Social Network of Entrepreneurs & Small Business Growth

Wasanthi Madurapperuma

Introduction

The use of social network is considered an important development factor for the entrepreneurial firm. Previous research has focused on the role of the entrepreneur in network building or structural characteristics of networks. This study address the different questions: Do different types of network positions influence differently on firm performance? Which types of network positions are crucial to overcome growth barriers?

Related Literature & Research Gap

Theoretical Background - Two Basic arguments

Coleman (1990) - dense connected Networks
Burt (1992) – Sparsely connected Networks

Empirical research at the firm level analysis has produced conflicting findings

Uzzi (1997, 1999) – Network density provide fine-grained information and knowledge and exhibit higher likelihood of surviving.
Ahuja (2002) – Network density is more beneficial for firm innovative performance
Zaheer & Bell (2005) - sparse network structure exhibit greater sales growth

Gaps in the Literature

Methodology

Unit of Analysis - Small Retail Businesses
Sample Size: 101 owner Managers in the UK and SL
Data collection Method – Egocentric Network approach
Data collection tool – Semi-structured personal Interviews
Questionnaire - Name generator and interpreter
Method of Data Analyzing - Hierarchical Regression Analysis

Conclusion

• More regular ties with disconnected alters in the business network play a key role in firm sales growth than closure network structure. Keeping trusted relations with them contribute more to firm growth.

• Growth can be achieved the value of having regular kin ties in their Employee network. However, keeping trusted relation with employees contributes more to firm growth.

• Having kin ties in their Finance-networks lock in the sales growth. But Keeping closely and trusted relations with Financier is more beneficial for firm performance.

Implications

• Findings advance research because they demonstrate that the complex measures of different types of network provides more explanatory power than using single network type.

• Findings suggest that social network do contribute to retailer’s entrepreneurial success. Thus support programs should encourage informal networking opportunities for small retailers.

References


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Figure 1: Social Embedderness of Small Retailers

Figure 4: Social, Structural, and Individual Performance

Table 2: Social Network Structure - Business Growth

<table>
<thead>
<tr>
<th>Network Content</th>
<th>Network Structure</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>Sparse</td>
<td>Decrease</td>
</tr>
<tr>
<td>Network</td>
<td>Dense</td>
<td>Increase</td>
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Table 4: Network Characteristics and Firm Performance

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<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Significance</th>
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<tbody>
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<td>Trust with Financier</td>
<td>0.15; p&lt;0.05</td>
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</tr>
<tr>
<td>Business customers &amp; supplier</td>
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Results

Figure 1 presents the economic linkages of a small retailer by using diagrammatic approach developed by Casson (1997). Four types of Networks – Advisor, Finance, Business and Employer were identified. Hierarchical regression results in the Table shows how each type of Network characteristics impact on Venture performance. In the first step, the overall model approached significance with an F of 3.645. Education levels was the only control variable that significantly predicted the dependent variable (beta = 0.33; p<0.01). The 6 independent variables entered in step 7 explained a significant amount of incremental variance and resulted in a significant overall model with an F of 7.57 (R^2 = 0.57; D = R^2 = 0.58). Independent variables-business network size (beta = 0.013; p<0.01); network diversity (b = 0.248; p<0.05) were significant predictors of the dependent variable. The results of the model-7 suggest that a business network size and diversity are significant predictors of a firm’s performance. However, in the case of Employee network density, the positive coefficient provides support for network closure hypothesis. In addition to that, Trust with financiers (b = 0.072; p>0.05), Business customers & supplier (b = 0.05; p<0.05) is significant and positive predictor for firm performance.

Figure 3: Social, Structural, and Individual Performance

Table 1: Network Characteristics and Firm Performance

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Conclusion

Samples and Multiple Network Structures

Network Structures & Business Growth

Figure 2: Social, Embeddedness, and Performance

Table 3: Network Characteristics and Firm Performance

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