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SUMMARY

HAYEK’S INSTITUTIONAL THEORY OF GROUP SELECTION
AND THE ENTREPRENEURIAL NETWORK SUCCESS HYPOTHESIS

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Principal Topic

The network success hypothesis predicts a positive relation between the networking activities of entrepreneurs and their economic success. Surprisingly, at first glance, empirical research on entrepreneurial networks and clusters in more than 30 reviewed papers offers quiet varying answers to the question if and why networks or clusters influence the development of start-ups positively. The dissimilar (or even contrary) empirical results might can be explained by differences in the theoretical models and the methods of measurement. An evolutionary model of the interplay between single entrepreneurs and their networks will be developed. Then, following and testing HAYEK’S (1971, 1979, 1988) institutional theory of group selection, it is argued that entrepreneurial networks which are build on a shared cognitive basis will create efficient rules of conduct with less effort, resulting in a capable institutional framework and thus being comparatively fitter systems.

Method

A longitudinal study has been carried out beginning in the year 2000. Approx. 200 semi-structured interviews among almost 100 entrepreneurs have taken place using the critical-incident method. All the single interviewed entrepreneurs were questioned in winter 2000/01 and again in winter 2004/05. In addition the entrepreneurs’ companies and their networks had been under surveillance over a five-year period of time in order to measure the economical development.

Results and Implications

Hayek’s theory of group selection was tested positively by the data in the case of entrepreneurial networks. An offspring of the higher demand for a specific institutional framework within networks was the utilization of social capital: Only vague property rights can be associated with social capital, depending on the social ties representing the origin of supply. Networks showed them self not as a part of social capital but as an institutional instrument to stabilise fragile property rights on social capital. It is shown that informal rules on the utilization of social capital were created among those network partners how then ended up more successful. Groups without any entrepreneur acting as active transmitter could not create what HAYEK would have cold a functional sensory order of the network, thus could not achieve to be a “fitter system” and ended up less successful.

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