NETWORK RELATIONSHIPS FOR ENTREPRENEURIAL ORIENTATION AND GROWTH: AN EMPIRICAL STUDY OF NEW VENTURES AND SMALL FIRMS (SUMMARY)

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SUMMARY

NETWORK RELATIONSHIPS FOR ENTREPRENEURIAL ORIENTATION AND GROWTH: AN EMPIRICAL STUDY OF NEW VENTURES AND SMALL FIRMS

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Principal Topic
Networks are important because they hold “social capital” effecting firm performance by providing access to e.g. information, financial capital, innovation, legitimacy and competences. Networking also provides access to entrepreneurial opportunities, which are exploited by being innovative, risk-taking and proactive (Wincent & Westerberg, 2005). Therefore, to identify and investigate under which type of network relationships new ventures and small firms can achieve higher levels of EO and performance is an important research agenda (Lee et al., 2001). Apart from depth (number of relationships) and breadth (variety of relationships) (Laursen & Slater, 2006), we acknowledge three subcategories of essential network relationships; upstream, horizontal and downstream relationships (Baum et al., 2000). These network relationships provide valuable recourses and information emphasizing different entrepreneurial opportunities, which otherwise might be difficult for new and small firms to accomplish due to their lack of resources and capabilities (Madsen, 2007). We propose that a firm’s EO and performance would be affected by different types of network relationships (Rothaermel & Deeds, 2006), which can be especially true for new ventures and small firms as they tend to exhibit “liability of newness” and “liability of smallness”.

Method
This study uses two samples with data based on mail surveys. The first sample consists of 291 Swedish technology-based small firms, while the second consists of 170 Swedish new ventures. The two samples were selected since they operate in a highly dynamic and competitive environment requiring the firms to engage in network relationships to act entrepreneurially, or to adapt, in order to grow and to survive. Data is analyzed by factor analysis, regression analysis and structural equation modeling.

Results and Implications
The results indicate that network relations provide different values for new as opposed to small firms. For new ventures, we found no positive relation between network factors and outcomes. Moreover, upstream relationships curb the entrepreneurial orientation for new ventures. For small firms, several network factors were linked to higher EO (variety in contacts) and performance (total contacts and horizontal relationships), whereas only one negative relation was found (downstream relationships for EO). The negative relationships can be attributed to dependency. New ventures without established market tend to depend on large suppliers for legitimacy and small firms may rely too heavily on large customers. Although relationships with outside actors seem crucial for both firm categories, new ventures have problems capitalizing from their network partners, whereas small firms can use their network partners to prosper.

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