, 2005), are useful in recognition, organisation, acquisition and exploitation of resources (Hite, 2005, Jack et al., 2008), and vital in opportunity discovery and market organisation (Casson and Della Giusta, 2007, Dubini and Aldrich, 1991). Entrepreneurs can gain an advantage through the flow of information in the networks such as market situations, strategic locations and competitors’ positions, and these alert firms to embark on the choices available.

There is no consensus on the types of entrepreneurial network in the literature. This is due to the theoretical differences proposed by many researchers. For example, the focus on the types of network centres on the classical view on personal and inter-organisational networks which is in line with Melin (1987, p.31), who suggested that ‘networks can mean both social relationships among individuals and interactions among organisations’. O'Donnel et al.(2001) differentiated these two types of network: the personal network is the individual as the key, and links with informal contacts, whereas the inter-organisational network centres on organisation and links with formal contacts. In fact, research on networks in entrepreneurship literature can be divided into two; either focusing on personal, social or business networks, or on inter-organisational relationships. This study focuses on the former because investigating the entrepreneurial network by adopting the entrepreneur himself as a frame of reference would portray the relationships he has around him.
in a greater depth. Birley et al. (1985) and Johannisson (1986) make a distinction between formal and informal networks, whereby the formal network relates to professional ties such as bankers, accountants, lawyers, suppliers, and government agencies. This contrasts with the informal network which comprises both family and friends.

This work argues that an entrepreneur’s network must consist of a holistic picture of a network itself in the sense that it includes all parties in a society to which an entrepreneur belongs. This argument rests on the premise that different network types provide different forms of support for entrepreneurs in developing the business (Elfring and Hulsink, 2003). Thus, this study follows the categorisation of entrepreneurial networks proposed by Lechner and Dowling (2003) and then modifies it into various categories - namely, personal, business, professional, reputation, and competition networks - and embeds various links with different individuals. Lechner and Dowling’s (2003) relational mix is adopted as it provides a thorough categorisation of meta-networks that link to an entrepreneurial venture’s development and growth. It is modified by not including marketing and knowledge, technology and innovation networks as it has little bearing on this study; instead it focuses on business and professional networks. Figure 1 below shows the types of networks and their associated links/networks. In this figure, ‘E’ represents entrepreneurs as one focal actor that is embedded in social relationships in which every individual or other actor is viewed as a node. This network provides a wide array of resources including information (data, technical knowledge and expertise), physical and capital resources (funds, materials, space and time) and symbolic support (endorsement, approval and legitimacy) (Larson and Starr, 1993).
2.2.1 Personal/Social Network

A personal network or social network consists of family, close relatives and close friends of an entrepreneur. The relationship with these parties was built initially on social or affective relations that 'draw upon the pattern of expectations, norms and governance structures' (Larson and Starr, 1993, p.8). Family and friends are perceived as the main contributors of help and support for an entrepreneur in the starting-up stage of the business (Anderson et al., 2005, Birley, 1985). Family members beyond the close family also provide a range of very important resources to entrepreneurs that are both professional and affective in nature (Anderson et al., 2005). Usually, they will be the first to be consulted when there are difficulties in running the business. The family acts as a crucial source of help by providing initial capital that is generated from family assets. In certain cases, they not only provide the necessary capital but also offer other resources such as access to markets, sources of supply and even new ideas (Reynolds et al., 2004). Nevertheless, Hite and Hesterly's (2001) theoretical study asserted that egocentric networks that represent the personal and social ties have a lack of breadth of resources that a
firm may need to adapt to the increasing demands of early-stage growth. This is confirmed by Lechner and Dowling’s (2003) empirical study which looked at the functions of relational mix at various stages of business development and found that personal networks became less significant over time. This has also been referred to as the strong ties of an entrepreneurial network (Granovetter, 1973). The argument on the functions of each network is presented in depth in the next section.

2.2.2 Business Network

Business network refers to all the network parties that have business relations with entrepreneurs; namely, customers, suppliers and others. Customers and suppliers are vital for entrepreneurs’ businesses. Having relationships with these parties brings many advantages to entrepreneurs. These groups can also act as sources of information, ideas, knowledge, skills, intermediaries, and other support. Jack et al. (2004) stated that specific information can be obtained from customers, such as competitor pricing and new business ideas, whereas suppliers provide information about the competition. If the relationships between these groups become disconnected, this causes problems for entrepreneurs, as they are the core people for business dealings. These networks are regarded as weak ties (Granovetter, 1983); however, Jack et al. (2004) claimed that they are entrepreneurs’ strong ties in the sense that they contribute extensively to the business development.

Employees are regarded as a business network of entrepreneurs in the literature, in the sense that they are only important for business production. However, apart from that, Jack’s (2005) ethnographic qualitative study found that employees act as link to recruit staff and attain local information. In some cases, employees are used after they left the firm; and in other instances, they function to maintain local market positions. Employees are regarded as strong ties of entrepreneurs (Jack, 2005), but by contrast are considered as weak ties in the strong and weak ties hypotheses by Granovetter (1973). However, network literature has not suggested that employees support entrepreneurs emotionally in the growth of a firm. This study argues that, apart from personal ties, employees who are also viewed as strong ties of entrepreneurs also contribute to the development of small firms particularly during the tipping points of the firms.