

A British Ski Academy...in Switzerland? You're having a laugh? The role of networking and social capital in entering the European ski industry.

Sheena Leek

Birmingham Business School,
University of Birmingham,
Edgbaston,
Birmingham B15 2TT,
United Kingdom.
S.H.Leek@bham.ac.uk

Louise Canning

Birmingham Business School,
University of Birmingham
L.E.Canning@bham.ac.uk

Abstract

Entrepreneurs are the lifeblood of many economies and face a major challenge in entering a network and establishing their position for the first time. Service providers may find this especially problematic because the lack of a tangible product means that they must rely on their credibility and reputation to aid network entry. In trying to enter and develop a network position a new company can be faced with the challenge of trying to set up a supply as well as a customer base. One way that a start-up company might initiate supplier and customer relationships and gain access to the network (market) in which it wishes to operate is to make use of social capital. But what if the individual has no social capital to aid entrance? How does he/she then enter the network and establish their position. A popular feature of IMP conferences over the years is to understand business markets, networks and behaviour in the context of various production, engineering or technology sectors with little attention afforded the service sector. This paper takes a slightly different focus from the typical IMP paper by examining the efforts of a British entrepreneur to develop business in the Swiss ski tuition market. In doing this we use the concepts of social capital and *networking* to examine the efforts at establishing a network position.

Keywords: Social capital, networking, network entry, tourism

Introduction

Entrepreneurs are the lifeblood of many economies and face a major challenge in entering a network and establishing their position for the first time. Service providers may find this especially problematic because the lack of a tangible product means that they must rely on their credibility and reputation to aid network entry. In trying to enter and develop a network position a new company can be faced with the challenge of trying to set up a supply as well as a customer base. One way that a start-up company might initiate supplier and customer relationships and gain access to the network (market) in which it wishes to operate is to make use of social capital. But what if the individual has no social capital to aid entrance? How does he/she then enter the network and establish their position. A popular feature of IMP conferences over the years is to understand business markets, networks and behaviour in the context of various production, engineering or technology sectors with little attention afforded the service sector. This paper takes a slightly different focus from the typical IMP paper by examining the efforts of a British entrepreneur to develop business in the Swiss ski tuition market. We first of all examine literature associated with social capital and networking and how this can be related to new business start-up and network entry before going on to examine the British ski entrepreneur's efforts at network entry.

Literature Review

Much has been written about managing dyadic relationships (e.g. Cunningham and Homse 1986) and networks (e.g. Ritter 1999), and as part of this it is clear that the concepts of social capital and networking are not separate concepts but ones which can contribute to identifying how people initiate and build relationships. In order to initiate a relationship there will inevitably have been a degree of networking which may or may not involve social capital. The establishment of one relationship provides social capital which may create networking opportunities which leads to further relationships and the gradual evolution of the company's network position.

Social Capital

Initiating relationships and gaining access to a network may be achieved through social capital (Halinen and Salmi 2001). Social capital relates to the personal relationships that individuals have with others; it is "the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (Bourdieu and Wacquan 1992 p.119). Social capital can be described using 3 dimensions, namely

- structural (the quality of interactor exchanges and the architecture of network ties)
- relational (the kinds of relationships an individual has developed in terms of for example, trust and trustfulness)
- cognitive (shared norms)

(Liao and Welsch 2005).

Social capital enables cooperation between connected parties for the mutual benefit of those parties (Putnam 1995). So essentially an individual can draw on his/her network of personal ties in order to realise specific objectives and would reciprocate by accommodating the needs of parties with which he/she has connections. Social capital has attracted considerable attention in relation to new business ventures and entrepreneurship. For example de Carolis and Saporito (2006) argue that personal factors (specifically an individual's cognition) and social capital determine why some individuals exploit opportunities, whereas others do not. Florin et al. (2003) explain

the contribution of social capital to high-growth venture ability to accumulate financial resources and to develop a durable source of competitive advantage.

Social capital can assist a new business venture in entering a network/target market, in gaining access to potential customers (Florin et al. 2003) and suppliers. As we have already acknowledged, start-up companies frequently have to begin from the position of being unknown in their chosen marketplace and will certainly lack a portfolio of customer and for that matter, supplier relationships that can be used to facilitate business growth. In these situations, the firm has to rely on social capital, on the personal relationships of individuals involved in the start-up company to initiate contact with potential customers or indeed suppliers. This requires that individuals know of customers or suppliers in the firm's target market and are able to use their network of personal relationships to initiate contact and to encourage the start of an exchange relationship. This might come about as a result of personal relationships between individuals within each company, or through an intermediary personal relationship. The relationship that brings customers and suppliers together may be work-based (whereby the individuals were colleagues, had done or are currently engaged in business together) or it may be more of a social nature having been established through education, club membership, shared interest etc. However social capital is not necessarily available to the entrepreneur and so he/she might have to look to alternative means to enable network entry and development, indeed he/she may have to embark on a process of *networking*.

Networking – the initiation of social capital?

Networking involves making contacts with individuals and varies in terms of timeframe, intent and the medium used in the networking process. From a temporal perspective, networking can have a longer term orientation encompassing relationship development and maintenance (McLean and Shaw 2000). However, we argue that networking activity could be short term, simply entailing making an initial contact or renewing a connection with people with which there is no business relationship. The process of making contacts, or networking, may be done with a specific purpose in mind e.g. a company may actively make contact with potential new suppliers in order to replace their current supplier who is performing below par. Alternatively, networking may be done without a specific purpose or aim e.g. an individual may get to know someone through being sat next to them at a formal industry dinner. This is akin to Read and Sarasvathy's (2005) view that entrepreneurs conduct their businesses through a combination of causal and effectual processes which are at opposite ends of a spectrum. A causal approach involves competitive analyses, letting goals determine actions and what people are utilised and considering the maximum opportunity. In contrast an effectual approach entails building partnerships, letting actions emerge from means and imagination and considering affordable loss. Both of these approaches will be taken in the networking process.

Through networking individuals will meet other potentially useful contacts. During networking people will gather information about the product/service, the organisation and the individual. Information about the contacts made will be stored. If the information obtained from the contact and the perceptions of the contact are both positive then the connection is one that could be used. However, if the perceptions are negative it may be unlikely that the contact is used. Even if the perceptions of the contacts are positive, not all of the contacts established will be developed into relationships. If the individual has an immediate specific purpose for the contact they may use it further, to see whether they can actively incorporate it into their network. If the individual has no immediate use for the information/contact, it may become dormant in the sense that if they have a use for it later it will be activated. Havila and

Wilkinson (2002) referred to these connections as relationship sediments. The length of time a connection may lie dormant may vary on factors such as recall i.e. whether the contact can remember the individual.

As far as the routes by which networking occurs, these can be indirect or direct. Indirect networking involves a third party bringing individuals together whilst direct entails individuals making contact with each other. Direct networking may be marketing related e.g. cold calling, trade shows, industry events or it may occur outside of an business setting e.g. at a sports club. Holmen et al (2005) use the dimension direct and net work mediated (indirect) to describe relationship initiation. Whilst there are some similarities between Holmen et al's (2005) work on relationship initiation and that of networking, there is also a clear distinction in that not all contacts made via the networking process actually develop into relationships.

In order to network the individual must have some knowledge of the network obtained through research and/or from working experience. Entrepreneurs may have obtained a certain amount of knowledge of the industry but in a slightly different context. The individual's slightly different perspective can make it very difficult to break into the network. They may have a network of contacts in the one area but these contacts may not be useful for entering the related network. The entrepreneur will then have to network to make contacts from which relationships may or may not develop.

Networking and perceived networker trustworthiness

As stated earlier networking may lead to a number of contacts only some of which will be further developed into relationships. During the process of networking if an individual does not know its contact they may assess a variety of characteristics associated with a contact's perceived trustworthiness. These characteristics may be determined as a result of direct exchange with the contact or from other individuals' knowledge. This information, either positive or negative, will contribute to deciding whether the individual should do business with the contact. Measures that contribute to perceived trustworthiness can be either cognitive or affect based. Cognition based trust is rational in that " we choose whom we will trust, in which respects and under what circumstances and we base the choice on what we take to be good reasons constituting evidence of trustworthiness" (Lewis and Wiegert 1985, p.970). Cognition based measures include reputation, as well as perceived credibility and benevolence.

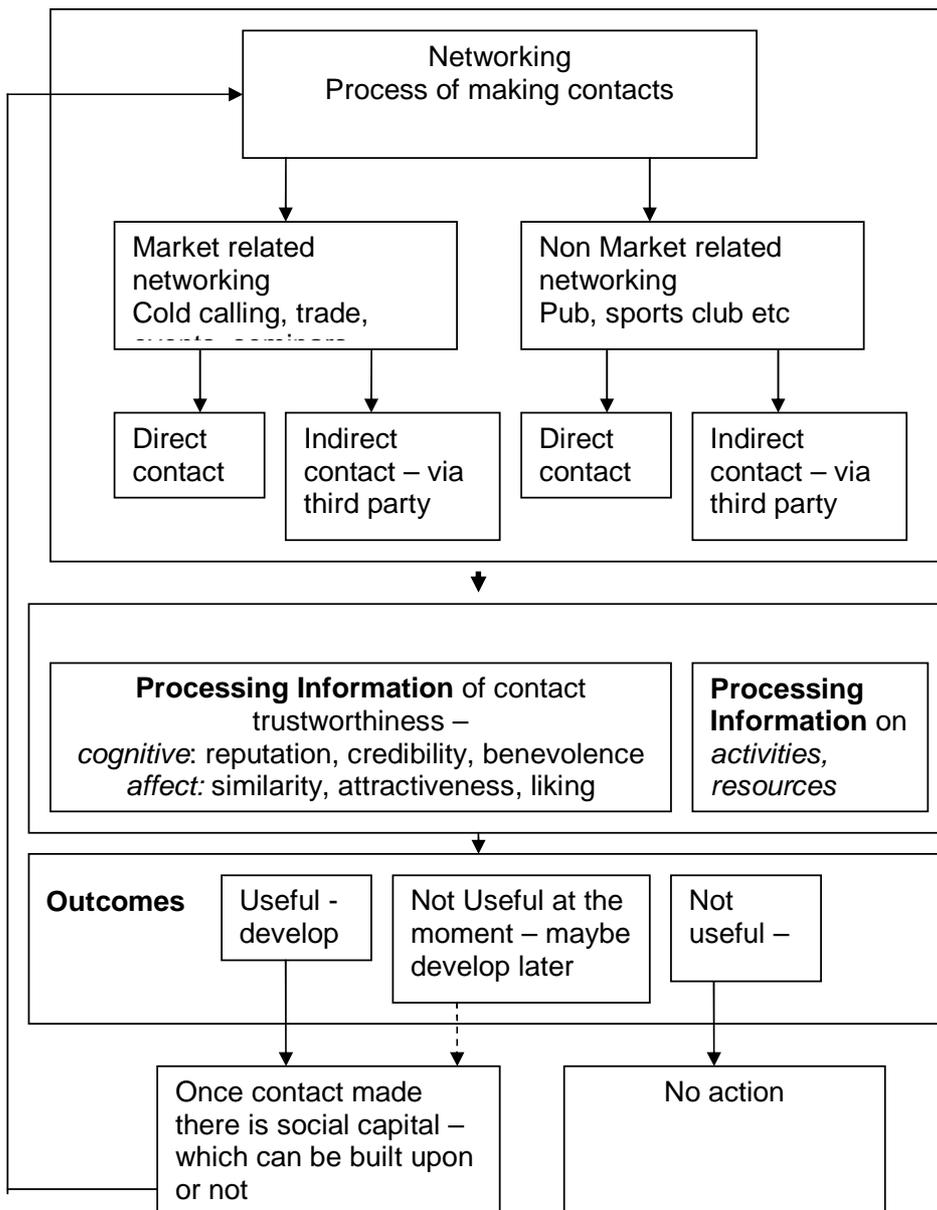
The *reputation* of a business and or individual will be important for a company in deciding whether to do business with that other party, it being described as "a reckoning, estimation from the Latin reputatus – to reckon, count over. The estimation in which a person, thing or action is held by others...whether favourable or unfavourable." (Mahon and Wartick 2003). Reputation can be attributed to both an individual and an organisation, develops as a result of interactions between stakeholders (Mahon and Wartick 2003) and is determined by the past and present actions of those individuals and/or organisations (Herbig and Milewicz 1996; Mahon and Wartick 2003). *Credibility* is the believability of an entity's intentions at a particular moment in time, the expectancy that an individual's or organisation's word or written statement can be relied upon (Herbig and Milewicz 1996; Lindsfold 1978) and that an individual or an organisation has the expertise such that assertions made are deemed to be valid (Hovland and Weiss 1951). *Benevolence* is the extent to which one party is genuinely interested in the other partner's welfare and is motivated to seek joint gain.

In addition to such rational measures, affective foundations such as emotional bonds can also determine perceived trustworthiness. Emotional bonds include *interpersonal liking* and can develop as a result of similarity between parties such as shared values, attitudes, background, status (McAllister 1995). Indeed, Kinunda – Ratshoybya (2002) found that homophily can increase the ease of communication, improve predictability of behaviour and foster relationships of trust and reciprocity.

As well as the process of networking involving the individuals assessing each other in terms of various characteristics associated with trustworthiness they are also assessing each other with regards to the activities and resources they offer. The process of networking provides an opportunity for individual suppliers and buyers to exchange and gather concrete information about how they can mutually benefit each other from interacting (Hakansson, Johanson and Wootz 1976, Hakansson and Snehota 1995).

Figure 1 combines the aforementioned concepts into a theoretical model which illustrates the various activities and stages that might be associated with networking. Read and Sarasvathy's (2005) perceptions of entrepreneurs taking both a causal and effectual approach to conducting business underlies the networking process. The figure shows how entrepreneurial individuals can begin to develop their network of contacts should they find themselves without any social capital to utilise. In order to establish some contacts there are various networking channels they can use, work related and non-work related, people they know and contacts mediated by people they know. An individual may network with a specific purpose in mind, a causal approach or alternatively an individual may not have a purpose at all and unconsidered opportunities may arise from new contacts, an effectual approach.

Figure 1: The Process of Networking.



Networking is generally going to involve two parties (possibly with a third introductory party) and in making contact both parties will be assessing each other in terms of their personal qualities such as trustworthiness. They will be considering the information provided by the other party on their activities and resources. Their own assessments of the individual and the company they work for as well as information from other sources will be used to make a decision on whether they could potentially do business together and whether they would like to do business with each other. In meeting someone, an initial contact has been made which an individual might try to use immediately to initiate a relationship, it can lie dormant until the contact is potentially useful or it may not be used at all. If the individual chooses to initiate a

relationship then, through the interactions, its various characteristics will evolve e.g. the degree of trust, commitment etc. As the individual's network evolves there will be a number of relationships with different qualities, different degrees of social capital which may be utilised in different ways but that does not mean the process of networking and making new contacts ceases. The process of making new contacts can lead to further new developments which may not have been possible previously with a smaller network of contacts.

Methodology

As we have argued earlier, understanding of the role of networking and social capital in new business set-up has already been documented, but this has tended to examine various production, engineering or high-technology sectors. Little attention has been afforded the service sector and it is this omission that our paper seeks to address. This initial phase of the study is essentially descriptive in nature, with the primary purpose being to document the phenomenon of interest (Marshall and Rossman (1995), namely the nature and contribution of social capital and networking with regards the set-up and development of a service-based business enterprise. This work represents the initial phases of our research programme, in which we wanted to develop a full understanding of the business set-up and development process. Consequently we chose a case study based research strategy because

- we wanted to investigate this contemporary phenomenon within a real life context, in which
- the boundaries between the phenomenon and context are not clearly evident, and
- multiple sources of evidence are used

(Yin 1994).

Information was drawn from secondary data sources such as Swiss ski market and tourism industry reports, newspaper and web-based articles as well as the British company's website. This information was used in order to gain an understanding of the sector as well as background to the company and its owner. A key factor in guiding the empirical phase of the investigation was the desire to understand the development of the business from the owner's viewpoint and his perception of important factors in relation to this. In-depth qualitative interviews were therefore used in order to account for the context in which business start-up and development occurred and to search for a deeper understanding of the participant's lived experience (Marshall and Rossman, 1995). An initial face-to-face interview was conducted using a discussion guide, this acting as a checklist of topic areas (Patton, 1990) to be covered. Various topics from the discussion guide were introduced as the interview progressed, with the resulting questions and the structure of interview varying depending on the respondent's answers (Kvale, 1996). The interview lasted approximately 90 minutes, was tape recorded and a verbatim transcript produced from this recording. Raw data from the transcript were sorted according to time period and phases of the business development and within each phase grouped into different themes using progressive focussing (Wolcott, 1994). A subsequent follow-up telephone interview was conducted one month later to clarify certain points and to expand areas not addressed adequately in the initial interview. This telephone interview, which lasted for 60 minutes, was recorded with data from the subsequent transcript being added to data from the initial face-to-face interview.

Information obtained from secondary sources was then combined with interview data in order to develop

- an understanding of the market that the British ski entrepreneur was trying to enter, and
- a sequential account of the business set-up and development.

The business owner was sent a copy of this descriptive case analysis as it appears in this paper. Only minor changes were made with regards the owner's profile and some elements of timing of the business development.

Findings

Networking and social capital: the case of the British ski entrepreneur

The description that follows provides an overview of the Swiss ski industry before giving an account of how a British national succeeded in building a reputable position in this market.

Organising a ski trip is, for many people a relatively straightforward task – despite the growth in independent travel fuelled by low cost air travel, the package holiday is the predominant product form purchased by recreational skiers. This product typically includes flights, transfers and accommodation with the tour operator also selling ski-hire, lift passes and ski-lessons. Relationships between tour operators and the various in-resort service providers are important with the operators being significant revenue generators for hotels, ski schools, hire shops and lift operators.

Compared to many other countries the infrastructure of Switzerland's accommodation provision in the tourism industry is somewhat fragmented. Across the country there are around 5,600 hotels offering in the region of 260,000 beds (EIU 2006) with the majority of these hotels being small, family-run establishments – such establishments are prevalent in the various ski resorts across the country. Compared to accommodation, the supply of other "in-resort" facilities is slightly more concentrated. For example, overall responsibility for promoting a resort's attractions lies with its local tourist office, and in the majority of resorts opportunities for ski or snowboard lessons are typically available from outlets of the Swiss Ski or Snowboarding Schools respectively. Responsibility for piste management and lift provision lies with a resort's lift operators – of which there are 600 across more than 200 resorts (Swissinfo 2006).

Verbier lies in the Valais canton, this representing one of the principal ski-areas in the Swiss Alps (Seilbahnen Schweiz 2006). Overall management of Verbier as a tourist destination lies with its tourist office (www.verbier.ch). Piste management and lift operation is handled by a single company– Televerbier SA, this company having heeded calls from industry experts of the need to consolidate (Bieger and Lasser 2005; SwissInfo 2006) and entered into partnership with guiding and school companies to form VerbierSport+.

The Warren Smith Ski Academy, which takes the name of its owner, has been established for nearly 15 years in the Valais canton, coaching over 2,000 professional and recreational skiers in the resorts of Verbier and Saas Fee in any one year. Ski schools found in resorts typically rely on revenue generation as a result of tour operators, tourist offices and cantons attracting skiers to resorts. In contrast to this, the Warren Smith Ski Academy promotes its coaching courses across Europe and in doing so, brings skiers to Verbier and Saas Fee.

Warren Smith is a British National, a professional freeskiier who teaches recreational skiers, develops ski instructors and coaches racers. He has competed internationally in free skiing competitions, is an internationally qualified performance coach through the IVSI (International Ski Coaching Federation – German translation of IVSI) and trains instructors for the British Association of Ski Instructors. Running his own coaching business started on the dry ski slopes in the UK and it was whilst giving private lessons in Hemel Hempstead to the director of a Verbier based hotel broker that the possibility of transferring the business to this alpine ski resort first arose. Whilst Verbier was well known amongst the free-skiing fraternity in the early 1990s, it was out of favour with the recreational skier during this period so that any business that might be able to raise the profile of the resort and attract visitors was supported by those involved in it.

Warren Smith did not have an extensive set of contacts in Verbier that could be used to facilitate the business set up. To operate a commercially viable ski academy required that Warren Smith have the support of the Swiss ski authorities as well as the tourist board in Verbier, that staff and customers benefit from preferential rates at in-resort facilities and most importantly that he was able to attract a big enough client base as well as draw from a pool of qualified instructors. Warren had to approach and win over various stakeholders in relation to the ski academy operation. For example

- meetings were held with the Swiss ski authorities in which Warren's skiing and instructional expertise were evaluated
- discussions took place with the tourist board to determine how, in promoting the ski academy, the resort might also be promoted
- negotiations were held with the lift operator and with equipment stores for preferential pricing.

From a networking perspective much of this might be classed as market-related direct contact, with Warren having to engage in a significant amount of "cold-calling" in presenting the business "opportunity" to company representatives. Whilst not necessarily providing an introduction to these companies, the fact that he already had a familiar contact in Verbier (the room broker who initially suggested Verbier as a possible location for a business start up) meant that representatives from stakeholder organisations could be identified. Obviously, knowing a room broker in Verbier also meant that attractive accommodation deals could be negotiated for clients attending the academy. Once based in Verbier Warren was approached by another room broker and has been dealing with this company for the last 10 years.

The ski academy operates with 5 instructors in addition to Warren Smith. Rather than advertising, Warren invited one coach (who was working for ski school in Verbier) to join the academy and he was approached by the remaining who were interested in working with him. Amongst the coaching team, there is a common bond, namely a strong interest in free skiing. In spite of this shared passion, in order to secure a place in the coaching team, potential recruits had to successfully complete a probationary period to determine their fit with the coaching style and values of the Warren Smith Ski Academy.

Warren attracts clients from across Europe, although the principal country of origin for most was, and continues to be, the UK which means exposure of the ski academy to a British audience via credible sources is important. Such exposure came initially via the Ski Club of Great Britain as a result of Warren meeting the club's marketing officer during a ski test. The club were keen to present varied ski-related content in

their publications. The initial supply of a press release by Warren has since developed to mutual endorsement and to the academy featuring in the handbook published by the club. This early contact also gave Warren access to PR events organised by the club. At the ski club's annual ball in the late 1990s Warren was introduced to reporters from a Snow Board Magazine published by one of the UK's national newspapers. Again the magazine was looking for varied ski content and from providing an initial article, Warren now appears as an expert in the magazine's Question and Answer section with the academy featuring regularly in the publication.

Whilst Warren's skiing and instructing credentials were important in determining his expertise with the Swiss ski authorities, his involvement with and reputation within the free skiing community was critical to the operation of the academy as well as the promotion of the academy's activities and of the Verbier resort itself. Being a member of the British Free ski team and also a member of the International Free Ski Association (IFSA) attracted likeminded skiers seeking instructing work to his academy. Independent of the ski academy Warren also set-up European free skiing competitions, persuading ski authorities in 3 resorts to host these events, including Verbier, with the Verbier Ride becoming part of the IFSA World Free Ride Tour. The Frees Rides introduced a broader range of skiers (beyond the traditional down-hill, intermediate, recreational skier) to Verbier, either as competitors or spectators who visited the resort during the event, or as part of the audience who watched the 500 hours of airtime afforded the competition by the TV channel, Eurosport. Being able to offer the resort 500 hours of TV exposure for free came about as a result of Eurosport representatives visiting ski resorts in search of programme content. Warren Smith was introduced to a Eurosport representative and used this opportunity to present the Verbier Ride programme.

The dramatic and acrobatic nature of free skiing means that it is particularly photogenic, with equipment and clothing suppliers keen to have their products performing in such settings. When Warren Smith first set up his business in the Swiss Alps he was not associated with any particular brands nor did he have any existing contacts with producers. Warren approached selected producers with outlines of his own free skiing work and proposals for ways in which their brands

- might be presented in action shots that featured as part of PR material for Warren's free skiing work, competitive events and for the ski academy
- might be recommended to clients interested in purchasing equipment and clothing.

The strength of Warren's credibility as a freeskiier and as an individual capable of presenting coherent proposals for the marketing of sports brands means that he is retained by 6 producers of ski equipment and clothing. A key vehicle for the presentation of sponsor brands are the entertainment/ instructional products produced and sold by Warren. Initial recordings were produced for commercial sale in collaboration with an Italian skier and filmmaker that Warren met by chance in Verbier bar. The scope of the media activities were extended when Warren was introduced to North American arts and media graduate and free skier. Whilst instructional DVDs and books featuring Warren Smith can be purchased from the academy website, the team have worked with fellow skiers to produce free skiing films for entertainment.

Discussion

From this discussion it is apparent that the importance of the various characteristics of trustworthiness associated with networking and relationship initiation vary. These can arguably be divided between commercial logic and a passion for skiing. Commercial logic affected the assessment of Warren Smith by

- the various stakeholders involved in running the Verbier resort
- members of the media industry that featured snow sports in its different forms
- suppliers of branded ski clothing and equipment.

For these parties the fact that Warren Smith was a professional free-skier and an internationally licensed coach only acted as an initial qualifier, as a “permission” to discuss possible commercial opportunities. The credibility of Warren Smith was determined by his ability to present and subsequently deliver on development plans that benefited those stakeholders. Once initial proposals had been completed, so the scope for expansion developed. Clearly this was not a one-sided arrangement both parties are pursuing activities and resources from which they will mutually benefit – Warren Smith pursued various parties that might facilitate the creation and development of the ski academy, free ride events and media products. Relationships that proved difficult or were not beneficial were terminated at an early stage (for example with an equipment supplier and sponsor).

By comparison, the recruitment of instructors and the involvement of others in the production of instructional videos and free skiing films for entertainment are driven by a shared passion for skiing. The credibility of Warren Smith is still important in terms of the nature and level of his expertise in attracting those individuals – equally, Warren only works with skiers of a similar standing at the academy and on video production. However the passion for skiing and the experiences that these individuals share when working on for example, a free-skiing video, means that emotional bonds are fundamental to the way in which the skiers operate together.

The process of networking is crucial for creating and developing opportunities for the company both commercially and with regard to recruiting personnel. Social capital may have a slightly different role to play with regard to the two different sets of opportunities. Social capital may be more important in identifying people that Warren is going to be working closely with on a day to day basis and who will be highly involved in maintaining the reputation of the company i.e. in recruiting a ski instructor Warren may place greater emphasis on his knowledge and interactions or a trusted third party’s knowledge. Social capital may be less important in establishing relationships which are more distanced from the core of the company’s activities e.g. in identifying a ski rental shop for clients Warren may be more concerned with the equipment and service offered rather than the interactions between the parties.

Conclusion

This paper has examined the use of social capital and networking for new business start up and subsequent development. A novel feature of this paper is the attempt to further broaden understanding in business markets by investigating social capital and networking in the skiing industry. Our findings show that planned and chance encounters, initiated directly or by a third party typify the process by which contacts are made. Whether such contacts are pursued immediately or at a later point in time depends on the value that that contact offers and also the degree to which the contact is deemed trustworthy. Our initial study has shown that the characteristics associated with trustworthiness can vary in their relative importance depending on interests of the parties involved.

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