

# Entrepreneurs, Not Lone Wolves

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*Abstract: For some career starters the decision to become an entrepreneur is not based on conscious preparation to a lifestyle, but one made against the other option of being employed by someone. They detest following orders, commit themselves to group norms and are afraid of continuous socialising and the plenty of tasks delivered in groups. They perceive the role of an entrepreneur as that of a solitary warrior, a lone wolf; one against the flow. However, in reality entrepreneurs are also tied by their social networks, and have to abide by the norms of the surrounding environment. They work together with others, maybe not within the boundaries of the organisation. A successful entrepreneur has to have own ideas, but also be an excellent resource investigator and an even more brilliant team player, since, the access to resources provided by his/her social network is of high value. Present article endeavours to give an insight to the literature of the social embeddedness of entrepreneurs.*

*Keywords: entrepreneurship, social network, embeddedness*

## 1 Introduction

The definition of entrepreneurship is still highly debated. Many think, that entrepreneurs have their own individualistic culture, with more innovative spirit, masculine values within any given culture (McGrath and MacMillan, 1992; Tiessen, 1997).

Other mainstream definition has been formulised by Shane and Verkataraman (2000) stating, that entrepreneurship is a process of searching and seizing business opportunities. Contrarily to this Gartner and Carter (2003) characterise entrepreneurship as a process of creating and developing new business.

The definition of GEM (Global Entrepreneurship Monitor) regards entrepreneurship in a broader sense describing it as “any form of participation in creating and developing a new business, undertaken by an individual, group of people or early founded businesses” (Global Entrepreneurship Monitor, 2009).

Nevertheless, none of the above mentioned definitions refers to the family, he friends and other supporters of the entrepreneur as inevitable as they are. In this

present article I endeavour to give an insight into the literature of the social embeddedness of entrepreneurs, and create a definition, that emphasises the contingency approach of the entrepreneurship process.

## 2 Lone wolves?

For many years entrepreneurs were considered independent, autonomous, solitary warriors combating factors of political, social technical and economical environment alone (Kadocsa and Francsovcics, 2011). The career decision of being an entrepreneur was equal to that of being a self made man, and the emphasis has been on self. However, this perception has changed a lot in the past decades. In line with the ever spreading application of open system theory, entrepreneurs are considered interdependent, embedded into a social system of a kind (Hoang and Antoncic, 2003). The most prevalent example of the social embeddedness is the phenomenon of more and more Hungarians deciding on starting their own business as a consequence of the ever deeper and prolonged economic crisis and its effect, the radically decreased workplace safety for employees (Csiszárík-Kocsir, Fodor and Medve, 2012, Csiszárík-Kocsir and Medve, 2012).

Researches have been conducted to verify that social networks affect:

1. entrepreneurial orientation (Ripolles and Blesa, 2005),
2. opportunity recognition (Singh, 2000),
3. entrepreneurial intent (Hmieleski and Corbett, 2006),
4. and finally the decision to become an entrepreneur (De Clercq and Arenius, 2006).

However, it is not only the start-up phase in which entrepreneurs are influenced by and via their social ties. Entrepreneurs, as the companies they establish, are strongly connected to various other actors within their environment throughout their everyday operation as well (Borbás and Kadocsa, 2010). They build and utilise networks in order to gain human, financial and social support and other valuable resources, such as advice, information, funding, boost of credibility/reputation, social legitimacy, access to knowledge and skills and social support (Klyver, Hindle and Meyer, 2008). Networks are also able to generate attention, or sell their products or services.

What is more, individuals who personally know entrepreneurs are more likely to become entrepreneurs themselves (DeClercq and Arenius, 2006). Nevertheless, there is no need to make extensive research to see the point that individuals, with ties to entrepreneurs might have access to special knowledge on entrepreneurial processes, know-how, list of useful and trustworthy contacts.

Although most of these connections are not contract based they play an important role in the life of the entrepreneurs and their ventures. Shirokova, Arepieva and Molodtsova (2010) on the basis of analysing Russian GEM data state that the more people an individual is acquainted with the higher is the chance of entrepreneurial activity for the individual. What is more, Starr and MacMillan (1990) has confirmed that each and every business decision of entrepreneurs are socially embedded.

### **3 Social embeddedness**

According to Anderson et al. (2005) findings it is imperative for an entrepreneur to have numerous and divers social surrounding, containing relatives, friends and less strong ties with past acquaintances and various social groups. Balancing and maintaining these is a central part of entrepreneurial life and may have a strong influence on the company's performance.

Entrepreneurs use their various contacts in different ways. Strong ties, like family members and friends provide resources, and emotional support. It is often said that entrepreneurship runs in the family. Until now, there is no evidence of entrepreneurship being genetically coded, however the expression has its ground, since attitudes, skills and competencies -inevitable for a successful entrepreneur - may be/are taught within the family. This is why those with entrepreneurial parents or other kin are more likely to start their own business than others without such background (Rosenblatt et al., 1985).

Kin relations are especially important in the planning phase, when the start-up idea is evaluated. Those who have faced the problems of selling an idea and setting up a new venture are better in providing useful feedback, however kin relations are usually more willing to share own experience, whether positive or negative than non-kin relations.

On the other hand, too strong dependence on family members restricts the pool of social support for the entrepreneur-to-be. Weak, non-kin ties are can easily be used for information purposes and for providing skills, competencies and resources the kin ties were not ale to provide (Renzulli, Aldrich and Moody, 2000). This way, they might be even more important, than kin relations.

According to Shirokova, Arepieva and Molodtsova (2010), only 56% of the entrepreneurs in their research mentioned at least one family member as one of the five most important connections. This means that although entrepreneurial kins provide unique skills to their family members and are an easily accessible resource for them, in most of the cases other contacts are, or become more important in connection with the start-up company and its processes.

## 4 Costs and benefits

Networks offer several benefits for entrepreneurs (Klyver and Hindle, 2007). Discussions of an idea or the start-up itself with various peers, may lead to new inputs; information, suggestions, inspiration and know-how. Some of the advisers might only have that single role of a consultant, but others might become suppliers, promoters or costumers of the future company (Francsovcics and Kadosca, 2012).

The connections of the entrepreneur can be formal or informal, peer and non-peer, however each of them might be important and needed in order to start and run a profitable business. This is why, over time entrepreneurs accumulate social connections to individuals, groups and organisations (Hansen, 2001). These connections provide all four kinds of social support. Namely, emotional, instrumental, informational and positive social support.

- In emotional support, the members of the entrepreneur's network offer positive emotions, such as love, trust and respect. It is important, that these emotions should not only be offered, expressed, but also perceived and accepted (Norbeck, Lindsey and Carrieri, 1981).
- Instrumental or in other words tangible support means supplying the entrepreneur with material resources needed for his/her start-up. This form of social support is mostly accompanied by emotional support, since the provision of materials in an altruistic manner, wanting nothing in exchange also expresses the positive emotions of the one providing this kind of social support.
- In informational support data on different aspects of the environment and on stakeholders is provided. Potential suppliers and consumers, on legal and other regulation processes, on civil organisations and other members of the social sphere are discussed in detail.
- In case of positive social support, quality time is offered to the entrepreneur, among others time spent on sharing worries, concerns, planning for the future, or just having some time off together.

Accordingly, social support is the sum of (perceived) supportive actions of others' (Deelstra et al., 2003). It is not hard to understand that social support is/can be of high value. In line with Bourdieu's (1997) definition social support, social ties are resources, for which the individuals put conscious efforts to get, to enrich and to maintain. He labelled these resources social capital.

Social support is not only inevitable for entrepreneurs, but also has its price. According to House (1981) none of the forms of social support can be sustained in the long run without reciprocity. Hence, social support is based on transactional logic and considered the exchange of benefits. Various qualities, such as cognitive and emotional labour, tangible and intangible resources, but first of all plenty of

time is needed for establishing and maintaining social contacts (Shirokova, Arepieva and Molodtsova, 2010).

Consequently the time it takes is a price you pay for a certain contact. Maintaining and developing a useful, trustworthy, valuable contact takes considerable time on a weekly or monthly basis. The larger the network, the more time is spent contacting members just to keep connections up. It also takes time with an already prevalent contact to develop mutual trust between the partners. However, establishing new contacts, or re-establishing unused ones take even more time (Nardi, Whittaker and Schwarz, 1999). Therefore, entrepreneurs always have to consider social ties from a cost/benefit point of view.

The cost/benefit point of view is one that should be kept in mind when evaluating social networks, since some connections are not worth the time and effort they take, since the benefit, or the potential thereof is low. One has to be aware that there are ties that even may have negative effect, since they are not supporting the entrepreneur, but demotivating him/her, or causing cognitive or emotional turmoil or dissonance.

## 5 Network structure

To establish a firm, potential entrepreneurs seek relations on the basis of experience or common interest (Nohria, 1992). This way, entrepreneurial networks are key elements of success, however each network is different from the other, and they also change in time (O'Donnell et al., 2001). Because of the complex and dynamic nature of networks, there are various dimensions with which one can measure them.

The first dimension to be considered is size. Entrepreneurs build networks in order to get crucial information and other resources from their ties. Size can be measured by the number of contacts in the network, however, since different contacts might play diverse roles and have different relevance it is hard to determine the optimal network size (Renzulli, Aldrich and Moody, 2000). Entrepreneurs with multiplex ties might have a relatively small and still better functioning social network, than those with many single stranded connections (Scott, 1991).

The same network of contacts may be sufficient for one, and insufficient for the other on the basis of the entrepreneurs centrality. It is important for entrepreneurs to position themselves, within a certain social network, the way that the connections to significant others are direct and the paths are the shortest.

Since social contacts are to provide a variety of resources it is inevitable for the social network to be diverse. Diverse in a way, that leaves no structural holes or weak points (Klyver and Hindle, 2007). Nevertheless, diversity also has to be

paired with redundancy, since most of the contacts are not to be fully trusted and even if, vis majors can happen.

However, according to Putnam's (2000) theory the most important feature of a network is not its size, density or nature of relationships, but its functionality. Ties that are informal and serve a sole purpose exist only on short term and are no real capital. They are not able to establish and maintain communities based on norms of reciprocity and mutuality. Those close contacts with emotional load on the other hand can form lasting relations.

In time, as the start-up gets more established and processes more standardised social network also changes its layout (Poór, et al., 2007). The network predominantly involves customers, suppliers and other formal contacts, compared to the more informal ties of the earlier stage (Batjargal, 2006).

### **Conclusion - The new definition of entrepreneurship**

Since access to networks may provide information and knowledge that complement that of entrepreneurs and help them establish a venture, entrepreneurs should neither be considered as those launching (taking over), owning and managing a company - as in the emergence perspective (Gartner, 1993), nor considered as ones with adequate skills for opportunity discovery, evaluation, and exploitation as in the personality perspective (Shane and Venkataraman, 2000).

In line with the literature data presented in current article, emphasising the social embeddedness of the entrepreneur him/herself and the start up as such as well, individuals who have an idea to test, some skills and competencies to make it work and are able to get access to everything else needed for their venture through their social ties should be regarded entrepreneurs. Corresponding to this definition entrepreneurs are those, who are able to create a sufficient supporting belt and activate (part of) their social networks to fit their current needs. What is more, the costs of establishing, maintaining and developing social ties should be less than the benefits stemming from them. This way social network is considered the most important resource of the entrepreneur in the start-up the same as in later phases of the venture's life.

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