

Does Networking Work?

Most new ventures fail. This “liability of newness” is especially severe for pioneering entrepreneurs in emerging industries who cannot draw on an established knowledge base and lack sufficient legitimacy for their new activities. An important issue therefore concerns understanding what factors influence the performance of these innovative ventures. Whereas traditional views have focused on the role of the individual entrepreneur, more recent sociological perspectives suggest that it is the nature of entrepreneurs’ embeddedness in social network structures that explains their behavior and outcomes. Yet disagreement persists regarding the specific network positions that are most beneficial and how they can be obtained. The current study contributes to this debate by developing an integrative research framework that examines the role of network antecedents, network configurations, and firm-level contingencies. Novel hypotheses pertaining to these three research themes are tested using an original dataset of social networks among firms in the Dutch open source software industry. Results demonstrate that the best performing ventures combine seemingly contradictory elements of social capital including intra- and extraindustry relationships, heterogeneous network compositions and social cohesion, linkages to institutional and task environments, and online and offline participation in open source communities. Furthermore, findings reveal the contingent value of social capital by showing that its effects are highly conditional on the nature of the firm’s strategy and resources. Finally, results indicate that entrepreneurs’ participation in networking events constitutes an important facilitator of social capital development. Yet event participation yields important decreasing marginal returns, thus highlighting the potential “dark side” of networking for entrepreneurial firms.

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A Study of Social Capital and Performance among New Ventures in the Dutch Open Source Software Industry

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