UNRAVELING ENTREPRENEURS’ NEED FOR BUSINESS SUPPORT: THE INTERPLAY BETWEEN REGULATORY FOCUS AND NETWORK DENSITY (INTERACTIVE PAPER)

Annelore Huyghe  
*Queensland University of Technology, Australia, anelore.huyghe@qut.edu.au*

Mirjam Knockaert  
*Ghent University, Belgium*

Raissa Pershina  
*University of Oslo, Norway*

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Annelore Huyghe, Queensland University of Technology, Australia
Mirjam Knockaert, Ghent University, Belgium
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Principal Topic

Early-stage ventures face a wide range of challenges and liabilities, making public policy intervention particularly valuable. Significant scholarly attention has been devoted to the nature, functioning and impact of public support programs. However, a vital question that remains unanswered in extant literature is whether such programs are well designed, and can help entrepreneurs to overcome their specific challenges and liabilities. Particularly, we lack insights into entrepreneurs’ need for external support services and what factors cause variation in their needs. Consequently, our study sheds light on the drivers of entrepreneurs’ need for business support, thereby drawing on regulatory focus theory and social capital theory. Regulatory focus theory delineates how people engage in self-regulation, the process of bringing oneself into alignment with one’s standards and goals. We hypothesize that promotion-focused entrepreneurs are better able to recognize alternative solutions to problems themselves, and thus experience lower levels of need for business support than prevention-focused individuals. Further, we introduce network density as an important moderator. Specifically, we expect that high network density will increase the need for business support among promotion-focused entrepreneurs while decreasing the need for business support among prevention-focused entrepreneurs.

Methods

Our study is based upon survey data collected with 1,065 entrepreneurs in Belgium in 2013. In order to assess respondents’ need for external support services, we built upon the work by Davidsson & Klofsten (2003). Predictors are Lockwood et al.’s (2002) regulatory focus scale, and McEvily & Zaheer’s (1999) scale for network density. Data were analyzed using regression analyses with Heckman correction.

Results and Implications

Our findings provide support for the link between entrepreneurs’ regulatory focus and their need for external support services. Specifically, we find that promotion-focused individuals encounter lower needs for market- and competence-related support. Further, our analyses confirm that prevention-focused entrepreneurs show a significantly higher need for all types of business support, except for services related to the venture idea and product/service. As for the interplay between regulatory focus and network density, we detect that prevention-oriented entrepreneurs have a lower need for business support when their network is dense.

CONTACT: Annelore Huyghe; annelore.huyghe@qut.edu.au; (T) +61731389941; Queensland University of Technology, George St, Brisbane, QLD, Australia.