Social Network of Entrepreneurs & Small Business Growth

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Introduction

The use of social network is considered an important development factor for the entreprneursial 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

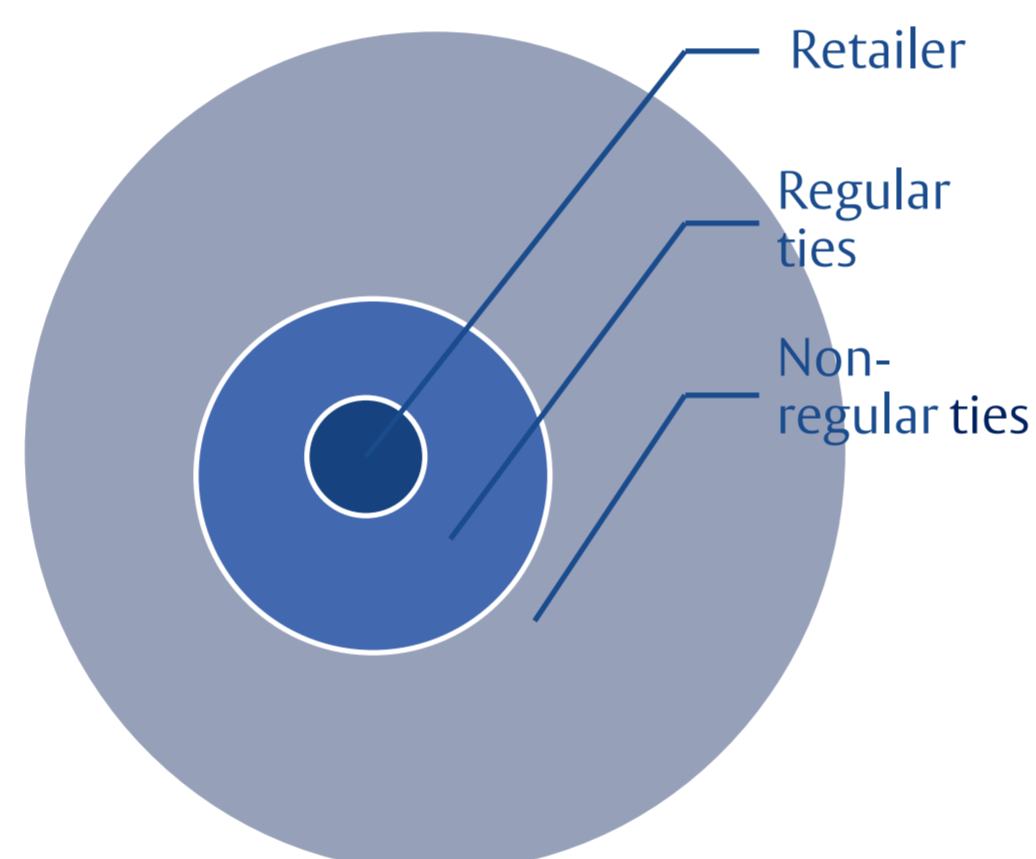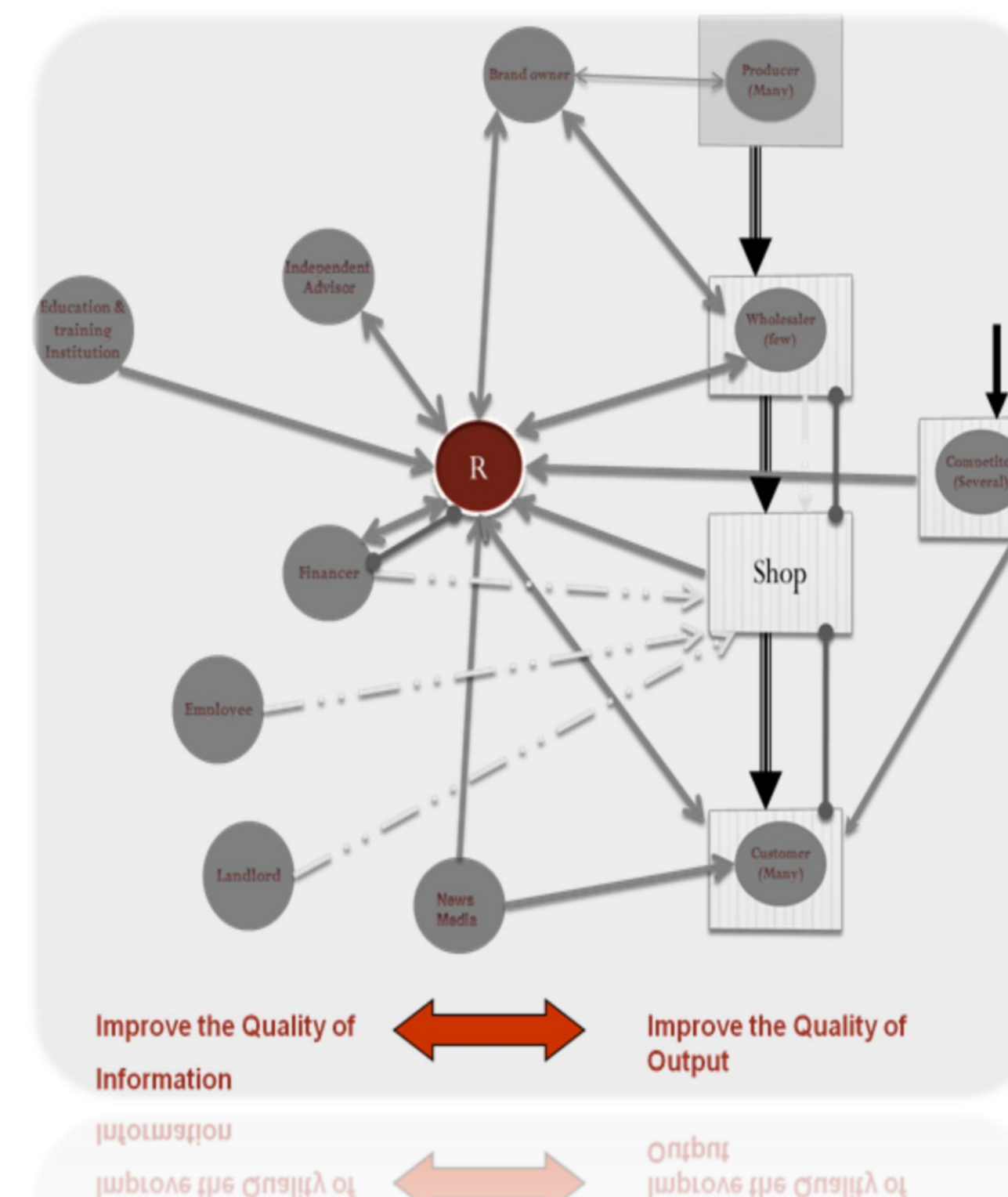**Method of Data Analysing** - Hierarchical Regression Analysis

- Retailer
- Regular ties
- Non-regular ties

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 employee 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 3.649. Education levels was the only control variable that significantly predicted the dependent variable (beta = 0.334; 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 = 0.576; D R^2 = 0.058). 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 = 0.159; p<0.05) and employee (b = 0.051; p<0.05) is significant and positive predictor for firm performance.

Figure 1-Social Embeddeness of Small Retailers

Improve the Quality of Information

Improve the Quality of Output

Table: Hierarchical regression on Sales performance on measures of social capital-Pool sample

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Constant	1.388*	0.708*	0.812*	0.854*	0.667**	0.264	-0.025
Age	0.026	0.043	0.041	0.042	0.04	0.04	0.038
Gender	0.096	0.154	0.138*	0.127**	0.127**	0.126**	0.086*
Country	0.052	-0.002	-0.115	-0.138	-0.13	-0.175	-0.109
Ethnicity	-0.003	-0.027	-0.031	-0.026	-0.025	-0.02	-0.028
Work experience	-0.012	-0.005	-0.009	-0.008	-0.009	-0.007	-0.006
Education-level	0.334*	0.231*	0.228*	0.216*	0.22*	0.202*	0.141*
Parent Self-employed	0.043	0.021	0.017	0.024	0.039	0.034	0.006
Size of Business	-0.101	-0.01	0.002	-0.002	0.004	0.021	0.002
Firm Life time	0.005	0.009	0.011	0.011	0.012	0.009	0.005
Business strategy	0.065	0.016	0.018	-0.022	-0.017	0.019	0.044
Regular tie		0.104*	0.095*	0.09*	0.095*	0.097*	0.079*
Non-regular tie		-0.021	-0.021	-0.019	-0.003	-0.01	0.014
Ad-Network Size			-0.031	-0.024	-0.027	-0.022	-0.034
Fin-Network size			0.001	0.009	0.025	0.001	-0.015
Busi-Network size			0.098*	0.076*	0.075*	0.067*	0.013*
Em-Network size			-0.01	-0.0101	-0.01	-0.007	-0.01
Ad-Network Diversity				-0.009	0.022	0.082	0.087
Fin-Network Diversity				-0.076	-0.13	-0.047	0.003
Busi-Network Diversity				0.374*	0.404*	0.365*	0.248*
Em-Network Diversity				-0.157	-0.256	-0.227	-0.164
Kin-Com-Advisor					0.06	0.125	0.089
Kin-Com-Financier					-0.049	-0.003	-0.046
Kin-Com-Business					-0.161	-0.134	-0.156
Kin-Com-Employee					0.194*	0.126*	0.078**
Close-Advisor						0.035	0.002
Close-Financier						0.15*	0.146*
Close-Business						0.065	0.059
Close-Employee						-0.057	-0.067
Trust-Advisor							0.088
Trust-Financier							0.072*
Trust-Business							0.159*
Trust-Employee							0.051*
R-Square	0.171	0.437	0.462	0.486	0.495	0.518	0.576
R-Square change	0.171	0.266	0.024	0.024	0.009	0.022	0.058
Sig-F	0	0	0.079	0.073	0.506	0.095	0
Durbin-Watson	2.123						
F-value	3.649*	11.46*	1.179*	1.004*	0.86*	0.774*	0.737*

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.

Contribution

This study contributes to our knowledge in several ways. First, it examines the nature of relationships of small retail entrepreneurs. Second, by testing two competing hypotheses in the social network literature we can identify the constraints and limits of the theories supporting them. Finally, this may provide insight into future research exploring social capital and networks in entrepreneurial settings

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.

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