

Witt, Peter / Schroeter, Andreas:

The costs and benefits of entrepreneurial
information networks: an empirical study

discussed by

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Purpose and Relevance

PURPOSE:

- Test of „network success hypothesis“
- Is there a positive impact of networks on start-up success?

RELEVANCE:

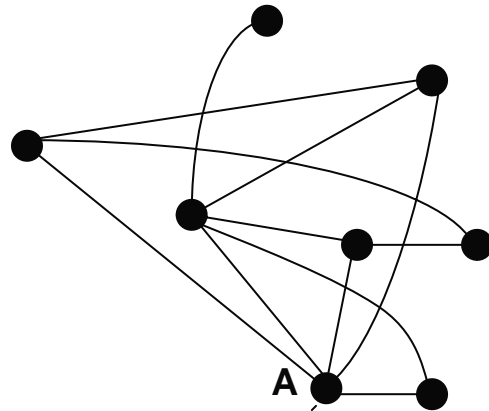
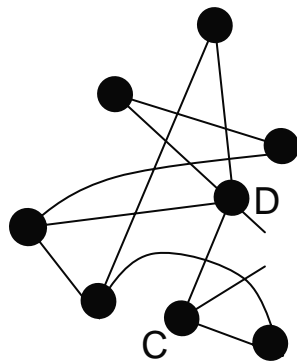
- Existing studies show mixed results
- Empirical evidence remains ambiguous

Context: Networks and Network Effects

Coleman:
“Network Closure”

network density

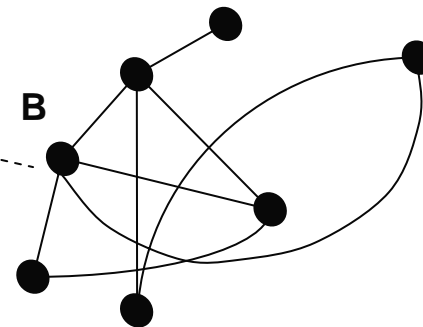
$$\Delta_k = \frac{\sum_i^N \sum_j^N x_{ij}}{N(N-1)0,5}$$



Burt:
“Structural Holes”

effective network size

$$\sum_j \left[1 - \sum_q p_{iq} m_{jq} \right]$$



Source: adopted from Burt 1992

METHOD:

- Survey n = 123 start-ups, bivariate correlation, multivariate regression
- Independent variables (five point Likert scale)
resources received from network partners (factor analysis)
- Dependent variables (five point Likert scale)
the venture's success, adaptiveness, customer orientation, market success (factor analysis)
- Controls (five point Likert scale)
frequency of communication links, time per link, network size, restriction of freedom, etc.

Results and Conclusion

RESULTS:

- Rejection of the network success hypothesis
- Some effects of the control variables could be observed

CONCLUSION:

- Entrepreneurial networks do not matter much
- Transactions over network ties are more similar to market transactions
- A closer look on the costs and benefit of networks is required (an economic view)

CRITIQUE:

- In reviewing the literature the paper refers to the fundamental concepts and theories on network effects (social capital, strong ties vs. weak ties, structural embedded action, etc.).
- However, in the empirical part none of the state-of-the-art measures on network structure are applied.
- Although theory on network effects requires a relational approach, the study does not take into account any relational aspect.
- For no reason, the authors focus on attributive data only.