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FRIENDS WITH MONEY?
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FINANCIAL NETWORKS AND THE
INTERNATIONALIZATION OF GROWING
VENTURES IN A TRANSITION ECONOMY
(SUMMARY)

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SUMMARY

FRIENDS WITH MONEY? ENTREPRENEURIAL PERSONAL AND FINANCIAL NETWORKS AND THE INTERNATIONALIZATION OF GROWING VENTURES IN A TRANSITION ECONOMY

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Principal Topic

In this paper, we investigate the role of personal and financial networks for new venture internationalization in the context of Bulgaria, an Eastern European transition economy. Our main premise is that personal and financial networks are instrumental in new venture internationalization. We further contend that the diversity of the financial network becomes more important for internationalization as the firm grows.

We build on theories of social exchange and resource dependency (Granovetter, 1985; Tichy, Tushman, & Fombrun, 1979) to argue that: (H1): Entrepreneurs' personal networking is positively related to the internationalization of their businesses; (H2): Entrepreneurs' financial networking is positively related to the internationalization of their businesses; (H3): As entrepreneurs' personal networking grows, the effect of financial networking on the internationalization of their businesses increases; and, (H4): As ventures grow, the effect of entrepreneurs' financial networking on their internationalization increases.

Method

Data were collected in 2004 using a quota sampling approach (n = 623). The businesses had to be less than 6 years old and with fewer than 250 employees. Surveys were completed in face-to-face interviews with a top firm manager, using a structured questionnaire. We tested the hypotheses through hierarchical OLS regressions.

Results and Implications

As hypothesized, results indicate a positive relationship between personal networking and internationalization (supporting H1) and between the diversity of the financial network and internationalization (supporting H2). We do not find support for H3 about the role of a positive interaction between personal and financial networking for internationalization. H4 about a positive interaction between financial networking and firm size is supported. As the firm grows, it not only further diversifies its financing network by tapping into debt or public equity markets, but also substantially increases its borrowing capacity in absolute terms. This influx of financial resources provides a buffer against the higher risks and costs associated with internationalization. Our findings bring to the fore the complex relationship between networking and internationalization in transition economies and strongly suggest that entrepreneurs in these environments need to systematically develop their networks as strategic assets needed for successful internationalization.

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