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HOW ENTREPRENEURS' KNOWLEDGE AND RELIANCE ON NETWORK TIES RELATE TO STARTUP PERFORMANCE (SUMMARY)

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≈ SUMMARY ≈

HOW ENTREPRENEURS' KNOWLEDGE AND RELIANCE ON NETWORK TIES RELATE TO STARTUP PERFORMANCE

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Principal Topic

Scholars agree that entrepreneurs' networks and knowledge are important during early venture formation and recent network research has begun investigating how the interplay between entrepreneurs' knowledge sets and overall network structure (e.g., overall network size) relate to venture performance. Little research has examined how entrepreneurs' knowledge and *subsets* (e.g., family, friends, coworkers, etc.) of network ties relate to performance outcomes. One subset of ties recently studied is family versus non-family ties, although thorough investigation has been neglected. This is problematic because some research suggests benefits accrued from family ties may vary from non-family ties. This paper examines and finds that entrepreneurs' knowledge and subsets of network ties (non-family ties) systematically relate to the number of employees in young ventures.

Method

Survey data were collected from early-stage entrepreneurs in the southern U.S. ($n = 174$). Independent variables include entrepreneurs' number of family and non-family network partners and the comprehensiveness of entrepreneurs' knowledge sets. The dependent variable examined is the number of employees in early venture development. Control variables include the presence of entrepreneurial parents, age, liquidity and firm growth intentions, and start-up team size. Hierarchical moderated multiple regression was used.

Results and Implications

Our findings suggest entrepreneurs' knowledge at launch positively relates to the number of employees in early venture development. Further, a positive relationship between the number of non-family ties in entrepreneurs' networks at launch and the number of employees in early venture development was found. Finally, non-family ties positively moderates the relationship between entrepreneurs' knowledge and number of employees. No significant relationships were found relative to the number of family ties. This research contributes in a number of ways. First, by examining family and non-family ties, we provide insights into how subsets of network ties relate to performance. Second, we extend recent research examining the relationship between entrepreneurs' knowledge and entrepreneurial outcomes by examining moderating effects related to entrepreneurs' knowledge and firm performance. As such, the research provides evidence of network-related contingencies in early-stage entrepreneurship. Finally, we extend network theory, the resource-based view, and the knowledge-based view as means for understanding early-stage entrepreneurial relationships.

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