

Small Enterprise Research Report

Networking in Business

September 2006



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Small Enterprise Research Report

Networking in Business

September 2006 - Vol.3, No.3

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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

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Kingston University**
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- 1 Surviving The RecessionFebruary 1993
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- 3 Management Style September 1993
- 4 Financial ManagementDecember 1993

1994 (Vol.2)

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2002 (Vol.10)

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- 2 The EuroDecember 2002

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Small Business Management Report
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- 3 Crime Against Small Firms June 2003

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Small Enterprise Research Report
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2003-04 (Vol.1)

- 1 Small Firms And PoliticsOctober 2003
- 2 Pensions February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

- 1 Education & EnterpriseOctober 2004
- 2 Made in Britain February 2005
- 3 Management & Gender Differences..... July 2005

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2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

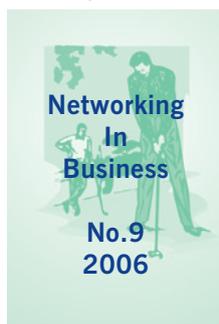
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The Small Enterprise Research Team is particularly pleased to acknowledge the generous support provided by Lloyds TSB in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds TSB.

Report Author – Professor John Stanworth (University of Westminster)

Series Editor – David Purdy

HIGHLIGHTS

This is the ninth in a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Networking In Business** and the principal findings were as follows:

- **Importance of networking – A majority of respondents (57%) said that networking was ‘very important’ or ‘important’ to the success and growth of their businesses, although 38% felt that it was ‘not very important’ or ‘unimportant’.**
- **The benefits of networking – ‘Pro-networkers’ (those who rated networking as ‘very important’ or ‘important’) consistently reported greater rewards than other respondents (‘networking sceptics’) for a range of measures.** Marked differences included the 83% of ‘pro-networkers’ who said they had found **new customers** as a result of networking, compared with 55% of the ‘sceptics’. And similarly, 48% of the ‘pro-networkers’ said that they had found **new product ideas**, compared with only 25% of the ‘sceptics’.
- **Preferred modes of communication and gender similarities – The ranking of the top three methods of communication cited was identical for both male and female respondents: namely, face-to-face events for 67% respondents overall, followed by the telephone, 66%, and written correspondence, 43%.**
- **Preferred modes of communication and gender differences – Female owner-managers appeared less enamoured of entertainment stereotypically described as ‘boys’ clubs’, whereby only 8% of the women favoured such as golf or the pub, compared with 26% of the men.** They were, however, more persuaded by the merits of **business lunches/meals** as a useful means of networking (42% of females compared with 24% of males).
- **Valued sources of business advice and information – For a sizeable majority (88%), professional sources such as accountants and solicitors prevailed, followed by family or friends (39%), bank managers (36%), customers (36%) and even competitors (23%). One-third cited Business Link or Enterprise Agency connections, and 10% mentioned academics.**
- **Valued sources of business advice and information vs. firm size – As firm size increased from 0-4 full-time equivalent employees (FTE) to 20-49 employees, the proportion of respondents citing family or friends, dropped from 52% to 23%. In contrast, the proportion citing bank managers tended to increase amongst the larger businesses.**
- **Financial benefits of networking – A quarter of the ‘pro-networkers’ (26%) acknowledged that it can be difficult to gauge the effect on sales turnover, compared with 18% of the ‘networking sceptics’. However, nearly one-in-five of the ‘pro-networkers’ (compared with none of the ‘sceptics’) felt that the networking could contribute as much as 21% to 100% of annual sales turnover.** Interestingly, a similar core of around 55% of each of the ‘pro-networkers’ and of the ‘sceptics’ indicated that the contribution lay between 1% to 20% of sales turnover.
- **Time commitment – ‘Pro-networkers’ were far more likely than the ‘networking sceptics’ to spend time on networking on a regular, rather than an occasional basis (typically twice as likely in terms of weekly or monthly activity).**
- **Sources of new contacts – Trade associations were the most popular (36% of respondents), followed by professional bodies (19%), chambers of commerce/trade (17%), small business clubs, banks, employers’ organisations and research associations.**

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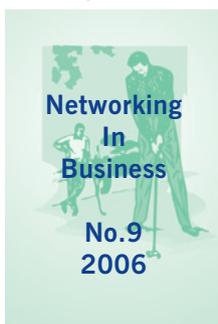
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- **Sources of new contacts and firm size variations** – *The smallest and largest respondents tended to favour trade associations more than the mid-size firms (within the survey sample, where respondent firms typically had fewer than 50 FTE employees).*
- **Preferred means of extending network** – *The most popular was to attend an exhibition (54%), followed by conferences/seminars (46%) and business interest group meetings (44%). Respondents from larger firms were more likely to attend exhibitions.*
- **Preferred means of extending network and firm size variations** – *Respondents from the larger firms were more likely to attend exhibitions.*
- **Preferred means of extending network and sector variations** – *Respondents in manufacturing were more likely to favour exhibitions than those in the other sectors (69% of manufacturers favoured exhibitions, compared with 53% in retail/distribution, and 35% in business services). However, business services' respondents were rather more active than either of the other sectors when it came to conferences/seminars, business interest group meetings, training courses and informal/formal dinners.*

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MANAGEMENT ISSUES

The emphasis of the management reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the report addresses one or more highly topical small business management issues. In this survey we focus on **networking in business**. The report is produced three times a year.

THE SAMPLE

This report is based on the responses received from a panel of over 350 small businesses situated in the northern, midland and southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. The precise distribution of firms varies from survey to survey, but typically over half of the participants employ fewer than 10 people.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out between June and August 2006.

BACKGROUND

The report originates from a longitudinal investigation into the development of small firms undertaken by the University of Westminster (then the Polytechnic of Central London) on behalf of the Department of Education & Science, between 1988 and 1992.

PAST SURVEYS

2003-04 (Vol.1)

- No.1 **Small Firms and Politics**
- 2 **Pensions**
- 3 **Work-Life Balance**

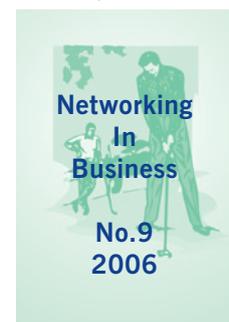
2004-05 (Vol.2)

- 1 **Education & Enterprise**
- 2 **Made In Britain**
- 3 **Management & Gender Differences**

2006 (Vol.3)

- 1 **Local or Global ?**
- 2 **Managing IT**

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NETWORKING IN BUSINESS

Whilst the very notion of networking sounds like an activity you might need permission to undertake – perhaps get a license, study an EU handbook and maybe even pay taxes on – thankfully it is a harmless business activity and is nothing new. To quote one of the survey respondents (a recruitment agent):

“I networked before it had that name. It’s something you live – you do it all the time, whether it’s your cab driver or your grocer’s daughter.”

Networking then, is a general name given to the processes of information gathering and distribution, with usually an emphasis on the former. It tends to refer to process as much as structure.

For instance, we may visit a business exhibition or attend a business lunch (structure) but networking usually refers to what we do when we are there (process). Also, some of the ‘structures’ may actually be intensely informal such as visiting a pub or, alternatively, very opportunistic, such as talking to your dentist whilst having a filling. To quote a high-technology contemporary textiles manufacturer in the sample:

“In order to succeed in my business, it is imperative to conduct primary research. Face-to-face networking and personal contact ensures good working practice and outcomes. No amount of secondary literature or advice can match networking in business.”

HOW IMPORTANT IS NETWORKING ?

Obviously, networking is not something that can be precisely weighed on a set of scales in working out whether it benefits a business or not. However, respondents from the small business panel usually felt able to assess its importance to their businesses.

They were asked to estimate the importance of networking to the success and growth of their businesses and **Figure 1** illustrates that a majority, 57%, felt that networking was either ‘very important’ or ‘important’, compared with 38%, who felt that it was either ‘not very important’ or ‘unimportant’.

Pro-networkers vs. networking sceptics

To help understand the differences between what are two complementary groups, we have identified as ‘**pro-networkers**’ those who rated networking as ‘very important’

Figure 1 - How Important Is Networking To The Success And Growth Of Your Business ?

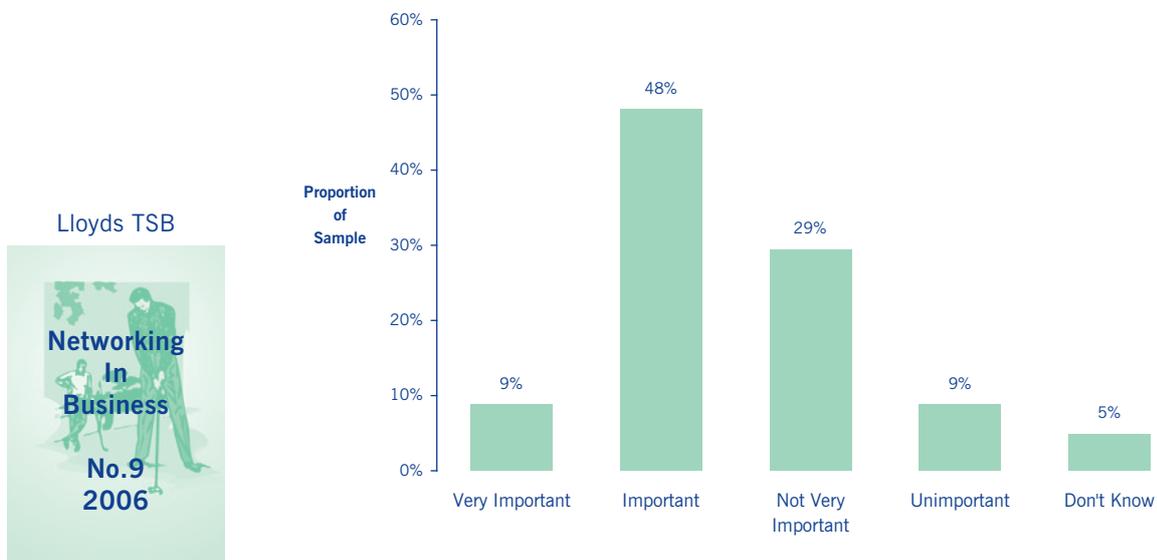
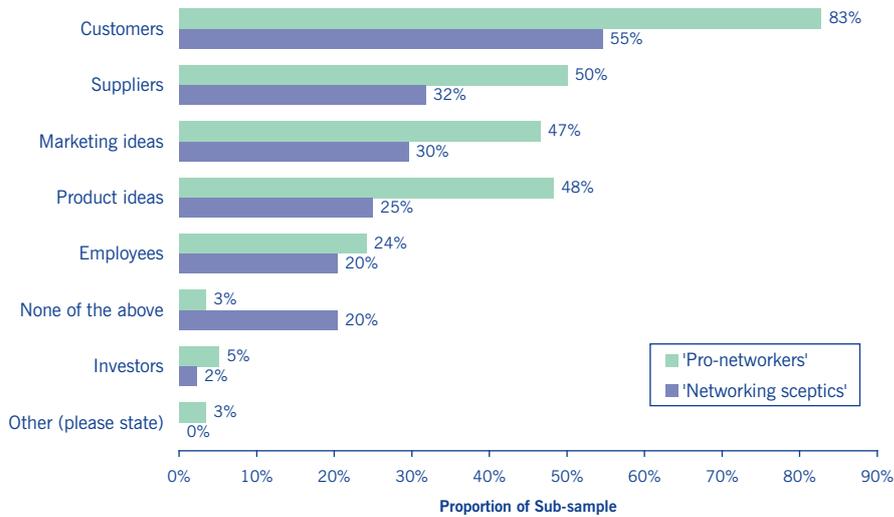


Figure 2 - Respondents Finding New Business Contacts Or Ideas Via Networking Over The Previous 12 Months



or 'important', and the remainder as **'networking sceptics'** (rating it as 'not very important', 'unimportant', or 'don't know').

NETWORKING SUCCESS

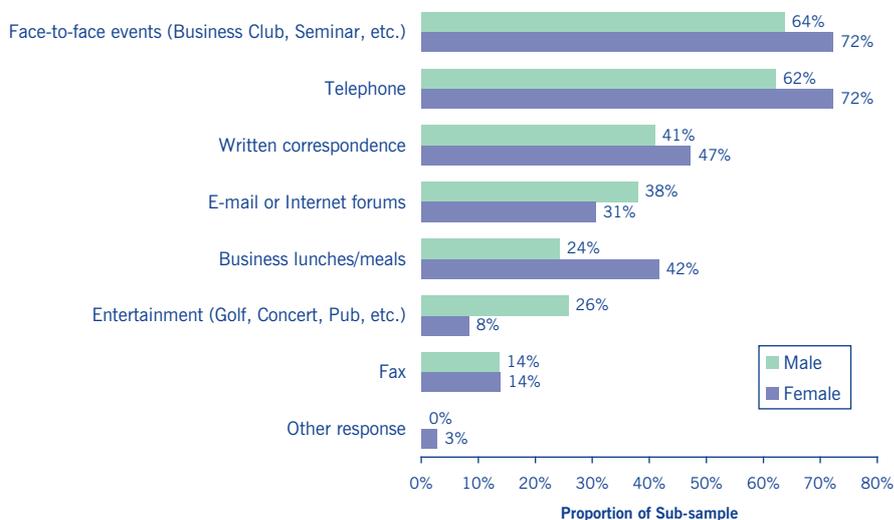
Figure 2 illustrates the various new business contacts or ideas obtained as a result of networking over the previous 12 months, broken down by 'pro-networkers' and 'networking sceptics'. And whilst there may be a corresponding self-fulfilling prophecy

at work with each group – e.g., a reluctance to search and therefore a reduced chance of 'finding' – the 'pro-networkers' responses indicate the range of potential benefits to be achieved from successful networking.

THE GENDER DIMENSION

For some business issues, there are gender differences, but for others, this was not the case. In Figure 3, respondents were asked to select the three most favoured methods of

Figure 3 - Preferred Methods Of Communication For Networking: By Respondent Gender



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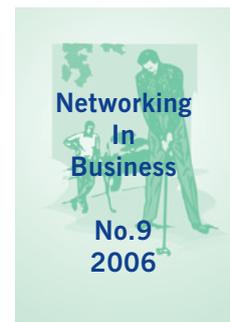
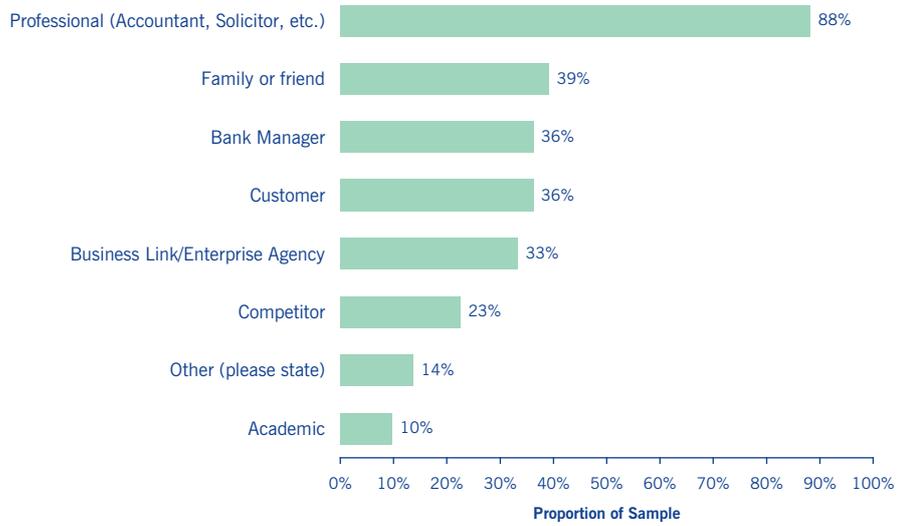


Figure 4 - Valued Sources Of Business Advice And Information



Good relationships with accountants probably influences the ranking of professional sources

communication for networking. The rankings are remarkably similar for both sexes, albeit with just one or two subtle differences.

Firstly, for the top three methods of communication – face-to-face events, the telephone and written correspondence – women favoured these more strongly than their male counterparts. Two fairly dramatic differences nearer the bottom of the ranked responses, however, were entertainment (golf, pubs, etc.) which 26% of men indicated as

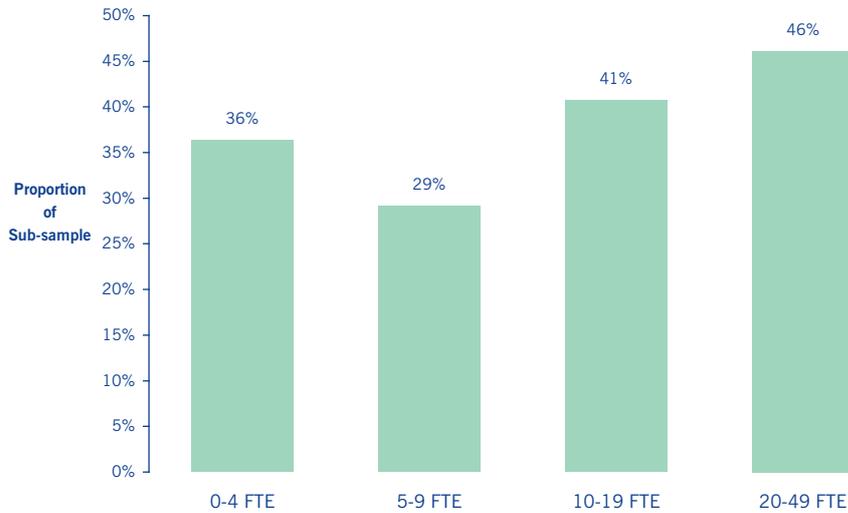
important to them (compared with just 8% of women), and business lunches/meals which 42% of women had selected (compared with just 24% of their male counterparts).

These differences, whilst not huge in the overall scheme of things, certainly do fit gender stereotypes where golf clubs and pubs are sometimes seen by feminists as 'boys clubs'.

Figure 5 - 'Family Or Friend' As A Valued Source Of Business Advice And Information: By Employee Size



Figure 6 - 'Bank Manager' As A Valued Source Of Business Advice And Information: By Employee Size



Bank managers may be deliberately cultivating closer relationships with larger firms

Examples of 'other' sources included:

- Chamber of Commerce
- Chartered Management Institute
- Ex-MD and owner
- Federation of Small Businesses
- Independent business support
- Institute of Food Science & Technology
- Institute of Quality Assurance
- Insurance companies
- Institute of Directors
- Mentor
- Professional group
- Trade association
- Vistage ["The world's largest CEO membership organization"]

NETWORKING SOURCES FOR ADVICE

Respondents were asked where, amongst their existing contacts, would they turn for business advice or information (Figure 4). Top by a very large margin, came professional sources (such as accountants, solicitors, etc) followed by 'family or friend', bank managers, customers and even competitors. One-third cited Business Link connections or Enterprise Agencies and 10% mentioned academics.

Our previous report on networking, in August 2002, found that 85% of respondents

when asked a similar question selected accountants, but only 34% favoured solicitors.

Also, 38% in 2002 selected 'friends' ahead of 28% who favoured 'member of family'. Moreover, there was a marked gender difference, whereby the 41% of male respondents selected 'friends', compared with only 9% of female respondents. Interestingly, there was no such distinction between the sexes for 'member of family'.

Does size have an influence ? Well, according to our respondents, 'yes' it does. Figure 5 shows that, as the size of firms increases, the proportion of the respondents citing family or friend, drops from 52% to 23%. The proportions citing bank managers moves in the opposite direction after an early spurt amongst the smallest (0-4 employees) category (Figure 6).

INFLUENCE ON SALES TURNOVER

Respondents were asked to estimate the financial benefits of networking to their businesses, expressed as a proportion of annual sales turnover. This is inevitably a contentious issue and a quarter of the 'pro-networkers' (26%) acknowledged that it could be difficult to gauge the effect on

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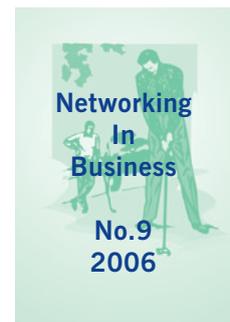
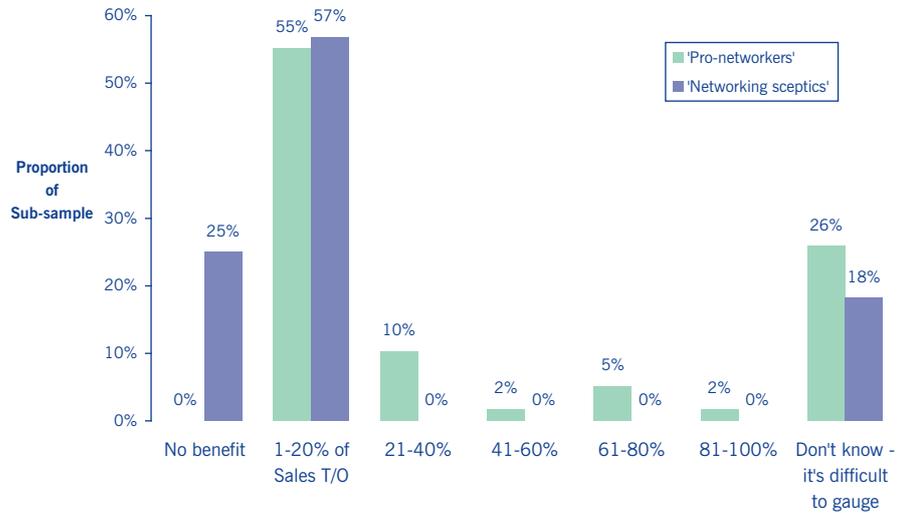


Figure 7 - Estimated Financial Benefit Of Networking As A Proportion Of Annual Sales Turnover

A core of each respondent type felt that the impact lay between 1-20% of sales turnover



sales turnover, compared with 18% of the 'networking sceptics' (Figure 7).

However, nearly one-in-five of the 'pro-networkers' (compared with none of the 'sceptics') felt that the benefit of networking was as high as 21% to 100% of annual sales turnover.

Notably, around 55% of each of 'pro-networkers' and of the 'sceptics' indicated that the benefit lay between 1% to 20%

of sales turnover. Also, only 25% of the 'sceptics' reported no benefits from networking.

IS NETWORKING A FULL-TIME PREOCCUPATION ?

Respondents were asked about the extent to which they devoted time to networking for business purposes (Figure 8). 'Pro-networkers' were far more likely than the 'networking sceptics' to spend time on

Figure 8 - Time Devoted To Networking For Business Purposes

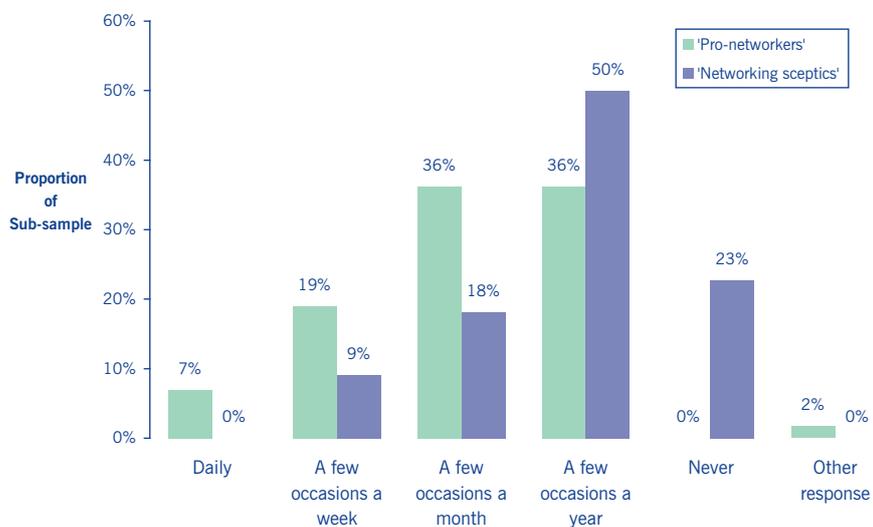
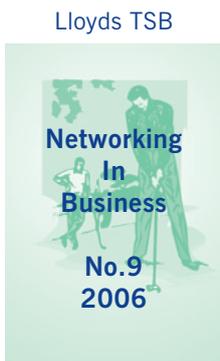
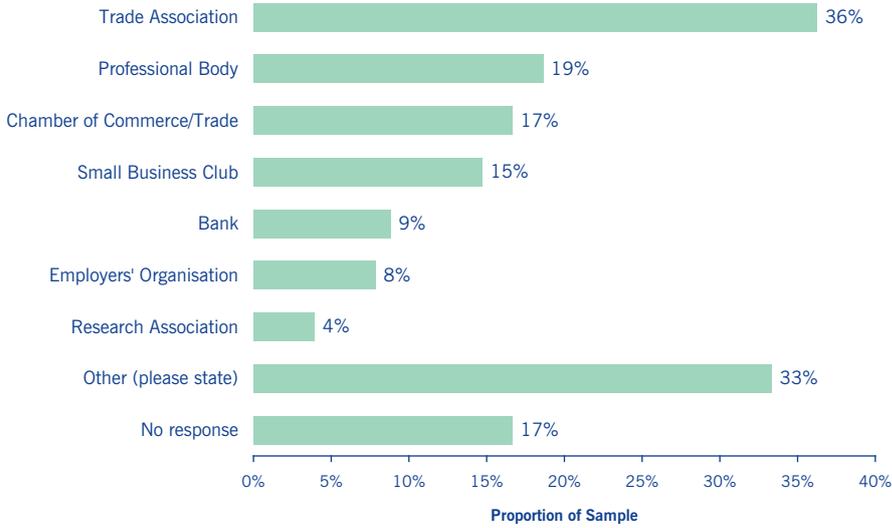


Figure 9 - Most Beneficial Sources Of New Contacts



Trade associations may help small firms to avoid a sense of isolation

networking on a regular, rather than an occasional basis (for example, typically twice as likely in terms of weekly or monthly activity).

Figure 9 indicates that trade associations (36%) are well ahead of professional bodies (19%) and the chambers of commerce or trade (17%).

SOURCES OF NEW CONTACTS

Figures 9 and 10 examine which organisations were felt to be the most beneficial in helping respondents cultivate new business contacts.

Looking more closely at the respondents selecting trade associations as they varied by size of firm (**Figure 10**), it is evident that the larger firms were more likely to make use of such bodies. Note, however, the relatively high activity for the very smallest firms, in the 0-4 employee size range.

Figure 10 - 'Trade Association' As A Beneficial Source Of New Contacts: By Employee Size

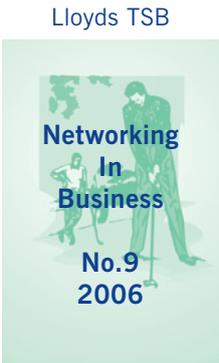
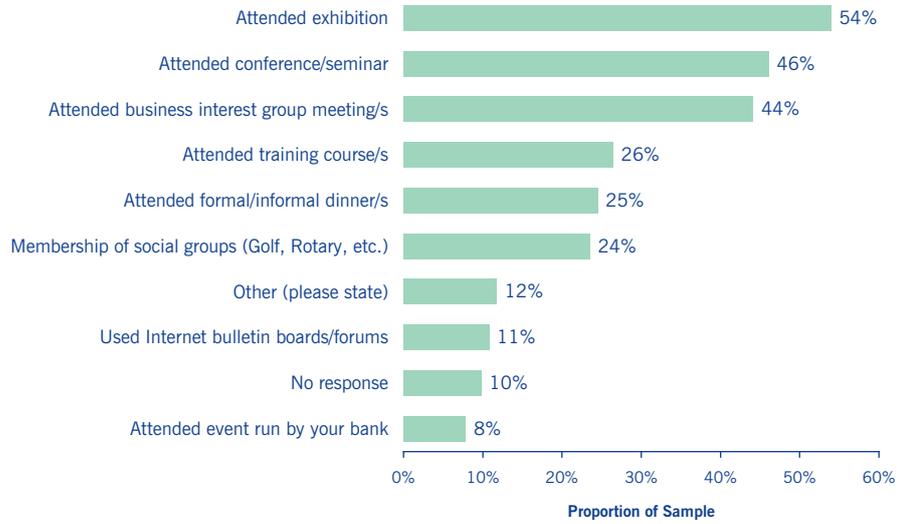


Figure 11 - Methods Used For Extending Respondents' Contact Networks Over The Previous 12 Months



Examples of 'other' sources of new contacts included:

- An online board (Agency Central)
- Business Link
- Clients
- Exhibition
- Existing customers and their customers
- Heart of England Fine Foods
- Internet
- Networking groups
- Own research
- Papers/Trade press
- Sage Reseller Network (supplier of ancillary product)
- Solicitors and Accountants
- Suppliers
- Trade show/Reps
- Word of mouth

Figure 12 - 'Attended Exhibition' For Extending Respondents' Contact Networks Over The Previous 12 Months: By Employee Size

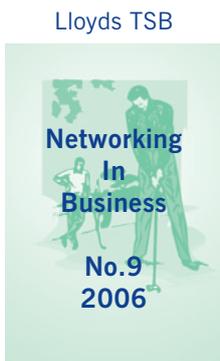
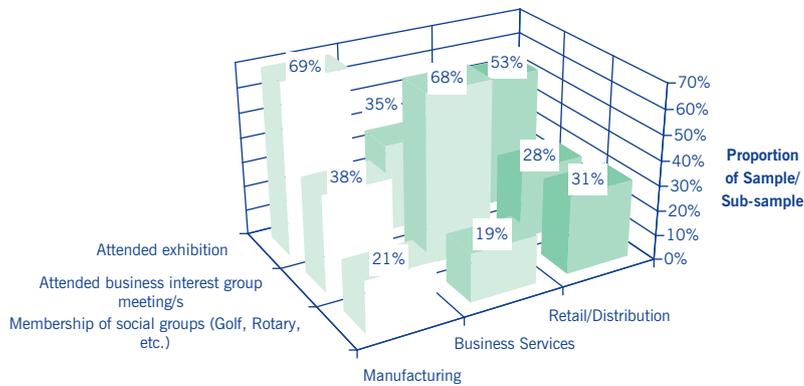


Figure 13 - Selected Methods Used For Extending Respondents' Contact Networks Over The Previous 12 Months: By Sector



Each sector appears to have its own preferred methods

METHODS OF MAKING NEW BUSINESS CONTACTS

Respondents were asked to identify the various methods used over the previous 12 months to extend their network of contacts. The most popular was exhibition attendance (54%), followed by conferences/seminars (46%) and business interest group meetings (44%), illustrated by **Figure 11**.

Those in the larger firms were more likely to attend exhibitions (**Figure 12**), although the very smallest firms displayed this tendency, too (as with trade associations in **Figure 10**). A possible explanation is perhaps the concept of the smallest firms exploring the field by 'tasting' a range of options before finally settling longer term on those found most appropriate.

Respondents in manufacturing were more likely to favour exhibitions than those in the other sectors: 69% of manufacturers doing so, compared with 53% in retail/distribution, and 35% in business services (**Figure 13**). However, business services' respondents were rather more active than either of the

other sectors when it came to conferences/seminars, business interest group meetings, training courses and informal/formal dinners.

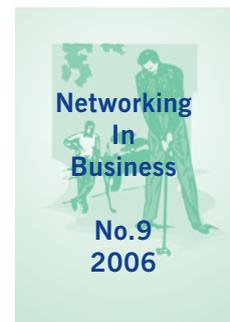
Examples of 'other' means of extending the contact network included:

- Business breakfasts
- CAAV (Central Association of Agricultural Valuers, professional body)
- Cold calls/hard work
- Community groups
- Lecturing and voluntary committee work
- Respondent acting as the chair of a County Economic Partnership generates many contacts: Regional Development Agency, Business Links, etc.
- Writing articles for a dental magazine

RESPONDENTS' COMMENTS

These commence in verbatim form on p.15.

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REFERENCES: NETWORKING

The following references are offered as an aid to readers interested in seeking further information via the world-wide-web. The coverage is not intended to be definitive, and inclusion here should not imply either agreement or disagreement with the views expressed via these sources. Some web sites have appeared before, but there is usually a section noted with interests relevant to the theme of this report.

Special care should also be taken with material obtained from **outside** the UK, for example, the USA, where different legal issues may apply.

N.B. Some pages may contain links to other WWW pages offering related material. Tip: The WWW links were functional at the time of going to print, but the world wide web is in a state of constant change. So if later problems arise with a link, edit the link back to the 'home page' – e.g., truncate <http://www.bized.ac.uk/fme/xyz.htm> back to <http://www.bized.ac.uk/> – and look for a similar topic heading there.

- **Business Clubs UK**

A “national federation of business clubs, groups and associations, dedicated to assisting existing clubs to thrive and establishing new business clubs where none exist...Networking can be one of the most cost-effective ways to build your business - giving you new contacts, fresh ideas and valuable market connections. Ecademy has over 14,000 members and dozens of business clubs ...”

<http://bcuk.smallbiz.uk.com/>

- **Business Network International**

“BNI provides a structured, supportive, business environment in which local business people can get together to network, learn valuable new marketing skills and develop the strong personal relationships that lead to trust and the consequent generation of significant business for each other.” There are currently 535 ‘chapters’ in the UK and

Ireland.

www.bni-europe.com/uk

- **Business Link**

UK Government business support agency. The web site offers several articles on the topic, e.g., Online guide, ‘Learning through networking with others’. Search for ‘networking’.

www.businesslink.org/

- **Everywoman**

“Online resource for women in business and female entrepreneurs. Small business funding, grants for women in business, female career advice and mentoring”, includes a networking forum.

www.everywoman.co.uk/Networking/Forums/

- **The Association of Speakers Clubs**

“A confederation of a little under 150 speaking clubs. We are the largest organisation within the UK promoting the skills of public speaking.” Also offers a list of links to other related sites.

www.the-asc.org.uk/

- **The Indus Entrepreneurs (TiE)**

The name reflects the “South Asian background of the individuals who chartered the organization in 1992.” It is a global, not-for-profit network of entrepreneurs and professionals dedicated to the advancement of entrepreneurship. “TiE provides a platform for mentoring, networking & education...”

www.tie.org/

- **The Small Business Club**

“A monthly business club for businesses to share ideas and information, no matter the size, type and age of the business”, operating in Scotland.

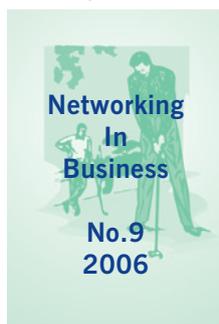
<http://thesmallbusinessclub.co.uk/>

- **Winning Women**

“The fastest growing women’s business network in the North West. Friendly, dynamic and enterprising it’s about helping women succeed in life.”

www.winningwomen.co.uk/

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BUSINESS SERVICES

Agency for Office Staff & Typing Services	<i>I don't personally do much networking. Most of our networking was done prior to this last year, which built up our business and created a trustworthy reputation.</i>
Architect	<i>We still rely (successfully) on recommendation from satisfied clients to other potential clients for 60% of our work.</i>
Business & Marketing Consultancy	<i>The banks are a joke, box tickers with no business experience. We need to build better trade associations and local chambers of commerce. It's down to hard graft.</i>
Chartered Accountants	<i>Networking is essential to business in order to learn where all aspects of your business are in the marketplace. It takes effort which will always pay off eventually.</i>
Food Technology & Quality Consultant	<i>Networking for a small business brings confidence and a feeling of 'belonging'. It is a way of having new ideas from random comments. It is a great business/social opportunity.</i>
Insurance Brokers	<i>If it is not for my business it can benefit someone else to cross refer and to help.</i>
Insurance Brokers	<i>Networking on a formal basis can lead to frustration as everyone at organised events is concerned with selling their services and if you are disinterested in their service, disappointment can occur.</i>
International Freight Forwarding Services	<i>Existing customers are an extremely important source of market information, as are their overseas customers and contacts.</i>
Management Consultancy	<i>Networking shouldn't be about looking for customers, but looking to meet people of like mind and to explore opportunities.</i>
Recruitment	<i>Hard to evaluate RoI [Return on Investment], i.e., return on time spent networking as opposed to other work.</i>
Recruitment Agency	<i>I networked before it had that name. It's something you live - you do it all the time, whether it's your cab driver or the grocer's daughter - and everyone worked !</i>

RETAIL & DISTRIBUTION

Dentist	<i>I am a dentist. I need to provide quality care that is better than other colleagues - [as] perceived by patients. My team care about their customer/patient. It is the focus of my product.</i>
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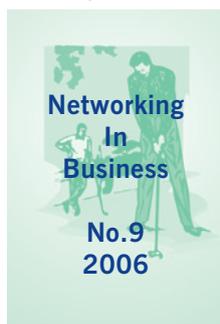
RETAIL & DISTRIBUTION continued

Dentist	<i>Dentists do not generally regard their practice as a small business. I do. That is why I have joined the local chamber of commerce.</i>
Hardware and Pet Store	<i>Networking is only mutual stroking that makes us feel better about ourselves. Do not network if you suffer from an inferiority complex ! Always listen and chat and make sure you always come away with at least one idea that you must try.</i>
Specialist Suppliers of Computer Systems to the Security Industry	<i>We have found working with suppliers of ancillary products an excellent way of increasing sales. We provide a commission for any sales leads which result in a sale and we are currently building a network countrywide. We have found customers we would never have got otherwise.</i>

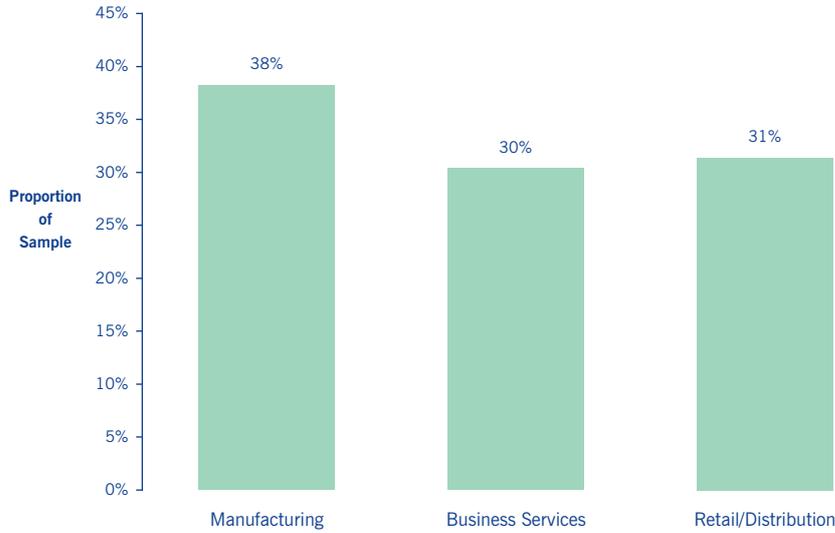
MANUFACTURING

Brewers	<i>If we didn't 'put ourselves about', we would certainly be overlooked !</i>
Colour Cosmetic Products Manufacturer and Retailer	<i>Gender differences mean as a woman and an older one this 'networking' is not appropriate to me, personally.</i>
Fabrication, Welding, Machining, Special Purpose Machines	<i>Can be very time-consuming relative to the results achieved, although this is more so in our case than with more broad-based companies, i.e., less specialist. In general, good for company image.</i>
High-tech Contemporary Textiles	<i>In order to succeed in my business it is imperative to conduct primary research. Face-to-face networking and personal contact ensures good working practice and outcomes. No amount of secondary literature or advice can match Networking In Business.</i>
Manufacturing Broom Clamps and Holders	<i>New customers find us ! Our company name speaks for itself ...</i>
Printing	<i>Networking events fail because everyone there is selling as compared to 'Meet the Buyer' events where they are actually there to source suppliers.</i>
Reprographics	<i>Not to be boring - but discussing what you do with a chance meeting with an old friend can often re-ignite a friendship and bring you business.</i>
Steel & Aluminium Fabrications	<i>Operation [is] in a very narrow niche. [The] Sector severely limits [the] benefits of networking.</i>

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**Figure 14 - Profile Of Sample:
Respondents By Industrial Sector**



APPENDIX 1 - ADDITIONAL INFORMATION

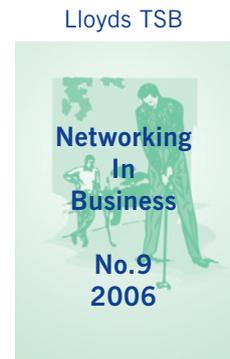
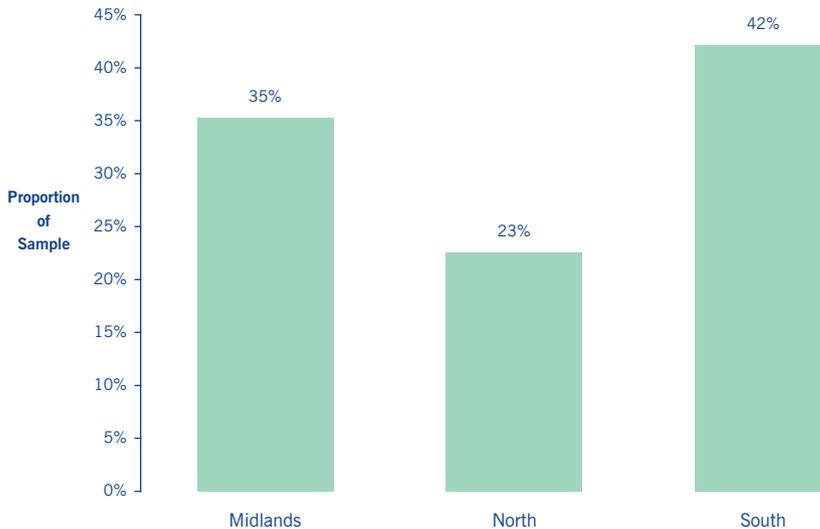
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector** and **employee size** are those most frequently used as they are reasonably reliable indicators and less prone to

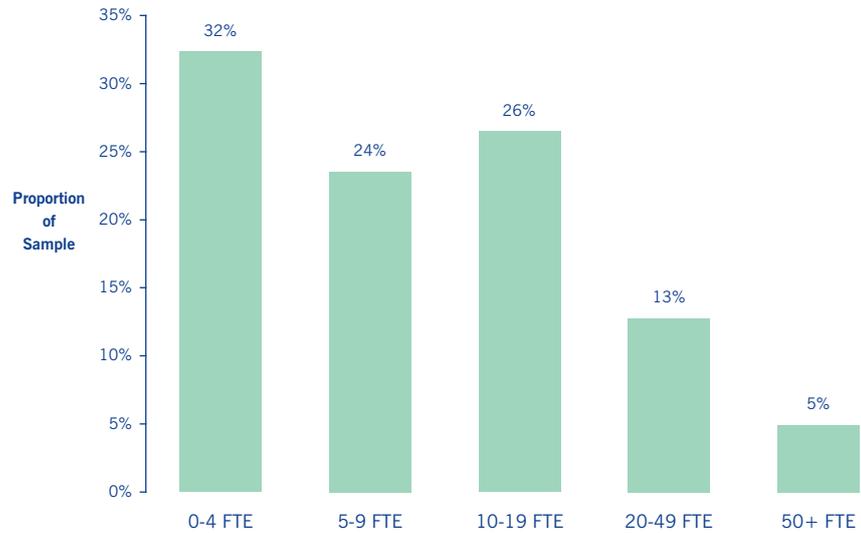
misinterpretation. Other variables have also included **region, sales growth, respondent age** and **sex**.

Industrial sectors – based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. Firms falling outside these 3 bands – which would otherwise be classified as ‘other’ – are allocated

**Figure 15 - Profile Of Sample:
Respondents By Region**



**Figure 16 - Profile Of Sample:
Respondents By Employee Size**



to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the **sectoral** and **regional** analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

Distribution of firms

The highest proportion of respondents is in manufacturing (38%, compared with 36% in the same sector for the previous report), see **Figure 14**.

The South region has the largest representation, with 42% of the sample's respondents (46% previously), see **Figure 15**.

Manufacturing and business services firms in samples can tend to be larger, in terms of employees, whereas the firms in retailing/distribution may have fewer full-time equivalent employees. Likewise, the sample is biased towards the smaller businesses – but not the very smallest (sole traders), of which there is a preponderance amongst the small firms population generally. The employee size distribution for the sample is shown in **Figure 16**.

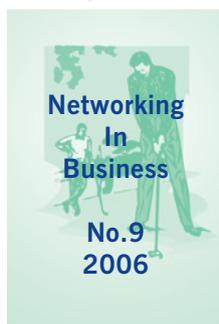
In terms of respondent age, they are predominantly 35 years or older, with the bulk between 45 and 64 years' old.

Finally, the sample is predominantly male (65%, compared with 67% previously).

Abbreviation of questionnaire text

It should be noted that, for reasons of space and, hopefully, clarity, questions and response options are sometimes abbreviated in the report text and the accompanying figures. The exact wording used is shown in the questionnaire appendix.

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APPENDIX 2

NETWORKING CASE STUDY: James Dyson

Reproduced by kind permission, from a chapter entitled 'Networking and the small business', by Stephen Conway and Oswald Jones, in **Enterprise and Small Business** (Eds. Sara Carter & Dylan Jones-Evans), published by FT Prentice Hall, copyright 2006 (2nd edition).

We believe that the Dyson case is important to the study of entrepreneurship for a number of reasons. First, James Dyson is an accomplished designer, innovator and entrepreneur, and all of his entrepreneurial ventures (the 'Sea Truck', 'Ballbarrow' and 'Dual-Cyclone') illustrate that creative thinkers can identify exceptional opportunities in very mature sectors. Second, Dyson is in some regards a modern reincarnation of the traditional inventor-entrepreneur, as exemplified by Richard Arkwright, Robert Stephenson, James Watt and Isambard Kingdom Brunel, who are such a feature of the UK's economic history (Mathias, 1969). Third, the case highlights the importance of self-belief, persistence and sheer hard work in the creation of new businesses. Fourth, and perhaps most importantly, the case illustrates the role played by informal or social networks in providing support, information and knowledge for even the most individualistic of entrepreneurs.

Case background and chronology of key events

After leaving school, where he studied humanities at 'A' level, James Dyson went on to art school in London, and later was accepted on to a Masters degree course in design at the Royal College of Art (RCA). He became particularly inspired by Buckminster Fuller, the American engineer dismissed by many as a 'dreamer', and the great Victorian engineer Isambard Kingdom Brunel, who was responsible for many of the railways, steamships and bridges that symbolised the UK's industrial power. Dyson's father had died when he was young and this he believes accounts for his own self-sufficiency and identification with 'external figures'. Dyson's subsequent business career can be roughly split into three major phases, which we shall address chronologically.

Phase I - Rotork and the Development of the Sea Truck

While still a student at the RCA, James Dyson began to work for an entrepreneur named Jeremy

Fry who manufactured motorised valve actuators for pipelines. Fry encouraged him to adopt a 'hands-on' (practical) approach to design rather than one based on theory; this is an approach that has been the hallmark of Dyson's subsequent entrepreneurial ventures. Dyson was soon working on one of his innovative ideas - the 'Sea Truck' - and over the following months went on to build a prototype. He patented his idea and Fry set up a subsidiary of his company - 'Rotork' - to manufacture the product. More than 250 Sea Trucks were sold at a turnover of many millions, but Dyson soon began to feel he had been away from the drawing board for too long.

Phase II - Kirk-Dyson and the development of the Ballbarrow

While working for Rotork, Dyson and his family had moved from London to a 300-year old farmhouse in the Cotswolds. Undertaking most of the re-building work himself, he became familiar with the failings of the traditional wheelbarrow: unstable when fully laden, tyres prone to puncture, liable to sink into soft ground, and with a steel body that damaged door-frames and human limbs. He considered the problem for around a year, before hitting upon the idea of re-inventing the wheelbarrow by replacing the wheel with a ball. It was at this point that Dyson decided to set up his own manufacturing company - this was to become 'Kirk-Dyson'. Dyson's company launched the 'Ballbarrow' and it soon became a commercial success. However, owing to Kirk-Dyson's claim that a US company had stolen its idea, and the subsequent legal case that Kirk-Dyson lost, tension between board members due to the failed legal case resulted in Dyson being voted out of the company.

Phase III - Dyson and the Development of the Dual-Cyclone Vacuum Cleaner

Undeterred, Dyson then decided to investigate why the performance of the household vacuum cleaner declined so rapidly after fitting a new dust bag. He found that it needed only a thin layer of dust inside the bag to clog the pores and reduce performance to 'an enfeebled suck'. Experience with industrial cyclone technology provided Dyson with the idea for a cyclone vacuum cleaner. Using an old vacuum cleaner, cardboard and industrial tape, he spent one evening constructing a fully working model of the world's first bagless cleaner - the prototype for the 'Dual-Cyclone'. After two years of trying to convince British and European companies of the Dual-Cyclone's potential, Dyson decided to try the US. Yet despite the optimism and the 'can-do' spirit of the US, which he found refreshing after the negativity he experienced in the UK, no company was willing to manufacture the

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Dual-Cyclone. In November 1984, after five years of trying to gain interest in the Dual-Cyclone among European and US manufacturers, Dyson received an informal approach from a Japanese company, 'Apex', who agreed to produce the Dual-Cyclone for the Japanese market under the 'G-Force' brand name. He then once again turned to the US market and eventually set up a deal with 'Iona', a Canadian company, who agreed to produce the Dual-Cyclone for the US market under the 'Drytech' brand name. However, as the product was about to be launched onto the US market, Dyson discovered that 'Amway', a US company that had originally rejected the Dual-Cyclone concept several years before, had unlawfully launched their own version. Reluctantly, Dyson once again found himself involved in a long-running and extremely expensive legal battle with a US company. Then in 1991, after almost five years of litigation, Amway agreed to a deal over its patent infringement and the haemorrhage of legal fees stopped. Finally, in July 1993, 15 years after his original idea, the first 'DC01' Dual-Cyclone vacuum cleaner rolled off Dyson's own assembly line, and the innovation was successfully launched in the UK.

Dyson's social network and the development of the Sea Truck and the Ballbarrow business ventures (Phase I and II)

Dyson's most significant and influential contact was Jeremy Fry who inspired and supported his early ventures. While studying at the RCA Dyson had met Joan Littlewood, the theatre and film impresario, who invited him to design a new theatre that she was planning to build. Dyson, operating under the influence of Buckminster Fuller, created a 'mushroom-shaped auditorium built of aluminium rods'. He sought financial support from British Aluminium and during his first meeting a manager suggested he contact Jeremy Fry; this was the start of a career-long relationship:

*I had shown Fry my model of the proposed theatre, and I think he rather liked it, if not enough to cover me with gold. What he **did** offer me, however, was to prove far more useful in the long run: work [at Rotork], and the first of many collaborations'. (Dyson 1997: 47)*

Having developed the Sea Truck at Rotork, Dyson describes his mistakes in attempting to market the Sea Truck by conveying a message that was too complicated for potential buyers. At the same time, he makes reference to the support of his wife in overcoming this problem:

For each function Deidre designed a brochure, and they began to sell. And it all seemed so

obvious: you simply cannot mix your messages when selling something new. (Dyson 1997: 62)

Dyson eventually left Rotork to set up his own company to manufacture and market the Ballbarrow, which he had been working on over the previous year. Although he had made money from the Sea Truck he needed financial support to establish a company to manufacture the Ballbarrow. Perhaps not surprisingly, as with many entrepreneurs, he turned to his family:

I went to see a lawyer friend of my brother-in-law ... Andrew Phillips not only helped with the formation of the company, but fell in love with the Ballbarrow and persuaded said brother-in-law (Stuart Kirkwood) to invest in it. Stuart was the son of one Lord Kirkwood, former chairman of the mining company RTZ. He and his brother ... as a result, inherited some family money. Which is always nice. (Dyson 1997: 79-80)

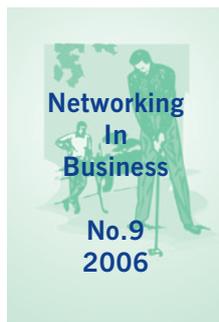
These contacts were fundamental to the setting up of Kirk-Dyson as they provided legal advice on forming the company, and funding to develop the Ballbarrow and invest in production equipment. Even with this support things did not progress smoothly and the new entrepreneurs had considerable difficulty in finding a market for their revolutionary barrow. Help was at hand:

I had a friend called Gill Taylor whom I had met at Badminton and just so happened to have been Miss Great Britain in 1964. She was blond, attractive, curvaceous and a typical 'travel around the world and help people' beauty queen. She was also at a loose end and quite prepared to tour the garden centres of the West Country touting Ballbarrows. (Dyson 1997: 82)

Gradually, the partners managed to make the Ballbarrow a success and began considering ways in which they could expand the business. They wanted to increase output by acquiring a 'proper' factory and invest in some injection-moulding equipment. George Jackson, a local property developer, was approached and subsequently sold a third share in the company. Dyson does not explain how this particular contact was made nor why he was judged to be an appropriate member of the board (other than having the required £100,000). In addition, his social network was important in providing industrial expertise:

I brought in an old friend of my father's, Robert Beldam, to have a bit of moral support on

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the board. He was chairman of the CBI small companies section, and though his presence created a little, never expressed, resentment on the board, having him there made me feel somewhat better. (Dyson 1997: 87)

Eventually, tension between Board members meant that James Dyson was voted off the Board and out of the Kirk-Dyson company.

Dyson's social network and the development of the Dual-Cyclone business venture (Phase III)

Following his departure from Kirk-Dyson, Dyson decided to concentrate his efforts on developing the Dual-Cyclone vacuum cleaner. However, he needed finance to proceed, and thus sought a partner to invest in the setting up of the Air Power Vacuum Cleaner Company:

Fry ... was always likely to be my best hope. And so it proved. With £25,000 from Jeremy, and £25,000 from me, £18,000 of which I raised by selling the vegetable garden at Sycamore House and the rest borrowed with my home as security ... I was in the vacuum cleaner business. (Dyson 1997: 120)

Dyson eventually built around 5,000 prototypes over a three-year period, and by 1982 he had a Dual-Cyclone that was 100% efficient, but debts of more than £80,000. He had also spent a considerable amount of time trying to persuade various European companies, including Hoover, Hotpoint, Electrolux, AEG and Zanussi, to manufacture his vacuum cleaner, but to no avail. The Fry connection once again proved invaluable, as Rotork's Chief Executive, Tom Essie, was persuaded by Fry to provide further funding:

Together we drew up a business plan for the production of an upright Dual-Cyclone vacuum cleaner, and the Rotork board of directors, swayed presumably by Jeremy's dual involvement, approved it. We thrashed out an agreement that paid me £20,000 and gave me a 5% royalty, and I went off to develop the vacuum cleaner. (Dyson 1997: 138)

Ultimately, Tom Essie was replaced by what Dyson describes as a 'money man' and Rotork did not proceed with manufacture of the Dual-Cyclone. The company did, however, provide Dyson with financial support at a crucial time in the development of the Dual-Cyclone. A new opportunity was soon at hand; it was not only his extensive social network that proved of value to Dyson, serendipity also seemed to play a part in the story. A key element in the

ultimate success of the Dual-Cyclone was the deal he established with a Canadian company that took over responsibility for the North American market. The company was run by an Englishman:

Jeffery Pike, with whom I had become friendly quite by chance after we sat next to each other on an aeroplane in May 1986, and both turned out to be reading the same novel by Fay Weldon. Having flunked English A Level all those years before, my fortune looked as if it was about to be made by a novel. (Dyson 1997: 175)

In 1991 Dyson decided that he would set up production in the UK himself, but once again he was hampered by the lack of capital. As usual in times of crisis he was able to make use of his extensive network as a way of resolving the problem:

When I started with the Ballbarrow I had approached a man called David Williams, whose plastics company, WCB, built all our tooling and then recouped the money in instalments as we began to sell ... He was now running a company called Linpak which, quite handily for me, was Britain's biggest plastic producer. (Dyson 1997: 186)

As plans for the manufacture of the Dual-Cyclone in the UK progressed Dyson was keen that it embody the very latest technological developments. By this time he had a healthy stream of royalties from Japan and the US and could afford to hire designers from his Alma Mater:

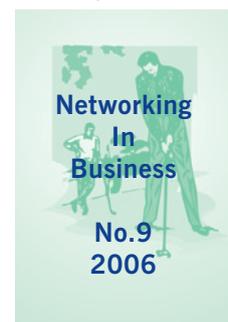
The team consisted of four design engineers straight out of the RCA - Simeon Jupp, Peter Gammack, Gareth Jones and Mark Bickenstaffe - all in their twenties, a marvellous bunch, whose presence made me feel as if I was freshly sprogged from the Royal College myself ... (Dyson 1997: 192)

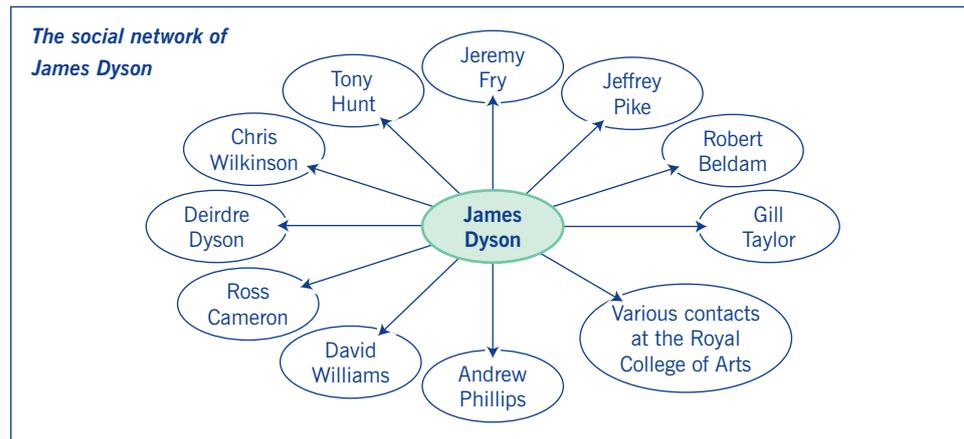
Even when Dyson's business venture was well-established he still retained links with the RCA, which illustrates the importance of utilising long-standing social networks:

Round about the time I was planning the DC-02, I was at the RCA degree show - for I had since become an internal examiner on their product design course - and I went around offering one or two of the graduates jobs, as is my habitual wont. (Dyson 1997: 239)

The RCA connection continued to be of value to Dyson after the company became highly successful;

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by 1995 demand meant that he had to move out of the Chippenham factory because it had a limited capacity of 30,000 units per week.

A fantastic new factory was designed for us by my old tutor Tony Hunt, and a whizzkid architect called Chris Wilkinson, but we expanded so fast that we had outgrown it before it was even built ... Wilkinson and Hunt were back though in the Autumn of 1996, drawing up plans to treble the 90,000 square foot factory space by extending over more of our twenty-acre site. (Dyson 1997: 246)

By 1996 Dyson was considering ways in which he could extend into the increasingly global market for consumer products. After considering the attractions of Germany and France as the first step in his expansion he eventually settled on Australia:

I got a call from a man called Ross Cameron. Cameron was an Australian who had seen a presentation of mine at Johnson-Wax in Racine, Wisconsin. 'Why not start up in Australia?' I asked. A couple of days later Ross rang back to say 'OK'. He was that sort of man, not one to mess about. (Dyson 1997: 252-3)

Yet again, Dyson's social network (see above) proved to have a major impact on the direction and fortunes of his business venture.

Case summary

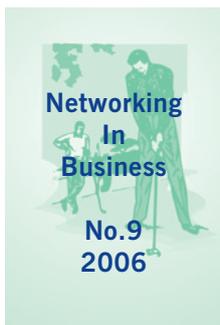
Through a 're-telling' of Dyson's autobiography 'Against the Odds' [†] from a social network perspective, we have sought to demonstrate that the creation of Dyson's various business ventures was heavily dependent upon both family and friends (strong ties), as well as acquaintances and serendipitous meetings (weak ties). Dyson's large and diverse social network incorporates relationships that originate from various stages and facets of his life and career; many of these relationships are

long-term and multiplex in nature. We see from the case, for example, that Dyson's family and friends provided him with financial and knowledge-based resources that helped ensure that he was able to turn his various novel ideas into successful business ventures. Of course, not every potential entrepreneur will be fortunate enough to be able to call upon an ex-Miss Great Britain to sell their products or a senior member of the CBI to provide business expertise, but perhaps what distinguishes entrepreneurs is their ability to maintain and make use of their strong ties, as well as their effectiveness in initiating, nurturing and mobilising, weaker ties. As the case illustrates, contacts made on aeroplanes, and in business meeting and seminars, can eventually become an extremely important element in business success.

The point of these examples is not to suggest that Dyson over-emphasised the importance of his own contribution to the success of his various business ventures, rather what we are trying to illustrate is that it is all too easy to attribute the success of entrepreneurial ventures to the sole efforts of the man or woman responsible for founding a new business. In Dyson's case, persistence, hard-work and self-belief obviously made a massive contribution to his ultimate success. At the same time, it is important to recognise that at crucial points in the Dyson story his extensive and diverse social network provided him with considerable financial, legal, business and emotional support. Without these networks it is unlikely that Dyson would have overcome what were no doubt formidable odds.

[†] **Against the Odds: An Autobiography** by James Dyson, Texere Publishing, US, 1997

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Small Enterprise Research Report NETWORKING IN BUSINESS



Report No.9 - 2006 - Sponsored by Lloyds TSB

We are seeking the views of small firm owner-managers. This questionnaire will take approximately 5-10 minutes to complete – most answers require only a single tick. All information received will be treated in complete confidence.
PLEASE RETURN AS SOON AS POSSIBLE.

1a Workforce size – Please indicate the total number of people working in your business (including yourself):

- Full-time A
Part-time (16 hrs/wk or less) B

1b Respondent age – Your age last birthday:

- 16-24 years A
25-34 B
35-44 C
45-54 D
55-64 E
65 or over F

1c Respondent gender – Your gender:

- Male..... A
Female B

2 Existing contact network – Please indicate where you already have a good contact/s to whom you would readily turn for business advice and information:

Tick all which apply

- Academic..... A
Bank Manager B
Business Link/Enterprise Agency C
Competitor D
Customer E
Family or friend..... F
Professional
(Accountant, Solicitor, etc.) G
Other (please state): H

3 Sources of new contacts – Which of the following organisations do you find are the most beneficial in helping to cultivate new contacts in business ?

Tick all which apply

- Bank A
Chamber of Commerce/Trade..... B
Employers' Organisation..... C
Professional Body..... D
Research Association..... E
Small Business Club..... F
Trade Association G
Other (please state): H

4 Means of extending your network of business contacts – Which of the following methods have you used for this purpose over the past 12 months ?

Tick all which apply

- Attended business interest group meeting/s A
Attended conference/seminar..... B
Attended exhibition C
Attended event run by your bank.... D
Attended formal/informal dinner/s .. E
Attended training course/s..... F
Used Internet bulletin boards/forums for business-related issues G
Membership of social groups (Golf, Rotary, etc.) H
Other (please state): I

5 Preferred mode of contact for networking and relationship building – Which three of the following methods of communication do you favour most ?

Tick THREE only

- Business lunches/meals A
- E-mail or Internet forums B
- Entertainment (Golf, Concert, Pub, etc.) C
- Face-to-face events (Business Club, Seminar, Exhibition, etc.) D
- Fax..... E
- Telephone F
- Written correspondence G

6 New business contacts/ideas – Which of the following have you found as a result of networking in the past 12 months ?

Tick all which apply

- Customers..... A
- Employees B
- Investors C
- Marketing ideas D
- Product ideas E
- Suppliers F
- None of the above** G
- Other (please state): H

7 Networking commitment – How often do you devote time to networking for business purposes ?

Tick ONE only

- Daily A
- Or A few occasions a week B
- Or A few occasions a month C
- Or A few occasions a year D
- Or Never E

8 Value of networking – Please estimate the financial benefit of networking to your business, as a proportion of annual sales turnover:

Tick ONE only

- No benefit A
- Or Between 1-20% of Sales T/O B
- Or Between 21-40% C
- Or Between 41-60% D
- Or Between 61-80% E
- Or Between 81-100% F
- Or Don't know – it's difficult to gauge . G

9 Importance of networking – How important do you feel networking is to the success and growth of your business ?

Tick ONE only

- Very Important..... A
- Or Important..... B
- Or Not Very Important..... C
- Or Unimportant..... D
- Or Don't Know E

10 'Networking in Business' – If you have any strong views, especially if you feel that any aspect is not fully appreciated by other small businesses or by sections of the wider community, then please comment:

Thankyou for your co-operation. Please return the completed questionnaire, using the pre-paid envelope, to:

Ms. Beverley Dash
SERTeam - Open University Business School
Walton Hall, Milton Keynes MK7 6AA

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Business