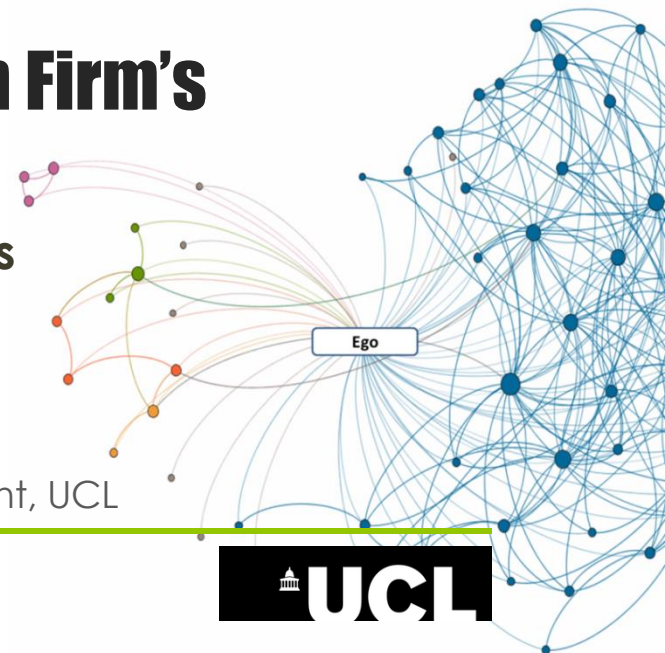


The Influence of Social Networks on Firm's Success, Survival and Growth

A Social Network Analysis investigation of SMEs in the Bahrain Construction Industry

Sulafa Badi, Stephen Pryke & Huda Almadhoob

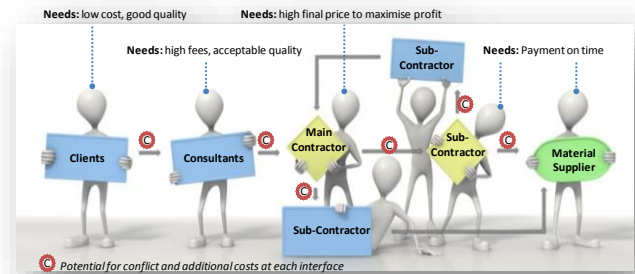
The Bartlett School of Construction and Project Management, UCL



- **Question 1:** What is the optimal mix of network relationships needed at the different stages of an entrepreneurial firm's development?
- **Question 2:** Is there a relationship between an Entrepreneur's social network structure, type of resources accessed, and firm's success/failure?

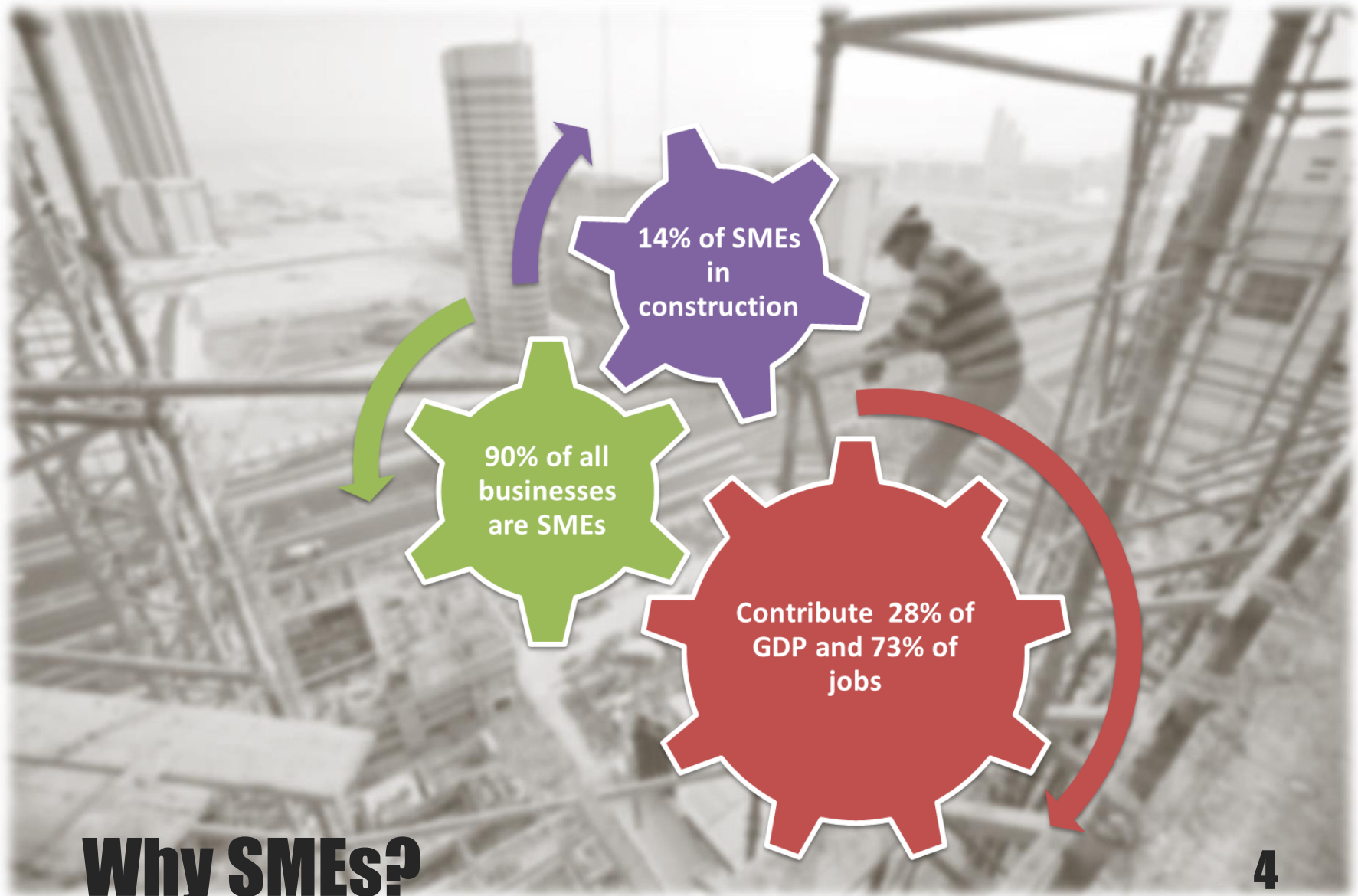
Research questions

- Bahrain construction sector (7.2% of GDP).
- Characterised by:
 - Fragmentation,
 - Prevalence of competitive tendering, and
 - Adversarial relationships.



Potential points of conflict in a construction project

Motivation



Why SMEs?

- Bahrain's culture is classified as high in collectivism with emphasis on the importance of family and extended informal relationships.
- Intertwining social and business activities ⁽¹⁾.



Relevance of a Network Approach to Bahrain Culture

5

Source: (1) Smith et al., 2012; Bellow, 2004; Hutchings and Weir, 2006a; Kipnis, 1997; Elyachar, 2010; Smith et al., 2012; Alserhan and Al-Waqfi, 2011

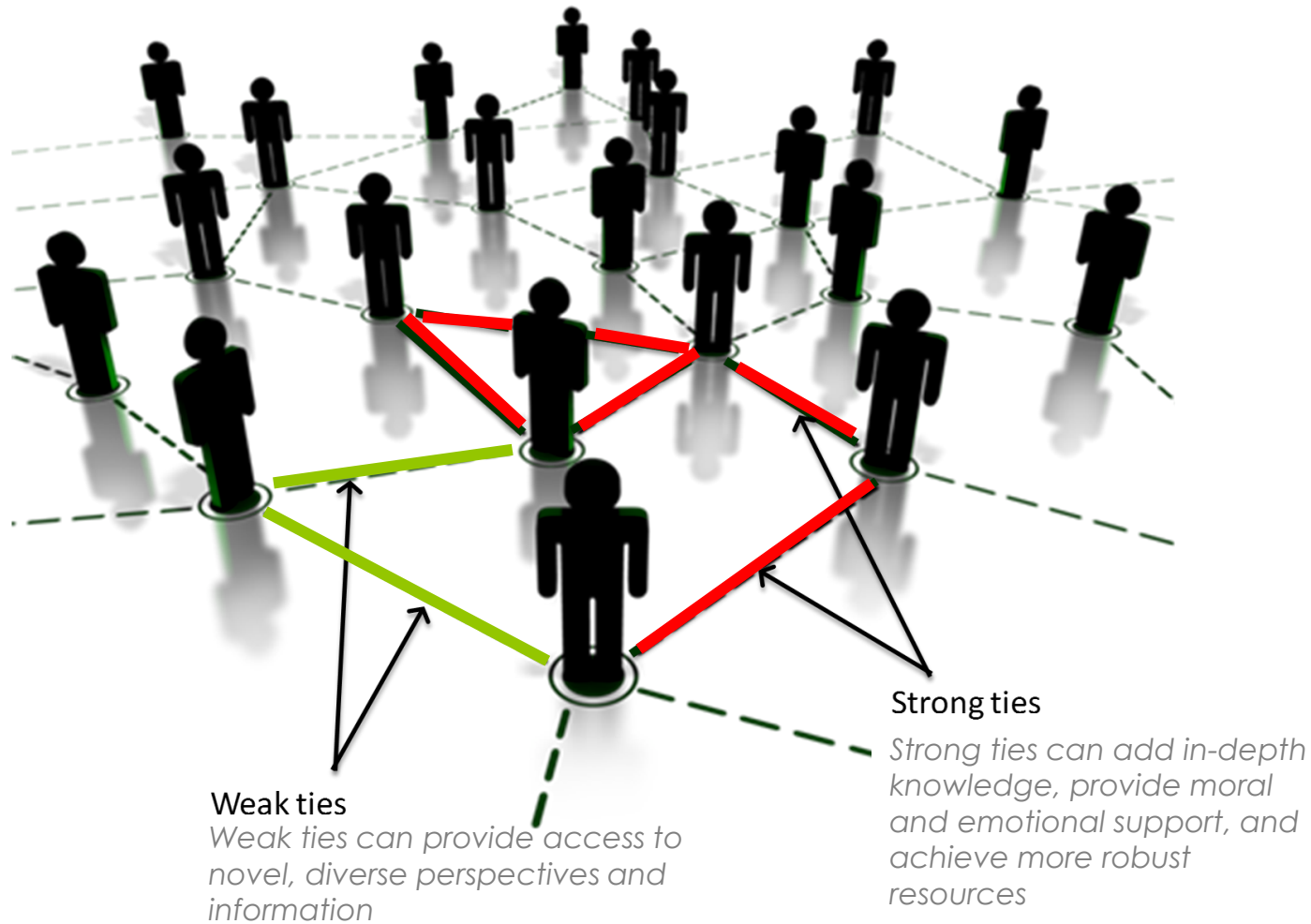
- The concept of Embeddedness
 - Economic action, including entrepreneurial behaviour, is embedded in interpersonal social networks⁽¹⁾.
 - The Entrepreneur's personal network as a resource/ competence⁽²⁾.



The Entrepreneur's Social Network

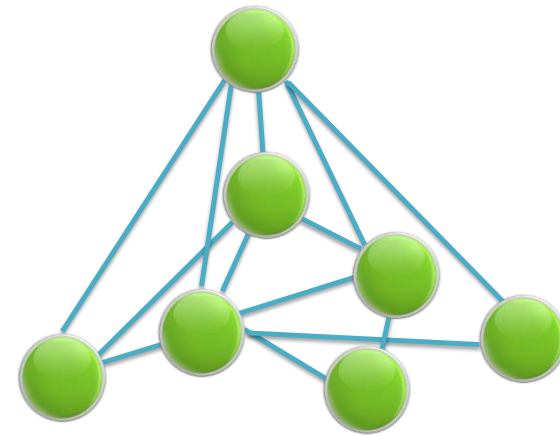
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Source: (1) Granovetter, 1985; Abou-Moghli and Al Mualla, 2012; Hoang and Antoncic, 2003; Siu and Bao, 2008; Pryke et al., 2011, (2) e.g. Watson, 2007; Zhao and Aram, 1995; Greve, 1995; Chell and Baines, 2000.

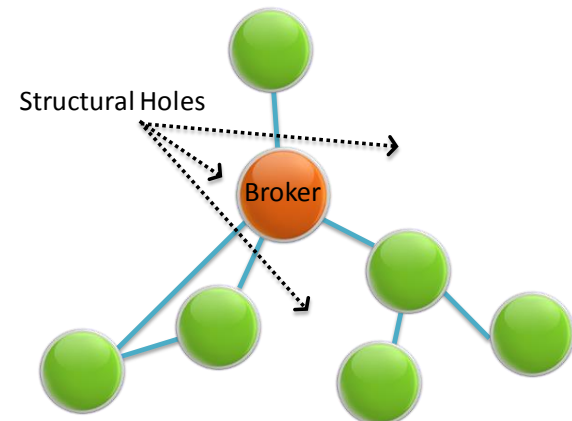


Strong vs. weak ties

- Redundant/ non-redundant ties and structural holes⁽¹⁾.
- Network diversity: the optimal mix of weak/strong ties “the best of both worlds!”⁽²⁾.
- Network intensity: The frequency with which the Entrepreneur access those networks⁽³⁾.



Integrated network



Fragmented network

Network Intensity vs. Diversity

- Success of an Entrepreneurial firm is a function of the optimal balance of the intensity and diversity of its critical resource provision networks at the different stages of the firm's development.

Theoretical proposition

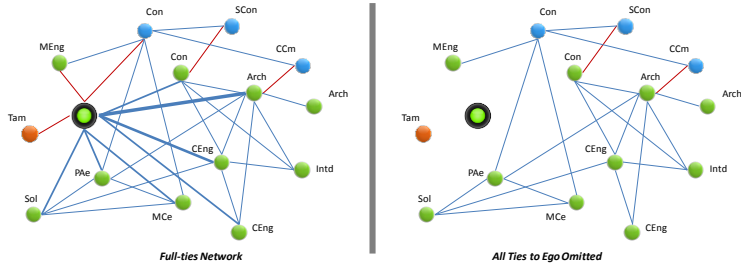
- Multiple case study approach.
- Two firms at start-up and two firms at growth stages.
- Face-to-face interviews with business owner.
- Critical resource-specific networks:
 - Information
 - Advice/Help
 - Contacts/Brokerage
 - Funding

Stage	Category	Alias of Firm/Respondent	Qualification	Years of Operation	Number of employees	Type of Activities
Start-up Stage	Successful	Firm A: Ali	Civil Engineer	2 years	5	Engineering consultancies that are engaged in architectural and civil engineering design and supervision for small scale private projects.
	Failing	Firm B: Mariam	Architect	2 years and 7 months	4	
Growth Stage	Successful	Firm C: Mohammed	Architect	12 years	15	
	Failing	Firm D: Adam	Civil Engineer	14 years	22	

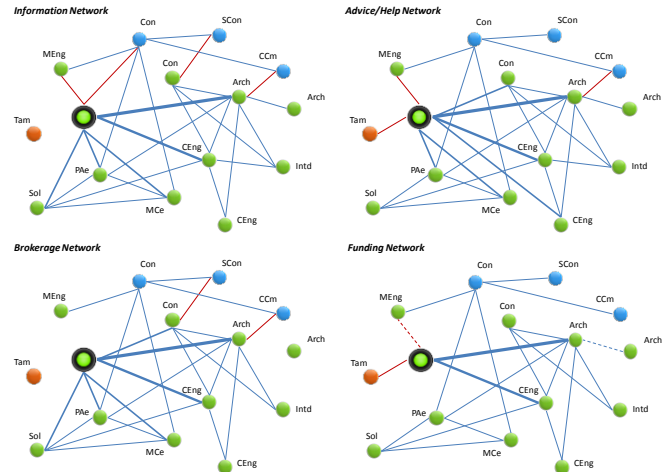
Basic Characteristics of Respondents/Firms

Research Method

Successful

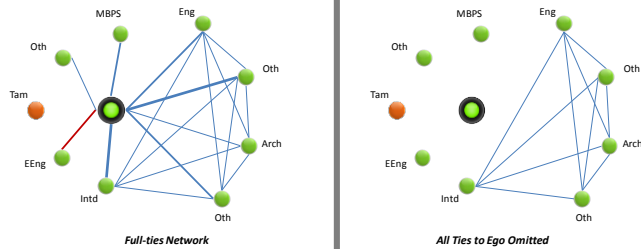


Ali's Resource Provision Network

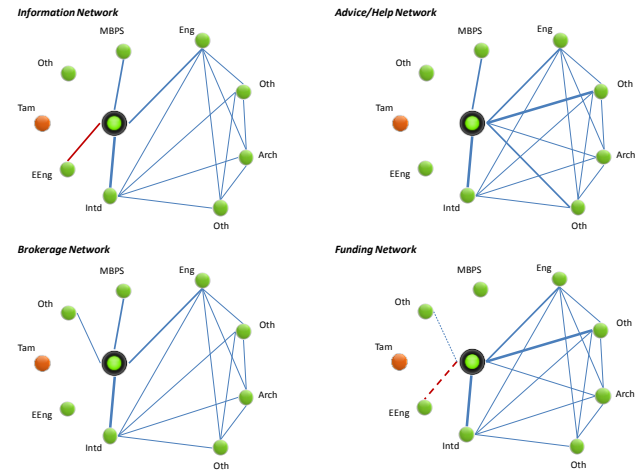


Ali's Provision Network According to Resource Accessed

Failing



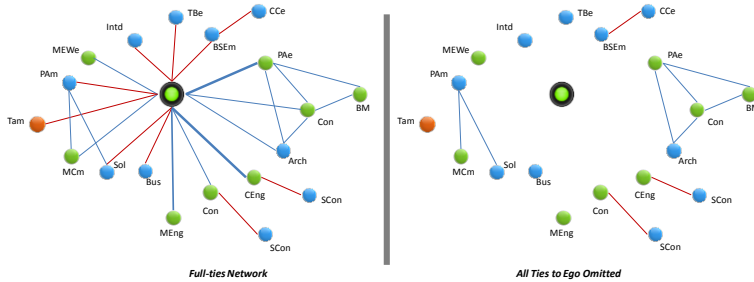
Mariam's Resource Provision Network



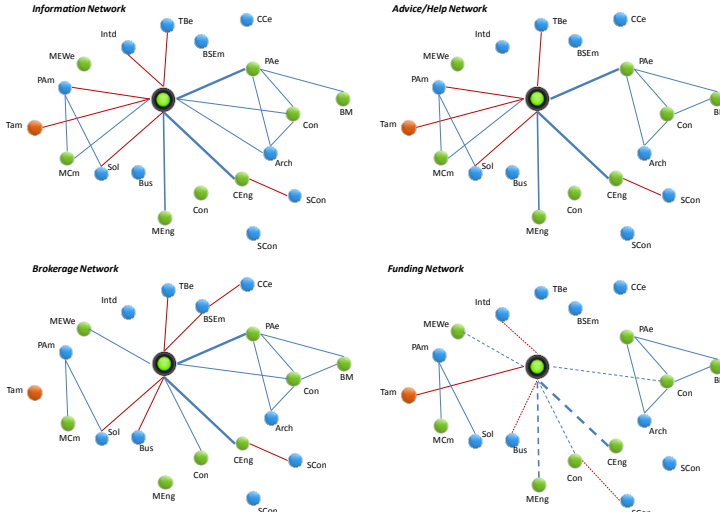
Mariam's Provision Network According to Resource Accessed

Research findings: Start-ups

Successful

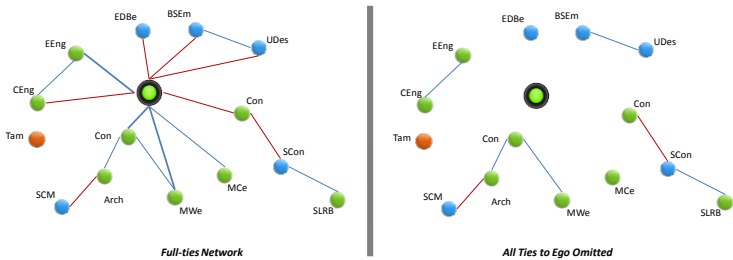


Mohammed's Resource Provision Network

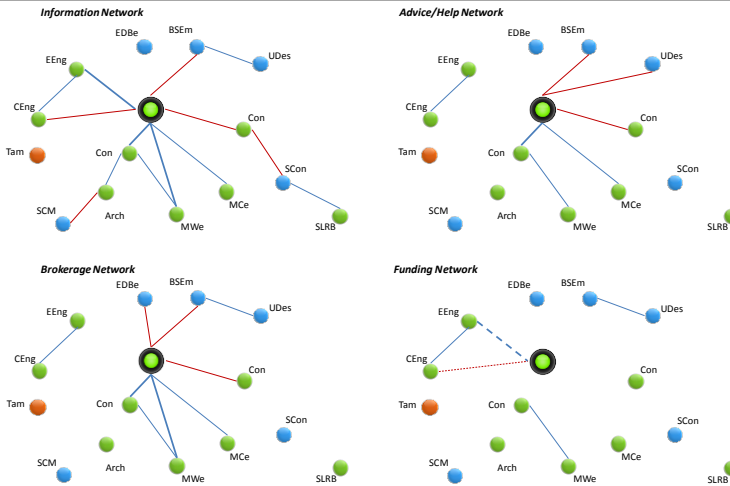


Mohammed's Provision Network According to Resource Accessed

Failing



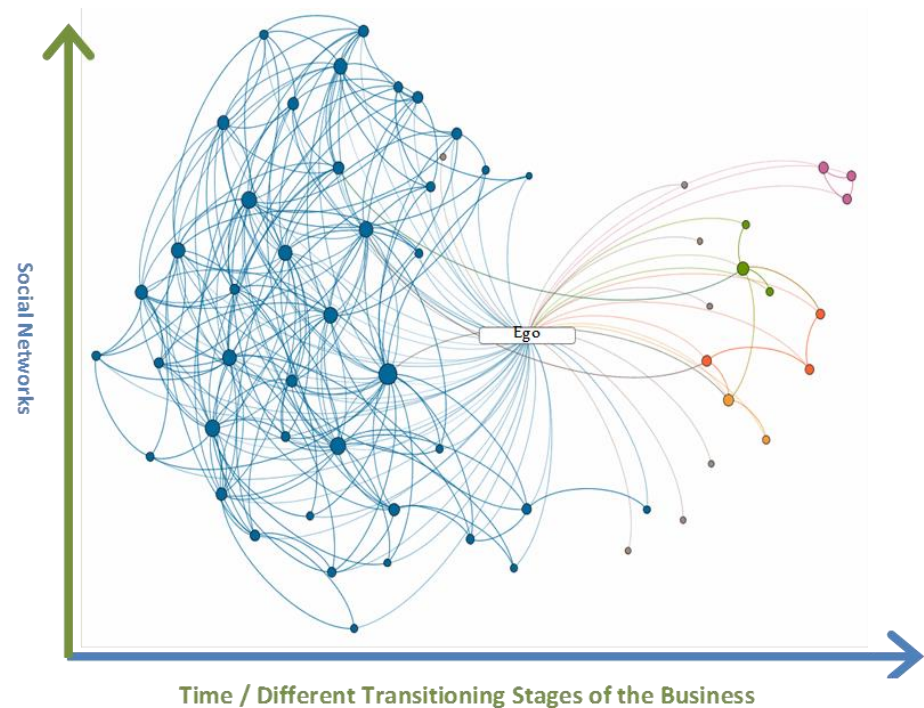
Adam's Resource Provision Network



Adam's Provision Network According to Resource Accessed

Research findings: Growth stage

- The evolving nature of social networks over time in order to meet the business owner's critical resource requirements in the face of increasing uncertainty.
- Time and effort dedicated to building and maintaining social networks are associated with the success of the firm.



Conclusions

