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SOCIAL CIRCLE TELLS MUCH: THE DUAL MECHANISMS OF COUNTRY-LEVEL SOCIAL CIRCLE IN DETERMINING INDIVIDUAL ENTREPRENEURIAL ACTIVITY (INTERACTIVE PAPER)

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SOCIAL CIRCLE TELLS MUCH: 
THE DUAL MECHANISMS OF COUNTRY-LEVEL SOCIAL CIRCLE 
IN DETERMINING INDIVIDUAL ENTREPRENEURIAL ACTIVITY

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Principal Topic

Social network plays an important role in entrepreneurial activity as a courier through which tangible and intangible resources are transmitted (Kwon & Arenius, 2010; Minniti & Bygrave, 1999). However, there has been lack of attention towards the impact of considerable variation in the country-level social network (Klyver & Foley, 2012). This paper aims to clarify the role of country-level social network which either facilitates or hinders individual entrepreneurial activity (Aldrich & Zimmer, 1986). In specific, we propose that the dual mechanisms through which information asymmetry and supportive surroundings elicited by social network can explain the entrepreneurial activity in each country. For the purpose, we develop and use a measure which estimates the size of country-level social circle by simulation.

Method

This paper uses the Adult Population Survey (APS) conducted in 2014 by the Global Entrepreneurship Monitor (GEM). Using the data set, we firstly estimate each country’s social circle size by employing agent-based modelling and simulation (ABMS). We also evaluate the levels of asymmetric information and supportive surroundings in the country. Multilevel mediation analyses were conducted to examine the dual mechanisms of country-level social network in determining individuals’ entrepreneurial activity.

Results and Implications

This paper confirms that the size of a country’s social circle both facilitates and hinders individual entrepreneurial activity through the dual mechanism. Research findings show that large social circle of a country negatively affects individuals’ entrepreneurial activity mediated by reduced information asymmetry. Meanwhile, it has positive influence mediated by enhanced supportive surroundings. These results deliver two important implications on the social network research in entrepreneurship. First, given that much entrepreneurship research has taken it for granted that social network positively affects entrepreneurial activity, this study urges for clear identification on the specific mechanism of social network that research aims to explain. Second, by employing the concept of country-level social network, this research better reflects how the social network works which cannot be achieved with only individual-level social network studies. In doing so, this paper may encourage more nuanced understanding of the social network in entrepreneurship.

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