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THE INFLUENCE OF ONLINE SOCIAL NETWORKS ON THE STAGES OF NEW VENTURE CREATION (INTERACTIVE PAPER)

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INTERACTIVE PAPER

THE INFLUENCE OF ONLINE SOCIAL NETWORKS ON THE STAGES OF NEW VENTURE CREATION

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Principal Topic

Social media platforms enable individuals to accumulate greater numbers of network contacts than normally possible with in-person network connections (Easley & Kleinberg, 2010), blur the line between strong and weak ties (Gilbert & Karahalios, 2009), exert influence on entrepreneurial cognitions (Fischer & Reuber, 2011), and alter the way entrepreneurs utilize network relationships. Since network ties are created and severed as needed (Granovetter, 1985; Kossinets & Watts, 2006), it is worth examining the role of online network connections in supplying social capital in the form of resources and support services to the entrepreneur at different stages of the venture creation process. In this paper, we draw on social capital theory to examine an entrepreneur’s use of online social network ties throughout the venture creation process. More specifically, we examine the nature of social capital derived from varying degrees of network ties, and assess the resources obtained by entrepreneurs from network contacts during the process of new venture creation. We also examine the influence of an entrepreneur’s perceived networking ability on the resources gained due to social capital derived from network ties.

Method

We use logistic regression models to examine resource acquisition from the social network connections of 488 entrepreneurs. We examined the moderating effect of venture creation stage on these relationships, highlighting the temporal nature of online social networks and the resource acquisition process.

Results and Implications

Our results suggest that entrepreneurs utilize social capital gained from online networks in ways that may differ from traditional networks. We found that frequent access to social media sites led entrepreneurs to tap into online resources for venture funding (i.e., weaker ties) at earlier stages of venture creation. We also identified a significant relationship between social media usage and the entrepreneur’s perception of their networking ability. In short, our findings tell an interesting story of how entrepreneurs use online social networks to access resources critical to the process of new venture creation.

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