The Role of Networks in the Emergence of New Business Opportunities and New Ventures in Different Geographic Contexts
Entrepreneurship can be defined as “the process by which people discover and exploit new business opportunities, often through the creation of new business ventures” (Aldrich & Cliff, 2003:575). As a research field, entrepreneurship is about emergence, with some scholars emphasizing the emergence of new business opportunities and others the emergence of new organizations (Davidsson, Low & Wright, 2001).

Entrepreneurship scholars have paid significant attention to the role of social networks and the mechanisms through which they influence the entrepreneurial process (Stuart & Sorenson, 2003). Hoang and Antoncic (2003:167) define a network as a “set of actors and some set of relationships that link them”. These actors, referred to as nodes, can be individuals or organizations. Thus, social networks refer to links or ties between individuals, while business networks refer to links between firms.

Network-based arguments have clearly informed research on two critical tasks of the entrepreneurial process: the discovery of new business opportunities and the mobilization of resources. Social network theory suggests that social ties influence the flow of information about market opportunities, and consequently influence the identification of such opportunities. Thus, nascent entrepreneurs with structurally diverse networks are more likely to encounter promising opportunities, and hence more likely to engage in entrepreneurship (Renzulli, Aldrich & Moody, 2000). Very similar findings are reported regarding the identification of international market opportunities (Coviello, 2006; Ellis, 2011).

Moreover, new business ventures face the liability of newness because they often lack the commitment of their employees, knowledge of their environments, and working relationships with customers and suppliers necessary to operate successfully (Stuart & Sorenson, 2003:238). The uncertainty regarding whether a new venture will become a viable business or will disappear makes resource holders reluctant to partner with them. In this context, social networks play an important role in facilitating resource mobilization. Thus, aim of the dissertation is to contribute to the Entrepreneurship and SME internationalization literatures by addressing the following overarching research: What role social and business networks play in the emergence of new ventures and new business opportunities?
The thesis is based on the collection of the three essays that explore the role of different types of networks in different entrepreneurial settings at both individual and firm levels. Essay 1 explores the role of the entrepreneur’s family of origin in supporting the emergence of new businesses. Essay 2 explores gender and culture effects on the entrepreneur’s network and the business creation process, how women perceive social capital and networks, and how important networks are for their businesses, especially in the context of patriarchal societies. And Essay 3 explores the impact of business group affiliation on the international diversification strategy of service and manufacturing micromultinationals (mMNEs). By focusing on under-researched settings, such as the family of origin, female entrepreneurship in patriarchal societies and Micromultinationals, the thesis further investigates the role of networks in the entrepreneurial process.

Entrepreneurship is the result of the interaction of the individual characteristics of entrepreneurs and their environment (Jack, Dodd & Anderson, 2008). Entrepreneurs are socially embedded in networks of social relations and among them one of the most important is the family of origin (Jennings & McDougald 2007, Jayawarma et al., 2014). In most cases, the “strong ties” with family members are of great importance in the early stages of the business venture creation process (Aldrich & Cliff, 2003; Klyver, 2007). Nonetheless, the role that families play in the emergence of entrepreneurship is much larger. Families influence their offspring in at least two main ways, as motivators and role models and as provider of resources (Delmar & Gunnarsson, 2000) during their childhood, adolescence and adulthood.
Sociological and psychological theories related to the socialization of children highlight that families help children to embrace the social roles and behavior that they will need in society (Brim, 1968). Social learning theory (Bandura, 1977, 1986) emphasizes the effect of behavior acquisition through the observation of others referred to as role models which influence individuals’ personality development and the formation of attitudes. Children are exposed to their families’ behaviors by direct experience and observation, in this way families strongly influence the personal characteristics of their children (Shapero & Sokol, 1982). Moreover, families tend to invest in their children by passing on their values and knowledge while employing family networks and wealth to create childhood opportunities and to form future adults with particular social positions and cultural orientations (Bourdieu, 1984).

Aldrich & Cliff (2003) already noted fifteen years ago that the social embeddedness perspective had paid little attention to the influence of one fundamental social institution in which all entrepreneurs are embedded – the family. With the notable exception of the role played by entrepreneurial parents as role models, this gap largely persists today. Referring specifically to families that own a business, Miller et al. (2016, p. 445) point out that “missing from the conversation [among entrepreneurship scholars] are family firms or an entrepreneur’s embeddedness within a supportive family”.

In response to calls that entrepreneurship research should incorporate family considerations in its conceptual models and empirical investigations (Aldrich & Cliff, 2003; Miller et al., 2016), it is surprising that only two studies, to the best of our knowledge, have considered explicitly the socioeconomic status (and associated sources of capital) of the entrepreneur’s family of origin (Jayawarna, Rouse, & Macpherson, 2014; Schoon & Duckworth, 2012). These two studies focus on examining the contextual and individual characteristics that influence the decision and the ability to become an entrepreneur, but they do not analyze the influence of such characteristics on the process of business venture creation.

Thus, the findings of Essay 1 show that that the socioeconomic characteristics of the family of origin influence in significant ways entrepreneurs’ means at hand (in terms of identity, knowledge, network and personal finance) and, as a consequence, also affect the key processes involved in business venture creation (opportunity recognition, launch decision, and resource mobilization). Essay 1 contributes to the extant literature on entrepreneurship and family business in several ways. Firstly, by adopting a family embeddedness perspective on entrepreneurship and integrating it with the effectuation’s construct of the entrepreneur’s means at hand, it provides a comprehensive theoretical and empirical explanation of how the socioeconomic characteristics of entrepreneur’s family of origin influence new business venture creation, and the differential effects of coming from middle-class as compared to lower-class families. Secondly, entrepreneurs born into entrepreneurial families have access to better ‘means’ to start up; however, the extent to which those means are truly superior and facilitate the process of new business creation largely depends on the socioeconomic status of the entrepreneur’s family of origin. Thirdly, it also addresses scholars in the field of women entrepreneurship by examining the interplay between gender and the socioeconomic characteristics of the family of origin as being born in a middle-class family facilitates women’s entrepreneurial activity. And lastly, there is also a contribution to effectuation theory in detailing and expanding the components of one of its main constructs (entrepreneur’s means at hand).
As gender and culture go, entrepreneurs are socially embedded which means that social and cultural factors have a significant impact on entrepreneurship. This is especially true for women entrepreneurs as environmental factors have more relevant effects on female than on male initiatives (Baugn et al., 2006; Jennings & McDougald, 2007; Welter & Smallbone, 2011). Although it is widely acknowledged that cultural and social factors play an important role in female entrepreneurship, entrepreneurship researchers have not taken the gender perspective into account until relatively recently (Bullough et al., 2017).

Most empirical studies on women entrepreneurship do not address pre-venture issues and have been framed comparatively between men and women once in business (Ahl & Marlow, 2012; Eddleston & Powell, 2008). Extant research indicates that women entrepreneurs are embedded in different personal and social networks than men (Aldrich et al., 1987; Renzulli et al., 2000). Thus, women’s network tend to be less diverse than those of men (Aldrich, 1989) and their strong ties are almost exclusively with family and friends (Granovetter, 1973).

To date, the literature regarding international comparisons of female entrepreneurship remains limited (Jennings & Brush, 2013). Therefore, scholars have emphasized the need for research to explore women’s entrepreneurship beyond the mainstream Anglo-Saxon context and called for more international comparative studies (Ahl, 2006; Ahl & Marlow, 2012). More specifically, research on gender is required in different contextual settings, especially in the context of patriarchal societies such as strong male-dominated Islamic nations where empirical evidence is very scant (Cheraghi et al., 2014; Jomaraty & Courvisanos, 2014; Ufuk & Özgen, 2001).

Thus, Essay 2 study responds to the call for more qualitative, cross-cultural investigations exploring female entrepreneurship beyond the context of developed Western societies (Ahl, 2006; Hughes et al., 2012; Jennings & Brush, 2013). Thus, it examines the nature and dynamics of female entrepreneurial activity in six patriarchal societies, Turkey and five countries of the Middle East and North African (MENA) region. The findings show that the main barriers and constraints faced by women in these countries are gender-specific such as cultural norms, civil law, access to financial services and resources, barriers in the business environment (e.g. segregated work spaces), and lack of specific training to start-up and run a business. Two important aspects stand out from the findings. First, the critical role played by the families of these women entrepreneurs in helping them to overcome these obstacles (which directly connects with the findings of Essay 1). Without the support of their families, most of the participants in the study would not have been able to start their business. Second, the keen awareness of these women about the critical importance of networking. Through their networks, women entrepreneurs established strong ties not only with family and friends but also with customers, suppliers, and other entrepreneurs in the country, which allow them to obtain support of various kinds ranging from management advice, financial capital, marketing and sales expertise, emotional support as well as new ideas. These findings are in sharp contrast with the results of prior studies in developed Western societies in which women entrepreneurs have less diverse networks than men (Aldrich et al., 1989) and their strong ties are almost exclusively with family and friends (Granovetter, 1973). In summary, Essay 2 contributes to the literature on comparative female entrepreneurship by offering valuable new insights into the gender-specific challenges faced by women entrepreneurs in patriarchal societies and how they overcome these barriers through their networking activity. It also contributes to the literature on the role of networks in entrepreneurship.
As the firms go, Internationalization has been conceived as an entrepreneurial process where firms scan for potential opportunities in foreign markets, evaluate available information, and decide whether to exploit any of the opportunities that they have found (Jones & Coviello, 2005). In this process, networks are viewed as facilitating internationalization by helping firms to identify and exploit new opportunities in foreign markets (Ellis, 2011). The key role of networks in the internationalization process is widely recognized by scholars (e.g., Ellis, 2000; Johanson & Valhne, 2009), especially in the context of small-and-medium sized firms (SMEs) (Chetty & Blankenburg Holm, 2000; Oviatt & McDougall, 2005; Musteen, Francis & Datta, 2010).

Hence the literature has traditionally equated SME internationalization with the use of lower-commitment entry modes such as licensing or exporting (Dimitratos et al., 2014). However, the pattern of SME internationalization has evolved in recent years. Recent research has highlighted the emergence of a new breed of internationalizing SMEs which employ different routes of internationalization beyond exporting. These firms have been named ‘micro-multinationals’ (mMNEs) and are characterized by their ability to use higher-commitment foreign market entry modes (Dimitratos et al., 2003).

Extant research on SME internationalization highlights that, as compared to larger firms, SMEs typically rely more extensively on network relationships as they pursue international opportunities (Coviello, 2006; Ellis, 2011). Moreover, network relationships help them to cope with the risks and challenges associated with entering new foreign markets (Musteen et al., 2010). In the context of mMNEs, research have shown that they use more actively their inter-organizational networks to obtain in-depth foreign market knowledge which allow them to innovate and adapt their offerings to local market conditions (Stoian, Rialp, & Dimitratos, 2016), or are able to leverage their cross-border ethnic social capital (Prasantham, 2011).

A common feature of the above mentioned studies is that they focus on the network relationships of the entrepreneur or the top management team; however, almost no attention has been paid to the network relationships related to the owners of the firm when they are different from the managers. Although it is known that ownership affect firm’s goals, strategy and performance (Fernández & Nieto, 2006; Garengo, Biazzo, & Bititci, 2005; George et al., 2005), few studies have examined the relationship between internationalization strategies and types of ownership (Fernández & Nieto, 2006; George et al., 2005), and in particular the effect of corporate ownership or affiliation to a business group.

Following the extant literature on group affiliation, we define a business group as a collection of formally independent firms which however share common ownership and operate under common financial and administrative control, exerted by a controlling parent or holding company (Chang & Hong, 2000, 2002; Khanna & Rivkin, 2001). Business groups form networks in which the behavior of individual affiliates is intertwined through various formal and informal relationships (Granovetter, 1995).

Based on their meta-analysis of 141 studies covering 28 countries, Carney, Gedajlovic, Heugens, Van Essen, and Van Oostherhout (2011) note that while many studies have examined the performance consequences of affiliation, very few have looked at the strategies of group affiliates and whether they differ from those of stand-alone or unaffiliated firms. From a social network perspective, researchers have shown that enduring and multiple relations between affiliates of a
business group provide rich formal and tacit information about each other (Carney et al., 2011). In that regard, affiliates can leverage the group’s knowledge and local business ties in foreign markets in which other affiliates operate as well as the group’s experience on some forms of internationalization such as joint ventures and international alliances (Elango & Pattnaik, 2007, 2011; Khanna & Palepu, 2000). Overall, these advantages would allow affiliated firms, especially SMEs to overcome the liabilities of internationalization and smallness more easily than stand-alone SMEs would do.

However, the literature also suggests that affiliated firms have a less pronounced international orientation than stand-alone ones (Carney et al., 2011). Prior network research has shown that network ties may obstruct rather than facilitate the development of a firm’s capabilities (Uzzi, 1997; Burt, 2000) and that there is a substantial variation in capabilities of affiliates within a business group. Social norms and strong internal links in many business groups lead affiliates to first focus on transactions among themselves rather than reaching out to non-group firms in search for business (Carney et al., 2011; Hundley & Jacobson, 1998; Lamin, 2012).

In summary, in addition to their social ties and business relations with other firms, managers of affiliated SMEs also have to deal with the internal network of the business group to which they belong. Surprisingly there is no published study, to the best of our knowledge, that has examined the role that corporate ownership plays in the internationalization of SMEs, and in particular whether affiliation to a business group may enhance or hinder their international expansion.

Thus, findings of Essay 3 show that business group affiliation is negatively related to the degree of internationalization, that is, affiliation to a business group translates into a stronger domestic orientation and thus affiliated mMNEs are less prone to expand internationally as compared to stand-alone mMNEs. This finding can be interpreted from two different angles. First, the potential advantages of group affiliation in enhancing the internationalization of group affiliates may have a quite limited scope in a developed economy such as Spain, and most probably will depend on the size of the business group (e.g. to get easier and cheaper access to financing) and whether or not sister affiliates are already internationalized. Second, the costs of group affiliation may be understated in the literature as being affiliated inevitably imposes limits to the firm’s organizational flexibility. Another interesting finding refers to the positive effect of foreign ownership. This suggests that foreign investors, even as minority shareholders as in our study, can exert a powerful influence on a more committed international expansion (Bell et al., 2008).

Moreover, Essay 3 contributes to the SME internationalization literature, and in particular to the growing subfield of mMNEs, as well as to the business group literature by showing that ownership is a relevant antecedent of the international expansion pursued by mMNEs. Furthermore, the findings suggest that the industry sector to which mMNEs belong to has a rather limited effect on international expansion, hence it is not the sector per se but the organizational attributes of mMNEs and type of ownership (stand-alone or affiliation to a business group) that exhibit a stronger effect.
### Summary of the Conclusions of the Thesis

<table>
<thead>
<tr>
<th>Essay</th>
<th>Venture Stage</th>
<th>Stage Focus</th>
<th>Actors</th>
<th>Challenges</th>
<th>Role of Networks (some illustrations)</th>
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</table>
| **Essay 1** | Pre-Venture | Developing entrepreneurial motivation & human, social and financial capital | Parents & would-be entrepreneurs | • Absence of (attractive) entrepreneurial role models  
• Family’s world view and its sources of capital [*Lower-class origins*] | • Key role of personal network earned through prior work experience [*Lower-class origins*]  
• Family social capital contributes to a more diverse personal network (more reach and weak ties) [*Middle-class origins*] |
| | New Business Venture Formation | Launching and survival of the new Venture | Parents, relevant close relatives & nascent entrepreneurs | • Identification of the business opportunity  
• Resource mobilization  
• Liability of newness | • Entrepreneurial families provide access to the business network of the family business [*Middle-class origins*]  
• Key role of family strong ties in resource mobilization [*Middle-class origins*] |
| **Essay 2** | Venture Consolidation | Sustaining and growing the business | Women entrepreneurs | • Overcoming gender-specific barriers in patriarchal societies  
• Resource mobilization | • The paradox of “being married as an advantage”. Key role of supportive families when the social expectation is that married women must stay at home and take care of children  
• In the MENA region, as in other emerging markets, personal networks play a key role in doing business (“to whom you trust”). Women entrepreneurs are keenly aware of that fact.  
• Women entrepreneurs leverage their extended family ties to engage in active networking with different actors. As a result, their personal networks are more diverse that prior studies in Anglo-Saxon contexts revealed |
| **Essay 3** | Venture Internationalization | New business opportunities in foreign markets | Micro multinationals (stand-alone and affiliated) | • Liabilities of foreignness and outsidership  
• Liability of smallness | • Being an affiliate of a business group means to be embedded in a close network which limits their ability to identify opportunities outside the business group  
• Stand-alone mMNEs are not constrained by the strong ties of business group affiliation and can more readily take advantage of foreign opportunities |
The empirical studies that make up this dissertation have inevitably some limitations which at the same time provide opportunities for further research. First, as in any qualitative study, Essays 1 and 2 have the inherent limitations related to narrow sampling. Second, our cases may be context-sensitive. Third, in Essay 1 we have refined and expanded the definition of entrepreneur’s means as stated by Sarasvathy (2001, 2008) and formulated a conceptual model regarding the influence of the socioeconomic characteristics of the entrepreneur’s family of origin on the entrepreneur’s means and, in turn, the impact those means have on the processes of new business venture creation. Our approach has been holistic, and we have tried to study the phenomenon from various perspectives by considering the ‘added value’ of different streams of literature. Nonetheless, future research testing our conceptual model, or parts of it, can benefit in terms of the depth of analysis by adopting a single theoretical framework such as social network theory or social class structure analysis. Overall, the family embeddedness perspective on entrepreneurship provides numerous avenues for future research.

Fourthly, Essay 3 also has a number of limitations which at the same time may provide opportunities for further research. The sample of this study is limited to the Spanish mMNEs. Further research on mMNEs could use more accurate measures of a firm’s degree of multinationality based on ratios such as foreign sales to total sales, foreign employees to total employees or foreign assets to total assets. Future research could distinguish between different types of owners (e.g., foreign or national individuals, families, financial investors).
## Appendix - Essays Included in the Dissertation

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<tr>
<th>Essay 1</th>
<th>Essay 2</th>
<th>Essay 3</th>
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<tbody>
<tr>
<td><strong>Title</strong></td>
<td>Does entrepreneur’s family of origin matter on business venture creation? Evidence from middle- and lower-class Turkish families</td>
<td>The impact of gender and culture on networking and venture creation - An Exploratory Study in Turkey &amp; MENA Region</td>
</tr>
<tr>
<td><strong>Aim</strong></td>
<td>To explore how the socioeconomic characteristics of the entrepreneur’s family of origin influence the process of new business venture creation and what are the differential effects, if any, of being born into a family from higher or lower socioeconomic background.</td>
<td>To explore how gender and culture effect on network and business creation, how women perceive social capital and network and how important it is for their business in the context of patriarchal societies.</td>
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<tr>
<td><strong>Areas of Research</strong></td>
<td>Family embeddedness perspective, Effectuation perspective, Sociology, network theory</td>
<td>Women’s entrepreneurship, network theory, culture, institutional theory,</td>
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<tr>
<td><strong>Method</strong></td>
<td>Qualitative study</td>
<td>Qualitative Study</td>
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<td><strong>Datasets</strong></td>
<td>20 Turkish entrepreneurs 23 Family members of 17 entrepreneurs (3 entrepreneur’s parents were deceased)</td>
<td>25 Women entrepreneurs from Turkey, Saudi Arabia, Lebanon, Morocco and Egypt</td>
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References


