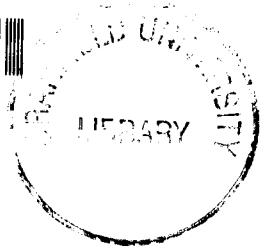




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**SWP 42/88 SOCIAL NETWORKS AND ENTREPRENEURSHIP IN
NORTHERN IRELAND**

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SOCIAL NETWORKS AND ENTREPRENEURSHIP IN NORTHERN IRELAND

Sue Birley and Stan Cromie

Networks, role models and mentors have long been an important topic in the study of sociology and of psychology [Carsrud, Galio and Olm 1987]. However, it is only recently that they have been recognised as an important factor in the creation and growth of an enterprise. To date, discussion as to the antecedents of the entrepreneur has centred around the "born or made" argument. For example, Cooper [1981], suggested that the supply of entrepreneurs was based upon a combination of the two, and could be summarised under the three headings of antecedent factors [genetic origins leading to personal characteristics, family influences, education, career], incubation factors [location, employment], and environmental factors [general economic conditions, availability of resources]. However, whilst these may be useful descriptors of aggregate characteristics, there remains little evidence that those factors which pertain to the individual are useful predictors of individual success in starting and growing a business, as distinct from success in any other career. Moreover, the fundamental problem with this approach is that it ignores the essentially dynamic nature of the process of starting and running a firm - the gathering and the managing of the necessary resources. It is during this process that the entrepreneurs ability to use his social networks becomes

networks of talented, influential and accessible individuals, which makes for informal, congenial business dealings."

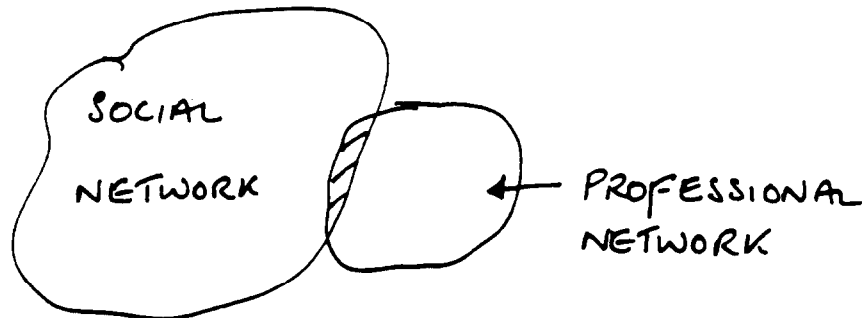
This paper first describes the essential nature of social networks, placing it within an entrepreneurial setting, and second outlines a study currently being conducted within Northern Ireland. Preliminary results of the study will be presented at the Conference.

NETWORKS DEFINED

In simple terms, a network is described as the "totality of all units connected by a certain type of relationship" [Jay 1964]. There are two generic types of network available to the entrepreneur about to start his business - the Social Network and the Professional Network. The social network, referred to elsewhere as the informal network [Birley 1985, Sweeney 1987], includes all those family, friends and acquaintances with whom the entrepreneur relates to primarily on social level through, for example, the local neighbourhood, school, sports clubs, or employment. The professional, or formal network includes all those individuals or organisations, such as banks, accountants or lawyers with whom the entrepreneur has a relationship primarily concerned with his business.

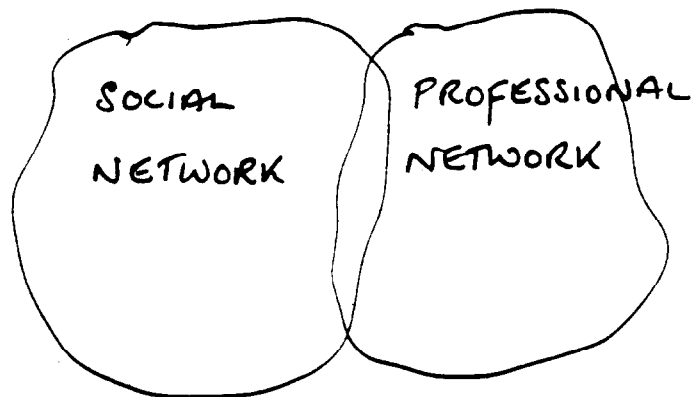
1. The Start-up Network

Even for those people who are in both the social network, and are part of the formal system, it is the social relationship which predominates.



2. The Early Stage Network

Here the entrepreneur is forced to move more into the professional network as the advice and assistance offered from the social network become less relevant or inadequate.



THE ARTIFICIAL NETWORK

Recent years have seen the growth of agencies and organisations specifically designed to advise and assist the small firm. In the majority of cases, these agencies have been established in order to try to stimulate supply of new firms and to improve survival rates. They include, for example, Enterprise Agencies in the United Kingdom, Small Business Development Centres in the United States, Bureaux de Gestation in France, and Enterprise Development Centres in India. Beyond this, there are many experiments with the provision of space and services as in the case of Business Incubators, Science Parks or Business Development Centres. Since the majority of these organisations are usually concerned to assist the new firm to survive and grow, it is intuitively clear that the manager of the organisation is a crucial lynch-pin in the process, and that the success of any artificial network will, in part, be a function of his own social networks, and his ability to use them.

NETWORK PROPERTIES

The phrases "It is not what you know, but who you know" and "The old boy network" reflect a popular, negative perception of certain social networks. Yet it is the essential characteristics which they describe which are fundamental to the acceptance of the value of social networks to the

provide credibility in arenas unfamiliar to the entrepreneur - an introduction to a bank manager by a friend from the same school.

- * Control: Membership of the network, and assistance from the network, required certain standards of behaviour. Owner-managers who do not conduct their business in a way which is acceptable to the community will quickly find themselves, and their businesses, isolated.

THIS STUDY

During the past five years, researchers have begun to study the particular role of networks in the entrepreneurial process. Aldrich and Zimmer [1986], and Johannisson [1986] provided a theoretical base from the social science disciplines, and Birley [1985], Aldrich, Rosen, and Woodward [1986], and Johannisson [1986] have collected empirical data which provide important maps of entrepreneurial networks in single locations in America and Sweden. More importantly, however, they have also provided support for the social network perspective. However, social networks are not only a function of the individual, but also of the local environment. This research is based in Northern Ireland. It seeks to ask three basic questions-

1. What are the types of networks used by entrepreneurs in

industries of farming, shipbuilding, and textiles which have dominated the economy for more than fifty years, with associated industries such as food processing showing little long term stability.

LEDU, the Local Enterprise Development Unit, was established in 1971 as the Government's Small Business Agency for Northern Ireland. Its aim is to stimulate small business formation, survival and growth by offering a wide range of advice and assistance. LEDU has also provided the lead in the development of a network of Local Enterprise Centres.

DATA TO BE COLLECTED:

Based upon the research on social network analysis, Aldrich, Rosen and Woodward [1987] defined three important dimensions of social networks:

1. The amount of resources in the network is defined as the quantity of resources available. So, for example, entrepreneurs in a remote village in India are likely to be less well served than those in San Francisco. The surrogate variable used in the study is the number of people with whom the entrepreneur discusses his business.

proprietors, and to compare these networks with those that exist in North Carolina and in Sweden. Beyond this, it was also the aim to study the nature of the networks of the managers of the artificial networks, the Local Enterprise Centres.

A pilot study was conducted in the Spring of 1988 which indicated clear differences between the nature of the entrepreneurial networks in Northern Ireland and those elsewhere. The data for the full study is being collected during the summer of 1988, and preliminary results will be presented at the Enterprise Conference.

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