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BOUNDARY OF SOCIAL NETWORK TIES IN ENTREPRENEURSHIP: HOW LARGE IS TOO LARGE? (SUMMARY)

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≈ SUMMARY ≈

**BOUNDARY OF SOCIAL NETWORK TIES
IN ENTREPRENEURSHIP:
HOW LARGE IS TOO LARGE?**

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Principal Topic

Aside from the benefits of social capital, researchers are becoming aware of some negative aspects of social networks (Lechner et al., 2006; Pirolo & Presutti, 2010). For example, it is likely that network size could have a negative influence on venture performance when the number of ties exceeds a threshold for which the entrepreneur is unable to benefit. Zhang (2010) called for more research into the potential negative effects of using social networks to guide entrepreneurial activity. We examine the influence of environmental munificence and uncertainty as they affect the number of ties within the network. In addition, we test for an optimal size of one's social network as it relates to venture performance.

Method

We employed an on-line survey of 44 founding entrepreneurs within the biotechnology industry. Their firms' age ranged from 2 to 7 years. We asked them about tie composition within their social network both before and after critical environmental changes occurring in the industry in 2010. We also compared firm performance metrics before and after the network tie adjustments. In addition, the entrepreneurs' industrial experience, entrepreneurial experience and firm size are used as control variables.

Results and Implications

Our results are contrary to one of our hypotheses stating that there will be an inverted U-shaped relationship between social network size and firm performance. Rather, we found a U-shaped relationship, indicating that when social network size is increasing, firm performance gradually decreases. The optimal number of social network ties for firms 2 to 7 years old was found to be a maximum of 33, thereafter the firms' performance declines. Environmental shocks also were found to influence social network size. This study has implications for entrepreneurs whose firms are 2 to 7 years old. Among the increased number of social network ties, firms should pay closer attention to increasing the number of acquaintances, suppliers and competitors firms' ties.

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