Effects of Participation in Paid Membership Organizations on Entrepreneurial Success

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Research into entrepreneurial networking activities has ignored an aspect that is important to the entrepreneurs—does it make sense to pay dues to an organization that promises networking opportunities to help build their business? This study looked at that aspect of networking by comparing revenue growth rates and average number of employees between those businesses whose owners belong to paid membership organizations and those who do not. No differences were found between the two groups of entrepreneurial firms. While there are still benefits to joining these organizations, entrepreneurs should not expect to grow their business because of membership.

Keywords: entrepreneurs; networking; memberships; growth; dues

Entrepreneurs have long been told that networking was important to their success. There is voluminous literature on networking in the entrepreneurship literature (Aldrich, Reese, Dubini, Rosen, & Woodward, 1989; Andre, 1992; Egge & Stoehr, 1997; Hansen, 1995; Johannisson & Monsted, 1997; Malewicki, 2005; Ostgaard & Birley, 1996; Reese & Aldrich, 1995; Renzulli, Aldrich, & Moody, 2000), but not enough is said about the measurable results of networking activity. Part of the problem is that the probability of business success is determined by many factors, encompassing both internal and external factors. For instance, years in business is a factor defining the probability of success, as is the experience and education of the business owner (Hienerth & Kessler, 2006). The overall economic environment of the region or country in which the firm operates will also be a factor in success or failure. As well, measures of success are highly contextual, depending on what the entrepreneur wants to accomplish, as well as other factors such as the industry within which an organization operates.

However, given the popular dictum that entrepreneurs must network to build their businesses, it is important to study the actual, measurable effects of networking activity. This study will be one step toward that goal. It looks at whether paying to join one or more organizations whose main purpose is to allow business owners to network has any measurable effect on the growth or success of that business. No literature appears to exist currently that specifically looks at those who pay to belong to a networking organization. Also, there is apparently no literature on whether there are significant differences in business success between entrepreneurs who belong to paid membership organizations and those who do not.

This article will first review the literature in this area, followed by a description of the study conducted. After describing the results of the study, the implications of it will be discussed, along with the limitations of the study and future areas of research.

Networking and the Entrepreneur

Granovetter (1973, 1983) appears to have begun the discussion of how social networks are formed from both strong and weak ties, with strong ties being those with family and close friends and weak ties being those with acquaintances, coworkers, and so on. He presented an interesting argument that weak ties are highly important, because they provide a much broader range of information to the individual; his thesis was that strong ties, unlike weak ties, all know one another, which has the ultimate effect of restricting information—what one knows, everyone knows, and therefore little new information enters the network. Granovetter's suppositions were supported by several studies. For instance, Singh, Hybels, and Hills (2000) found that entrepreneurs who were central to many different information networks were better able to recognize and capitalize on opportunities.

An early study (Dollinger, 1985) showed that business owners spend a significant amount of time in boundary spanning activities. While the most time spent outside the organization was with customers, the second highest amount of time was spent with contacts in business membership organizations, allowing one to assume that business membership organizations are second in importance to an entrepreneur behind only customers. As a percentage of total time, this activity remained small, however each contact lasted almost an hour, suggesting that there is benefit to developing and maintaining relationships with other businesspeople.

Studies also suggest that entrepreneurs are quite pragmatic in the development of their networks, adding and pruning people based on an evaluation of their exchange relationships (Larson & Starr, 1993, Staber & Aldrich, 1995). Aldrich and Zimmer (1986) suggested that an entrepreneur absolutely requires association with others in order to assemble all of the resources needed for business formation and growth. One way of constantly meeting new people would seem to be membership in a business network. In fact, Davidsson and Honig (2003) found evidence that membership in a business network had a strong, positive correlation with the report of the first sale by an entrepreneur, as well as with profits.

Strong ties are not to be ignored, of course. These family and friends are generally critical in the early stages of deciding on entrepreneurship, as well as in the acquisition of an entrepreneur's initial resources (Lechner, Dowling, & Welpe, 2006). Hite and Hesterly (2001) found that entrepreneurs make heavy use of their strong ties as they are working through the establishment of the business. Lechner, Dowling, and Welpe (2006) suggested that the personal network might be the single most important asset of the new firm. However, Hite and Hesterly also found that firm networks are dynamic, as entrepreneurs become more calculative in their exchange relationships, being motivated more by the economic benefits a network can provide.

In that regard, Shaner and Maznevski (2006) produced a piece that purported to show readers whether they had the correct network members, given a wide range of expressed needs. Their study proposed that who was in your network was highly important, and suggested that there are different types of networks that one should develop based on different goals and objectives.

The world of voluntary associations generally appears to be an arena within which one can usually meet diverse others, and thus increase network ties. While Putnam (2000) and Rotolo (1999) pointed to an overall decline in memberships in voluntary associations in the United States, they showed that there had actually been an increase in professional association memberships. One of the reasons this could be true is that these organizations, in fact almost all voluntary associations, tend to be local in nature, as are many entrepreneurial firms. Schutjens and Stam (2003) argued that spatial proximity is important in network ties, as they provide for more potent exchanges, as well as providing more opportunities for chance encounters. Thornton and Flynn (2003) noted that even with the advanced communications technologies available today, entrepreneurship is still inherently local.

Davis, Renzulli, and Aldrich (2006) suggested that maintaining multiple memberships in dissimilar organizations can increase one's network diversity; they also found that active participation, rather than simply maintaining a membership, was necessary to develop that network diversity. Unfortunately, Davis, Renzulli, and Aldrich did not study whether these diverse memberships were of any practical use to entrepreneurs in terms of gaining additional resources, finding employees, or increasing sales.

This is emblematic of much of the literature regarding entrepreneurs' networking activities. While some studies will suggest positive outcomes due to networking (Davidsson & Honig, 2003; Larson & Starr, 1993; Lechner, Dowling, & Welpe, 2006; Staber & Aldrich, 1995), there are generally no prescriptions on how one develops a network; often, the study used a sampling frame developed from an organization's membership list. Thus, there are no comparative studies that analyze any differences between results from those entrepreneurs who belong to membership organizations, and build their networks that way, and those who rely solely on informal networking through chance encounters. This is a fruitful area for research.

Since little has appeared to date in the literature regarding how an entrepreneur should or could build a network that will provide the resources necessary for business success, one can assume that participation in paid membership organizations is one way to do that. This method appears to be quite common, given the results of Putnam (2000) and Rotolo (1999) that suggest membership in business organizations is growing, while membership in other types of social organizations is declining. However, when organization membership lists have been used as sampling frames, there has been no ability to compare results to those outside this type of organizational framework. This is a key missing piece of evidence in attempting to understand the effects of formalized networking.

What Is Success?

When surveying the business literature on selecting constructs of business success, one finds a rather broad range of information, from discussions of the Balanced Scorecard (Kaplan & Norton, 1993) to configurational fit as applied to family businesses (Hienerth & Kessler, 2006) to the rough set approach (Ahmad, Hamdan, & Abu Bakar, 2004). This latter study contends that it determined the best set of success indicators for e-commerce companies. Their results suggested that there are nine indicators most commonly occurring in reduct sets—terminology from model theory that seeks to reduce the full set of the variables being studied—when analyzing 275 records and 30 success indicators. These indicators included many that entrepreneurs commonly track, such as earnings before interest (EBIT), return on assets (ROA), return on equity (ROE), and working capital, as well as some that are not typically associated with small businesses, such as business value per share and price earnings ratio (PE).

While focusing on family businesses, the Hienerth and Kessler (2006) study yielded important results in understanding how smaller businesses, such as those typically owned by entrepreneurs, define success. They argued that there were two key issues in defining success in small businesses: "(1) the ambiguous definition of success in small businesses and, as a consequence, (2) the biased perception of success for lack of adequate reference values" (p. 116). The definition of success tended toward the ambiguous because family businesses frequently have nonfinancial as well as financial goals, and thus there are no reference values that can be considered adequate, which introduces bias into the results.

Interestingly, their results seemed to indicate that the age of the company impacts all growth measures that were used, with the oldest companies showing much less success compared to younger companies. Also, the youngest companies—those that had been in business between one and five years—showed very low levels of success when success was defined as growth.

Researchers who have specifically linked networking activities to business outcomes include Reese and Aldrich (1995), Hansen (1995), Ostgaard and Birley (1996), Gilmore and Carson (1999), Renzulli, Aldrich, and Moody (2000), and Sparrowe, Liden, Wayne, and Kraimer (2001). Each of these studies will be briefly summarized as to what measure was utilized to express the concept of success.

Reese and Aldrich (1995) utilized the data collected in the Research Triangle study produced by Reese (1992) as well as additional samples of new businesses in Wake County, North Carolina. This two-phase study included questionnaires followed by in-depth telephone interviews to determine the extent to which networking activities, as measured by the size of a business owner's network and the amount of time devoted to the network, influenced business performance. The key measures of success utilized in this study included business survival over the two-year period of the study, increased revenue, and whether the business had made a profit, broke even, or suffered a loss.

Hansen (1995) studied entrepreneurial action set size, degree, and frequency of contact to see if there was a correlation with the measure he used, namely how many full-time equivalent employees had been hired by the 12th month of operation, and the dollar amount of the payroll at the time of the study. Because at least one of his responding companies utilized independent contractors rather than employees, he was careful to translate the independent contractor time into a full-time employee (FTE) equivalent so as to include all those who worked in the business.

Growth can be measured in many ways. Ostgaard and Birley (1996) used three measures of growth—sales, profit, and employment—to answer their research question: "How is new venture growth affected by the networking characteristics of the entrepreneur?" (p. 38). Their study was conducted over a three-year period.

Thus, we can see that typical measures of success include growth in the business measures of sales, profit, and employees. Simple survival is also a measure of success when taken over time.

Based on these results, our hypotheses can be developed, bringing the concepts of networking through participation in paid membership organizations and entrepreneurial success together. For this study, based on the literature, success has been defined as the growth rate in revenues and in the number of employees.

H1: Participation in paid membership organizations will increase the average growth rate of the revenues of the business. There will be a significant difference in the revenue growth rates between those businesses whose owners participate in paid membership organizations and those businesses whose owners do not.

H2: Participation in paid membership organizations will increase the average growth rate of employees or their full-time equivalents of the business. There will be a significant difference in the employee growth rates between those businesses whose owners participate in paid membership organizations and those businesses whose owners do not.

The Study

The overall purpose of this study was to explore the differences in revenue growth and in the number of employees between groups of entrepreneurs who participate in formal networking activities through membership in business organizations and those who do not participate in this type of formal networking activity. Because the research questions relied on and related to a rich body of literature on social networking constructs, as well as established measures of business success, a largely quantitative analysis was called for, with data collection relying on a survey instrument (Edmondson & McManus, 2007).

Selection of Participants

In order to develop a suitable sampling frame, a list of business owners in the city of Philadelphia, Pennsylvania, was purchased from a commercial data source, InfoUSA. This company maintains a database of approximately 15 million businesses in the United States and Canada and allows researchers to filter their selection according to several criteria, including those required for this study. These filters are described below.

The city of Philadelphia was selected as a geographic boundary for the study because it is the home base of the researcher; this guaranteed that the surveys, which were delivered through the U.S. Post Office, were received within a short timeframe after posting. The list was constructed based on the industries of manufacturing, wholesale, and business services, as this served to replicate the Hansen (1995) study's sampling frame, since he studied action set (network) size and number of full-time equivalent employees. The list was also selected to include those business owners who have been in business for more than a year and less than or equal to five years; this also replicated sampling decisions made by Hansen in his study.

It was initially expected that the number of businesses meeting these criteria would have numbered in the thousands, given the size of the city of Philadelphia. As it turned out, however, the selected list based on the filters detailed above numbered only 346. This size sampling frame was considered to be sufficient to establish statistical significance of the results, given that it was the total population based on the criteria, and therefore met Davidsson's (2004) suggestion that samples be workable from a practical point of view but that they also be theoretically relevant to the questions being tested.

The instrument used in this study was a survey written by the researcher. The majority of the questions were closed in nature, with a set of predetermined answers from which the respondents were able to choose. These types of questions were used because they are easier to standardize and provide for more efficient and complete statistical analysis. Closed-end questions also provide a more effective means with which to generalize the results.

The questions that were included in the survey comprised those that helped to classify the cases; these included the number of years in business, a check on the industry within which the business operates, and the number of full-time employees for each of the years the business had been in existence. An introduction to the concept of business membership organizations was included in the survey preceding the questions regarding whether the business owner participates in these types of organizations; how many of these organizations the business owner maintains membership in; and when he or she first joined a business membership organization. Two general questions of whether the business owner felt that they were getting their money's worth out of the membership and if they felt that membership had contributed to revenue growth were asked to determine the overall feeling regarding membership; this was followed by two open-ended questions asking the respondent to list any comments about their membership, or lack thereof, as well as if the respondent felt that one or more organizations had been particularly helpful in their business. The answers to these questions were utilized to support the quantitative results. Finally, the business owner was asked to list the percentage growth in revenues in each of the past four years. This amount of time was selected because the sample should have included only those businesses that have been operating for five years or less. A question also requested the number of employees in each of the years the business was operating, up to a total of five years.

The dependent variables measured in this study was the percentage growth rate in revenues of the businesses participating, as well as the average number of employees over the time period the business was operating. These were self-reported measures. For the average growth rate in revenues, the actual variable used in the statistical analysis was an average of the growth rates for each year reported. This is a continuous variable measured in the last question of the survey (question 12). It was suggested as a measure of performance by Ahmad, Hamdan, and Abu Bakar (2004) and was utilized by Ostgaard and Birley (1996).

A pretest of the survey was completed with a convenience sample of 21 business owners. Results showed that there were no concerns regarding how to answer the questions, and that the majority of the respondents were willing to share their revenue growth information; only one business owner refused out of the sample of 21. All respondents listed the number of full-time equivalent employees for the years the business was in operation.

Reliability appears to be assured as the respondents to the pretest had no difficulty in understanding what was being asked. As there were not multiple measures of the same construct, it was unnecessary to test for convergent or discriminant validity. As discussed by Davidsson (2004), face validity is highly important in these kinds of studies; it appeared that this issue was not a concern in this study, as the content of the survey was very straightforward.

Data Analysis

As the research focused first on comparing the growth in revenues and growth in number of employees between those entrepreneurs who participate in formalized networking activities and those who do not, the primary analysis method was a t test.

The qualitative data, after it was coded, was analyzed in a way that developed trends, common themes, and patterns in the information. The themes and patterns fell into two large groups: those themes and patterns resulting from comments regarding the positive benefits of membership in business organizations, and those themes and patterns resulting from those who believed there were not any benefits to formalized networking. The information collected and analyzed from the comments was used to help explicate the quantitative analysis as well as provided suggestions for areas of future research.

Of the original sample size of 346, 26 surveys were returned as undeliverable, yielding a final sample size of 320. In all, 66 surveys were returned, for an effective return rate of 21 percent. This is comparable to the return rate of Singh, Hybels, Hills, and Lumpkin (1999) and Singh, Hybels, and Hills

(2000), who also utilized mailed surveys and received a response rate of 22 percent. In addition, Ripolles and Blesa (2005) experienced a response rate of 23.8 percent, again using mailed surveys. Researchers who enjoyed a higher response rate, for instance Ostgaard and Birley (1996), utilized telephone interviewing with an initial screen that ensured that respondents fit their required profile and were interested in responding to their questions.

Results

As the survey responses were analyzed, it became clear that the list obtained did not completely adhere to the requirements. Table 1 presents the frequencies of the responses by industry; notable is that 20 responses, or just over 30 percent, were outside the three requested industries.

In addition, the number of years in business shows a large discrepancy between the requirement of between one and five years and the actual results. In fact, almost 80 percent of the respondents were in business more than five years, as shown in Table 2.

Additional discussion with InfoUSA yielded the response that the data is actually sourced from the Yellow Pages directory of the given area. This certainly belies the company's claims of using multiple sources.

Kalleberg, Marsden, Aldrich, and Cassell (1990) described multiple sources of data for research samples. They stated that their "results certainly demonstrate that it is possible to draw a reasonably representative sample from most of the sources we consider" (p. 662), and one of those sources was a commercial data source. It appears from this study that utilization of at least one commercial data source cannot be justified, or that additional discussion as to the exact sources of the data should be completed. However, analysis of the results continued.

More than half of those who belong to paid membership organizations work in the business services industry. The tabulation of the frequencies within industry is shown in Table 3.

By far, those respondents whose businesses are in the manufacturing industry had the largest average number of employees; however those in the business services industry had the largest average annual growth rate of employees, along with the smallest average number of employees. Table 4 shows these averages.

Two questions were asked of the respondents who belonged to paid membership organizations regarding their overall feelings regarding the worth of their memberships. Question number eight asked if they felt like they were getting their money's worth from their membership, and question number nine asked if they felt as if their membership had an impact on their company's revenue growth. Most of the respondents felt that they were, indeed, getting their money's worth; however, almost a third of respondents were unsure. More than half felt that their memberships were a factor in the growth of their business. Note, though, that a larger percentage of respondents failed to answer these questions. These results are shown in Tables 5 and 6.

The following section details the results of the analysis based on the two hypotheses. This will be followed by a discussion of the responses to the two open-ended questions.

Hypotheses

Hypothesis one stated that participation in paid membership organizations will increase the average growth rate of revenues of the business. It also stated that there will be a significant difference in the revenue growth rates between those businesses whose owners participate in paid membership organizations and those businesses whose owners do not. Hypothesis two stated there would be a significant difference in the average growth rate of those entrepreneurs whose owners participate in paid membership organizations and those whose owners do not.

Before any tests were completed on the data regarding revenue growth, further analysis of the data was in order. There appeared to be many blank responses in the question regarding revenue growth rate; it was determined, by comparing the number of years in business and the responses to the number of employees per year with the revenue growth rate response, that there were only 54 usable responses available to test Hypothesis one. However, as this represented 82 percent of the total responses, the data analysis proceeded.

Table 1. Industry Frequencies

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	Manufacturing	5	7.6	7.6	7.6
	Wholesale	5	7.6	7.6	15.2
	Business Services	36	54.5	54.5	69.7
	Other	20	30.3	30.3	100.0
	Total	66	100.0	100.0	

Table 2. Years in Business Frequencies

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1 to < 2 years	4	6.1	6.1	6.1
	2 to < 3 years	4	6.1	6.1	12.1
	3 to < 4 years	3	4.5	4.5	16.7
	4 to < 5 years	3	4.5	4.5	21.2
	> 5 years	52	78.8	78.8	100.0
	Total	66	100.0	100.0	

Table 3. Industry Breakdown of Membership

			Industry				
			Manufacturing	*Wholesale*	*Business Services*	*Other*	*Total*
Belong	Yes	Count	3	3	28	16	50
		% within Belong	6.0%	6.0%	56.0%	32.0%	100.0%
		% within Industry	60.0%	60.0%	77.8%	80.0%	75.8%
	No	Count	2	2	8	4	16
		% within Belong	12.5%	12.5%	50.0%	25.0%	100.0%
		% within Industry	40.0%	40.0%	22.2%	20.0%	24.2%
Total		Count	5	5	36	20	66
		% within Belong	7.6%	7.6%	54.5%	30.3%	100.0%
		% within Industry	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4. Average Employees and Growth Rate by Industry

	Averages	
	Employees	*Growth*
Manufacturing	42.20	10.30%
Wholesale	6.95	8.83%
Business Services	3.84	106.48%
Other	8.24	45.11%

Table 5. Money's Worth Frequencies

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	Yes	26	39.4	63.4	63.4
	No	3	4.5	7.3	70.7
	Not sure	12	18.2	29.3	100.0
	Total	41	62.1	100.0	
Missing	System	25	37.9		
Total		66	100.0		

A *t* test was then run on the revenue growth information provided by the respondents. The mean and standard deviation for the two groups, those who belong to membership organizations and those who do not, are shown in Table 7.

Levene's test for equality of variances yielded a significance value of .005, indicating that the variances of the two groups are not the same. This yielded a two-tailed significance of .296, showing that there are no significant differences between the two groups. Therefore, Hypothesis one is not supported.

Table 6. Growth Factor Frequencies

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	Yes	21	31.8	55.3	55.3
	No	17	25.8	44.7	100.0
	Total	38	57.6	100.0	
Missing	System	28	42.4		
Total		66	100.0		

Table 7. Statistics for Average Revenue Growth Rate

	Belong	*N*	*Mean*	*Std. Deviation*	*Std. Error Mean*
Revenue Growth	Yes	40	.4025	1.88301	.29773
	No	14	2.1750	6.00509	1.60493

Table 8. Statistics for Average Number of Employees

	Belong	*N*	*Mean*	*Std. Deviation*	*Std. Error Mean*
Employee Growth	Yes	50	.7732	2.03037	.28714
	No	16	.3250	.76288	.19072

Next, a *t* test was run using the average of the growth of employees over the operational years of the businesses. Table 8 shows the means and standard deviations of the two groups.

Levene's test for equality of variances in this case yielded a significance value of .158, again indicating that the variances are not the same with the two groups. This yielded a two-tailed significance value of .198, again showing that there is no significant difference in average number of employees between those businesses whose owners participate in paid membership organizations and those who do not. Therefore, Hypothesis two is not supported.

Qualitative Responses

Those who belonged to one or more paid membership organizations were asked to comment on whether one or more of the organizations they belonged to seemed particularly helpful. The specific wording of the question is as follows: "If you are a member of one or more of these organizations, has any one, in particular, seemed to be particularly helpful in building your business? Why? If none has, why do you think that is so?"

In analyzing these responses, it was interesting that more than half the respondents (35 in total) left this item blank. As only 16 respondents in the sample of 66 do not belong to paid membership organizations, this left 19 respondents without apparent strong feelings about their membership. Of those who did respond, 9 noted specific organizations that have been helpful to them. Typical positive comments in these included "excellent mentoring program and business resource" (case 63), "I get involved" (case 56), and "get good leads" (case 51). Negative comments included "unable to attend meetings" (case 13), "does not have the target audience I am looking for" (case 41), and "lack of time to leverage opportunities" (case 53).

All respondents were asked to comment on their membership, or lack thereof, in general, in an attempt to elicit free-flowing responses on the best or worst features of these organizations. This question was worded as follows:

> Please list any comments you have about your participation in business membership organizations. For instance, do you feel like you have met people who can help you in your business? Have you met people you maintain a friendly relationship with? Please comment on any aspect of your participation that you would like me to know. If you are not a member of any of these organizations, please tell me why you choose not to participate in this type of networking.

This question yielded a total of 14 nonresponses. Those who did respond were more forthcoming in this question, with longer and more thoughtful comments. A fairly typical response to this question is that given by case 1, which states, "The amount of value that is received through membership in business organizations is directly correlated to the amount of time dedicated to 'working' these organizations." One very strongly negative comment, from case 4, stated, "I have tried these groups a few times, and they always felt like Amway meetings." The positive comments can be summed up, in general, as formalized networking improves the visibility of your business. Negative comments, other than the one above, typically include factors such as lack of time or money to pay for organizational memberships, as well as not seeing any benefits.

In further analyzing the comments from both questions, it was noted that there were more comments that could be considered negative (35) than positive (25). This was determined, with the assistance of the software package Atlas.ti, by first noting key phrases in the responses, and coding them first into descriptive codes and then into pattern codes.

In noting the negative comments, most of the responses (12) fell under the descriptive code of UnsureBenefit, defined as the respondents expressed some level of uncertainty as to whether these organizations were worth the time or money expended. At 11 responses, NoTime was the second most cited response, meaning that the respondent felt he or she did not have the time to devote to a membership organization, either because of their overall busyness or because these organizations simply take too much time. The remaining comments covered such issues as the fact that the organizations attract those who are not in the target market for the respondents; the respondents felt that they could not afford to belong; there was no opportunity to obtain business; and the other attendees at the functions held by these organizations were only there to sell their own wares.

Figure 1 shows the linkages of the descriptive codes and pattern codes for the comments considered negative in nature. There were two patterns that emerged from the data: The first, OrgMembership, implies that the comments related to the membership within the organizations. The second, NoBenefits, is a pattern that describes comments relating to the perceived lack of benefits of becoming a member in formal networking organizations. The numbers after each of the codes describe the number of comments linked to that code, followed by the number of linkages to pattern codes.

Positive comments included the ability to build the business's brand, or as was frequently described, "getting your name out there." This led the list with eight quotations. This was followed, at seven comments, with what was labeled "Community." This descriptor included comments that indicated that friendships were developed, that the respondent felt he or she is receiving some social support, and that the respondent had met people that have introduced them to others. Several comments (five) noted that they did, indeed, obtain business as a direct result of membership in a formal networking organization, while others noted that there were opportunities to both be mentored and to mentor others,

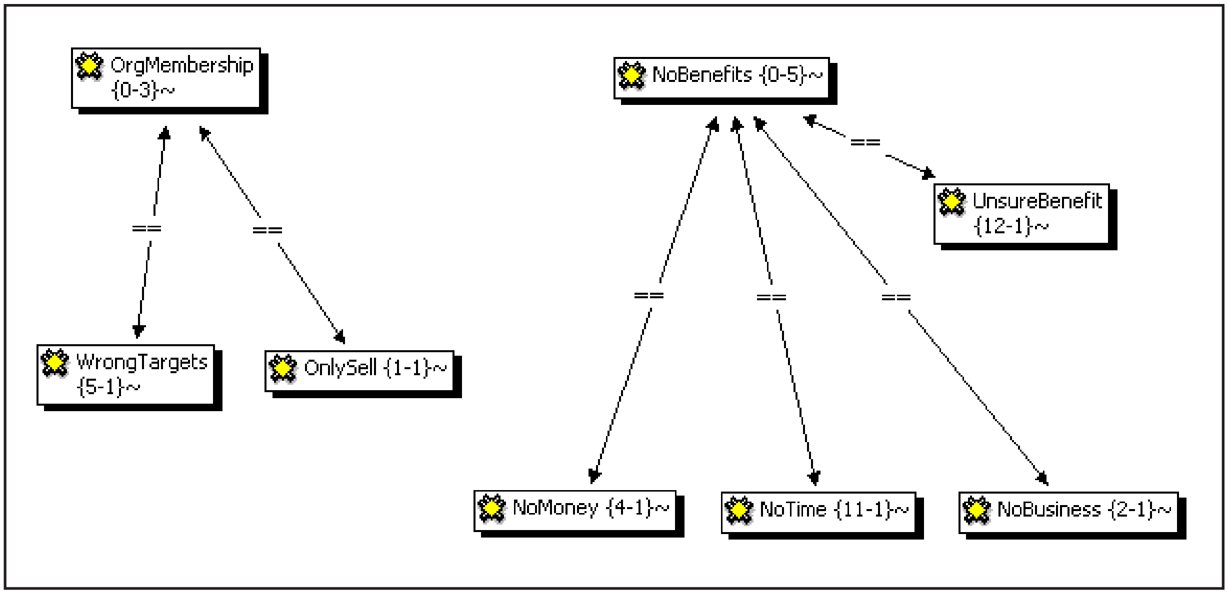

Figure 1. Patterns and Descriptors of Negative Comments

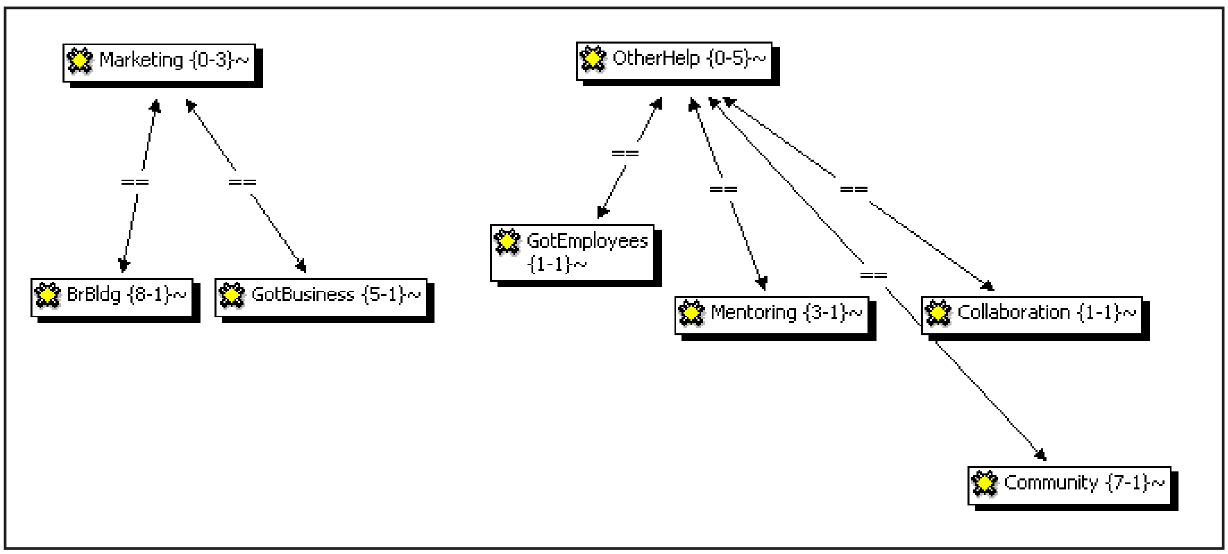

Figure 2. Patterns and Descriptors of Positive Comments

and that they were able to hire good employees or collaborate with other businesses on specific projects as a result of participating in these organizations.

The positive comments and quotations, along with their pattern and descriptive codes, are shown in Figure 2. Again, the number of comments and the number of linkages are shown after each code.

Discussion of Results

Hypothesis one stated that those business owners who belonged to paid membership organizations would see greater revenue growth than those who did not belong. This hypothesis was not supported, as there were no differences between the two groups noted. Hypothesis 2 stated that those business owners who belonged to paid membership organizations would see greater growth in their employee base. This hypothesis was also not supported.

This greatly calls into question the benefits of belonging to organizations who promote networking as the primary advantage of membership. It also calls into question whether the respondents realized they were not getting business out of the organization(s) to which they belonged, as just over 55 percent responded that they felt their membership was a factor in the growth of their business. Indeed, more than 63 percent felt they were getting their money's worth out of their membership. Either the respondents were not tracking what was actually taking place as a result of their membership in a networking organization, or the marketing message of the organization was so convincing that the members truly believed their business was growing as a result of their participation. Both of these could also be true. In addition, the mentoring aspect of these organizations could be what provides the business owners with the wherewithal to grow their businesses, even though the organizations themselves do not provide a direct outlet for sales.

Both the lack of support for the hypotheses and the question as to the benefits of membership are supported by the patterns in the negative comments among the two open-ended questions. The pattern 'OrgMembership' included the descriptors 'WrongTargets' and 'OnlySell.' This pattern, along with these descriptors, contained six quotations that suggested that the organization(s) the respondent belonged to either did not attract the types of businesses that were in the respondent's target market (WrongTargets) or the members of the organization were only interested in selling their wares, not listening to others. Comments included case number 17, who stated that, "we get business primarily through established relationships at pharma companies and word of mouth. Our targets are not at these orgs." Case number 41 stated that, "I think that the organizations I belong to does [sic] not have the target audience I am looking for." Likewise, case number four commented that, "I have tried these groups a few times, and they always felt like Amway meetings. Everyone there has an agenda to try to sell you something. I rarely have met anyone who I felt to be genuine."

Other responses to the open-ended questions that support the fact that Hypothesis One was not supported include those in the pattern 'NoBenefits.' These include comments that the respondent could not afford the time (NoTime; 11 responses) or money (NoMoney; 4 responses), implying that the investment in the organization was not expected to pay off. Two respondents explicitly noted that they achieved no additional business through their formal networking efforts (NoBusiness). As an example of this, case number 50 noted that one organization did hold some marketing benefit, in that it provided a venue for exhibiting at an annual trade show, but that there is "very little evidence that membership in any other organization has helped us grow our business. It seems mostly to make us a target for B2B sales (insurance, office supplies, consultants, etc.)."

For those who were unsure of the benefits they received from paid membership organizations, one said that their referrals come from satisfied clients, not membership organizations. Case number five commented that "all of my networking has occurred with my clients and through my clients. I started my business with one client and it has grown to 21 companies through client referrals." Others pointed out that there were many negative aspects of membership in these organizations, such as case number 24, who said, "usually too frustrating. Too many opinions, all different," and case number 22, who stated, "I did once belong to an organization like you describe and found everyone was there for the big sales pitch of their own and truly not interested in what others were bringing to the table."

Conclusions

It appears from this research that formalized networking, that is, paying dues to belong to an organization in order to expand one's network, does not increase or enhance the success of a business, whether measured in the rate of revenue growth or the number of employees. Why, then, are these organizations still in existence? While the results from the data clearly show no difference in growth rates of those businesses whose owners belong to paid membership organizations and those who do not, there were a large number of benefits denoted in the open-ended questions.

In fact, five people noted that they did get business directly from their participation in these organizations; it apparently was not enough to affect the results from the total sample, but it does appear that some are successful in obtaining business from these organizations. A larger number, however, noted that networking yielded brand building benefits. Still others found a community they could feel a part of through their networking activities.

Other benefits noted by the respondents included finding a partner for collaborative efforts, and the ability to be mentored by and to provide mentoring to others. Others pointed out that they were helped in their business, but did not explicitly state how.

So the various Chambers of Commerce, trade organizations, and other organizations that promote networking do provide both explicit and implicit benefits to entrepreneurs. While these benefits may not, according to the results reported here, be in the area of explicitly increasing revenues or providing for growth in other ways, there appears to be a distinct marketing benefit of membership in the area of brand building, as well as benefits from mentoring, collaboration on specific projects, and as a resource for information exchange.

Limitations and Delimitations

The sample utilized in this study was bounded geographically by the city of Philadelphia, Pennsylvania. The results, therefore, may not be applicable to other urban areas, let alone suburban or rural areas. The geographic boundary was set following Davidsson's (2004) dictum that the sample should be easily accessible, and that, in fact, was the case. Caution should be taken, however, in generalizing the results.

Finally, the sample size may not be sufficient for a comparative study. With only 66 responses, there could be a bias in the data resulting from the responses only coming from those who were interested in this as a topic. However, it should be noted that Singh, Hybels, and Hills (2000) obtained a similar response rate in their study.

Areas for Future Research

This study is a positive addition to the literature as it focused on an aspect of entrepreneurial networking that is little studied to date: whether participation in a paid membership organization has any affect on business success, as measured by the percentage growth rate in revenues and the average number of employees. It compared those who participate in paid membership organizations to those who do not, a factor that has not previously been studied.

This study suggests many areas for further study. Expanding the geographic area beyond the city of Philadelphia is logical. It would be interesting to compare various urban areas to note differences among the cities. It would also be interesting to compare the results of urban networking activities to those in suburban and rural areas to see if any differences exist.

The idea of formalized networking itself needs further study. Do more entrepreneurs prefer to build their networks through membership organizations, or through personal, serendipitous contacts? Are there differences in the benefits obtained between the various types of paid membership organizations? How many organizations should one belong to, if any?

An additional area of research should be an attempt to understand the time lag between when one joins an organization and when one begins to receive benefits. Are the benefits immediate, or does it take some time before one starts to enjoy a return on the investment? Should a nascent entrepreneur join one or more organizations, or wait until one's business is established?

Finally, more such comparative studies between those who participate in paid membership organizations and those who do not should be completed. It is interesting, and unfortunate, that this area had not been studied at all prior to this research. If the 76 percent of respondents in this study who belonged to paid membership organizations holds true in other geographic areas, it would be incumbent upon the research community to inform them as to whether there are distinct and quantifiable results of all this networking activity.

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