Globalization has been influencing all aspects of life in recent times. Concerns about its impacts have given rise to many long-drawn academic and political debates. As a concept ‘globalization’ lacks a precise definition. Economically, globalization may be understood as a process, which is bringing about mobility to many previously immobile or less mobile essentials of production like space, organization, and capital. It has facilitated a functional integration of internationally dispersed economic activities, leading to the creation of global production chains and reconstruction of existing distribution chains. Globalization implies that the world is being converted into a shared space by technological and economic forces in a way that developments taking place in one part of the world may have profound influence on the experiences of people living in other parts (Held, McGrew, Goldblatt and Perraton, 1999).

Internationalization, in the form of international trade in various commodities, has existed since many centuries. Such internationalization enhanced considerably with the inception of industrialization in eighteenth century Europe, which led to a search for market in different parts of the world. However, even at that time, international trade was primarily limited to exchange of raw materials and finished products. Production process was essentially completed within a single national economy. The economic scenario started changing rapidly since the 1950s, when many Western countries began opening up their economies. For them, national boundaries no longer acted as barriers in the economic production process (Dicken, 2000). Some decades later, similar liberalization was introduced in many developing and underdeveloped countries. These politico-economic developments played an important role in creating a globalizing world.

However, opening up of national economies alone was not sufficient for the spread of globalization. Another essential requirement was to increase the speed of communication and transportation across the globe. This, in many ways, was made possible by technological discoveries leading to the development of information and
communication technology (ICT) industry. In course of time, ICT emerged as an indispensable platform for development of many other industries\(^1\).

### 1.1 Problematizing Entrepreneurship in the ICT Industry

Virtual merging of continents through the developments in ICT has generated scope for developed countries to outsource components of business processes to developing countries which enjoy the advantage of having a large and relatively cheap human resource (cheap, primarily due to higher conversion values of local currencies against the US $). With reference to technology-based industries, particularly ICT, it is also necessary to have a human resource which is conversant in the English language and is adept in necessary technologies. India has specifically benefited from the business process outsourcing from the USA because of suitable geographical position on the globe resulting in a large time-gap with the USA, the largest market, which makes it possible to keep office functioning for almost twenty-four hours in a day. Other than such ICT services, opportunities have also emerged for the development of software products in India for the global market (Lateef, 1997).

Opening of this floodgate of opportunity has motivated many entrepreneurs to start business ventures in this fast growing industry segment. Being essentially based on new stock of knowledge, entry into the ICT industry is open only to entrepreneurs who enjoy the advantage of possessing knowledge required for understanding the relevant technology and/or business process. It is understandable that such entrepreneurs would include both individuals who have a family background in business, and those who have no such background. Theoretically, people belonging to the first category should be in an advantageous position, as they are likely to receive family support and/or guidance in securing finance, learning business acumen, identifying human resource, building entrepreneurial team, acquiring market information, and in learning to handle various crisis situations. Notwithstanding all such advantages enjoyed by entrepreneurs hailing from business families, many entrepreneurs who have no family background in business are very much visible in the ICT industry as well established entrepreneurs. However, it also needs to be noted that entrepreneurs entering the ICT industry from business family background hardly

\(^1\) For further details on ICT industry in India see Appendix Three
enjoy the advantage of having parents who has some experience in the same industry, as the industry itself is new. As a result, entrepreneurs, irrespective of their background, have to put in extra effort to orient themselves to this industry.

The phenomenon of new entrepreneurs continuously emerging in the ICT industry may be explained by the fact that knowledge required for running a business in this industry is still in the process of development and, therefore, there is still opportunity for new players to enter. Besides, market is still expanding and has a capacity to accommodate many new players. In addition, starting a business in this industry is not essentially capital-intensive and, therefore, the entry barrier for new enterprises in terms of financial investment is relatively low. Besides, given the scope for offering high returns, financiers are often interested in bearing high risk by investing in start-up enterprises in this industry. However, this does not imply that all new entrepreneurs manage to survive in this industry. Researches testify that in any industry, not all entrepreneurs who start their business venture succeed in surviving; in fact, many leave the industry (Cooper, 2002). It may be assumed that this common rule applies to the ICT industry as well. This leads to my research problem: what is the background of the entrepreneurs, who have managed to survive in the ICT industry, and what has helped only some entrepreneurs to survive in this industry?

Execution of an entrepreneurial venture, like any other initiative, depends on the role played by several elements such as entrepreneur’s access to necessary technical knowledge, her/his stock of business acumen, and the response received from present/prospective customers about the product/service being offered by her/him. It also depends on entrepreneur’s ability to secure finance, to attract capable human resource, to form and lead an effective and efficient entrepreneurial team, and to handle situations of crisis. Even though these elements differ drastically from each other, an entrepreneur’s performance in all these elements would depend on the decisions taken by various significant economic actors like financiers, customers, employees, share-holders, and colleagues in entrepreneurial team. Any decision is an outcome of actor’s negotiation with available alternatives. However, different actors negotiate differently in the same situation depending upon their interests, their socio-cultural and economic background, information available to them, their interpersonal relationship with other actors who would be influenced by the decision taken by them, and the context of decision-making. It is in this backdrop that there is a need to bring in a sensitizing concept like social capital to elucidate the current research problem.
regarding development of entrepreneurship in the ICT industry. The discussion would begin with an attempt to understand two main concepts, entrepreneurship and social capital, and then move on to relate them.

### 1.2 Entrepreneurship

Scholars working in the field of entrepreneurship are aware of the variation that surrounds the definition of the term. Broadly, contributors to this area have reflected on economic and psychological dimensions. ‘Risk-taking’ is one variable which many researchers have identified as a component of entrepreneurship. These include Richard Cantillon (entrepreneur is a risk-taker) (Schumpeter, 1954), Max Weber (1966) (entrepreneur is engaged in activities, which are economically rational, that is, where goals and means are decided on the basis of precise calculation of probable risks, and chances of profit-making), David C. McClelland (1961) (entrepreneur is a moderate risk-taker), and R.D. Hisrich and M.P. Peters (1995) (entrepreneurs assumes financial, psychological, and social risk associated with the process of creating something different with value) (Hisrich and Peters, 1995). However, Peter Drucker (1991) has criticized the importance given to risk with reference to entrepreneurship. According to him, entrepreneurs do take risk. However, risk is taken by any one engaged in any kind of economic activity. This is because, the essence of economic activity is the commitment of present resources to future expectations, and that means uncertainty and risk.

In addition to ‘risk taking’, researchers have identified several other economic behaviours associated with entrepreneurship. They include rationality (Max Weber), profit-orientation (Jean Baptiste Say and Francis Walkar), innovation (Joseph A. Schumpeter and Peter Drucker), detection and exploitation of business opportunities (Peter Drucker), and creation of organizations (Beaudeau) (Schumpeter, 1954; McClelland, 1961; Weber, 1966; Carland et al., 1984; Bygrave and Hofer, 1991; Drucker, 1991; Hisrich and Peters, 1995; Blanchflower and Oswald 1998).

On the other hand, the psychological traits of entrepreneurs, as identified by various researchers include need for achievement or ambition (David C. McClelland, J.A. Hornaday and J. Aboud, M.B. Neace, and P.R. Liles), need for power (J.A. Hornaday and J. Aboud, and D.G. Winter), desire for responsibility (F.X. Sutton), leadership, independence (L.E. Davids, J.A. Hornaday, and J. Aboud, and W.C.
Dunkelberg and A.C. Cooper), tenacity (M.B. Neace), creativity (J.A. Timmons), originality, optimism (M.B. Neace), result-orientation (M.B. Neace), flexibility, self-confidence (J.A. Timmons, J.A. Welsh, and J.F. White), aggressiveness (J.A. Hornaday and J. Aboud), assertiveness, tendency to trust people (M.B. Neace), and inclination to use money as a measure of performance (McClelland, 1961; Carland et al., 1984; Schein, 1994; Julien, 1998; Neace, 1999).

Regarding the psychological traits in defining of entrepreneurship, two aspects need to be kept in mind. First, the list of psychological traits identified by researchers is endless, and it is not necessary that each entrepreneur would possess all such traits. Psychological traits would vary from person to person depending on age, sex, socio-economic background, culture, etc. Second, the psychological traits of entrepreneurs have been identified by observing or interacting with individuals who are running their own enterprises. In a reverse way, it would be difficult to infer that an individual possessing some or all of those specific personality traits would essentially become an entrepreneur.

However, attempts at defining entrepreneurship on the basis of their economic behaviour are also not free from debates. Risk-taking, as it has been demonstrated, is one of the major points of contention in this regard. Neither entrepreneur nor financier (capitalist in Schumpeter’s terminology) may be considered as a risk-taker. They may rather be considered as economic actors, who negotiate with and thus attempt to control and reduce risk. It would also not be appropriate to use the criterion of ‘profit-orientation’ in defining entrepreneurship, as entrepreneurship may be found in non-profit sector as well. However, business entrepreneurship is essentially related to profit-making. What is characteristic of entrepreneurship in both profit and non-profit sectors is ‘detection and exploitation of opportunity’. It is in this connection that innovation is considered as a determining criterion for defining entrepreneurship. Finally, establishment of organization is an essential element of entrepreneurship as it indicates a long-term planning. On the basis of all these considerations, for the purpose of present study, ‘entrepreneurship’ in business may be defined as a process of taking initiative to identify and exploit an emergent opportunity for making profit by establishing an organization and by controlling and thus reducing financial, psychological, and social risks.
1.3 Entrepreneurship and Risk

Considering the importance given to ‘risk’ by a large number of researchers on entrepreneurship it would be worthwhile trying to understand the relationship between entrepreneurship and risk in detail. One of the early scholars to write about risk was John Haynes. He discussed risk with reference to the desired distribution of reward for risk-taking in business. According to him, “if there is any uncertainty whether or not the performance of a given act will produce any harmful result, the performance of that act is the assumption of risk” (Haynes, 1895, p. 409). Other scholars who took part in this discussion at that time were J.B. Clark, Frederick B. Hawley, T.N. Carver, and Allan H. Willett (Wood Jr., 1964). Since then ‘risk’, as a term, has been defined in different ways. Whereas, some definitions have delimited the meaning to economic loss, others have expanded it to any kind of loss, injury, disadvantage, and destruction. Some definitions have considered risk as objectified uncertainty concerning the outcome of a given situation; others have defined it as psychological phenomenon that is meaningful only in terms of human reactions and experiences (Crowe and Horn, 1967; Athearn, 1971).

Any investment (in terms of time, energy, and material and non-material resources) is based on calculation of its future outcome. Such calculation relies on available information. However, the future outcome may be dependent on variables about whose existence information is not available or about whose variation accurate prediction cannot be made. More the presence of such variables, greater is the risk. Talking about business risk, Orione M. Spaid (1963) has mentioned that it is so multifarious in nature that it is easier to illustrate than to define it. However, he has identified three outcomes of the risks to be borne by business: reduction in value of assets, impairment of revenue, and extraordinary cost or expense. John H. Bickley (1959) has defined business risk as uncertainty with regard to the outcome of the business, surrounding the probability of gain or loss, and the amount thereof. According to him, only past can provide dependable evidence of such risk. However, he says that past knowledge of risk must be updated, when possible, with current knowledge regarding the difference between past, present, and future. According to Robert M. Crowe and Ronald C. Horn (1967), risk is the possibility that a sentient entity will incur loss. For them, risk is not a subjective phenomenon. They point out that ‘entity’ may be an individual as well as various kinds of groups and associations;
‘loss’, for them, is an involuntary reduction in the capacity of an entity to satisfy its wants.

With reference to entrepreneurship, the term risk is primarily used to indicate the chance of incurring financial loss. Risk of loss, which is measured by possible future fluctuation of multiple significant variables, is assessed only at the beginning of a project and attempt is made to devise appropriate strategies to reduce such risk. Whereas, throughout the implementation of a project, an entrepreneur has to execute strategies that he/she believes would reduce the risk involved in every decision taken by her/him. More than the issue of profit and loss, what is important at these stages is to reduce the risk of significant economic actors like government, financiers, customers, business partners, employees, and competitors behaving in unanticipated ways or fluctuation in the price and supply of production essentials. This may include the risk of change in government policy, risk of denial of finance by investors, risk of customer dissatisfaction, risk of inability to procure a capable workforce, risk of innovation by other significant economic actors, risk of fluctuation in the price and supply of raw materials, and many more. Even at the initial stage of a business project, such risk plays an important role in determining the success of a business initiative.

Therefore, with reference to entrepreneurship, risk would imply possible negative consequence of adoption or non-adoption of a particular action. For example, in an innovative technology products industry, organizations that are too contented with the revenue generated from their present products may eventually get annihilated if they do not take active interest in developing further products. Risk is never objective; the fact that risk requires to be perceived, makes the role of subject indispensable. However, unlike many other subjective realities, risk may still be real even if the subject who is exposed to risk is not aware of it. In such cases, others perceive risk. Risk is necessarily about future. However, it is based on knowledge, which has its roots in both present and past. Risk is meaningful only with respect to living beings. For example, considerable time is spent for calculating the risk of a business strategy only because living beings are dependent on the success of such a strategy. Considering all these aspects, with reference to entrepreneurship, risk may be defined as a subjectively identified phenomenon, whose occurrence in future may impair the capacity of an individual or a corporate body to function in the expected way, if a particular action is taken or avoided.
Actuarial Science, which is concerned primarily with developing protection shields from various forms of risk, has so far not been able to come up with insurances that can protect an entrepreneur from the risks mentioned above. Developing insurance for business risks is an important element of entrepreneurial strategy. One relevant component of such strategy is developing a package of rewards, both monetary and non-monetary, to be offered to economic actors on taking a specific decision. However, the question remains what would be the procedure for identifying an economic actor who would be interested in receiving such rewards, and what would be the method of ensuring the durability of relationship between the provider and the recipient of such rewards. Mass media may have an answer to the first question. However, no one can ensure the fulfilment of second requirement, save entrepreneurs, who are aware of extensive details about the economic actors concerned through intimate social relationships. Even in the first case, knowledge emerging out of embedded social relationships may prove to be an important resource. Therefore, the present research would attempt to understand the role that social relationships may play in insuring an entrepreneur against risk. In order to understand the resources embedded in social relationships we introduce the concept of social capital here.

1.4 Social Capital

In recent years, ‘social capital’ has emerged as a key concept that is applied in many fields. Many researchers are engaged in understanding the conceptual framework of ‘social capital’ (see Woolcock, 1998; Woolcock and Narayan, 2000; Westlund and Bolton, 2003; Li, 2007a). James Coleman credits G. Loury with offering the first definition of the term ‘social capital’. According to Loury, social capital implies “the set of resources that inhere in family relations and in community social organization and that are useful for the cognitive or social development of a child or young person” (Coleman, 1994, p. 300). This definition has since experienced considerable elaboration by different theorists. Social capital involves the intangible assets residing in social networks. It is generated through mutual obligation, expectations, and norms among members of social networks (Frazier and Niehm, 2004). As a concept, social capital looks into the functional aspects of various social structural components, and thereby facilitates analysis of individual action by
establishing a relationship between the structure and the agency. However, remaining within this broad framework, the definition of social capital offered by different theorists has differed significantly.

One conceptualization of social capital has visualized that a central premise behind the notion of social capital is investment in social relations with an expectation of securing returns in the market (Lin, 2003). From this standpoint, social network or social ties is considered quite critical for understanding social capital. Mark S. Granovetter (1973) is identified as one of the early contributors to the discussion on social networks. He has categorized ties depending on their strength, which is determined by the amount of time spent in maintaining a tie, emotional intensity of a relationship, and reciprocal services. According to him, whereas strong ties can be a source of support, weak ties may offer access to various external resources. R.S. Burt (1992) conceptualizes social capital as relationship with other players in a competitive arena including friends, colleagues, and more general contacts through whom one receives opportunities to use one’s own financial and human capital. Opportunities here include job promotions, participation in significant projects, influential access to important decisions, and so on. Considering the fact that competition is never perfect, social capital plays an important role in deciding who gets the opportunity. Social capital concerns rate of return in the market production equation.

Pierre Bourdieu has also conceptualized social capital from the point of view of its resource potential. He defines social capital as,

the aggregate of the actual or potential resources, which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital, a ‘credential’ which entitles them to credit, in various sense of the word. (1997, p. 51)

According to Bourdieu, social capital, in the form of networks, is essentially related to the cultural and financial capital possessed by other people in the network. He says that value of any capital lies in its convertibility. Social capital becomes valuable, because it offers access to other forms of capital (ibid.).

James Coleman (1988) has also defined the term ‘social capital’ by its function. According to him, social capital is not a single entity; it is rather a conglomeration of diverse entities, which are composed of some dimensions of social structures, and which facilitate various actions of actors. Unlike other forms of
capital, social capital lies in the structure of relations among actors. Social capital is jointly owned by parties to a relationship (Burt, 2000). No one player has exclusive ownership rights to social capital; it is a communal property (Cooke and Wills, 1999).

Credit for generating a widespread discussion among academicians and practitioners on social capital as a conceptual tool, particularly in the context of regional development, is often attributed to Robert Putnam’s book titled ‘Making Democracy Work: Civic Traditions in Modern Italy’ (1994). Putnam defines social capital as “features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (ibid., p. 167). Supply of social capital increases rather than decreases through use and become depleted if not used. Unlike other forms of capital, social capital is produced as a by-product of other social activities like religion, tradition, shared historical experience, and various other factors (Fukuyama, 2000). “Social capital is an instantiated informal norm that promotes cooperation between two or more individuals” (ibid., p. 3). Such norms can vary from reciprocity between two friends to complex and elaborately articulated religious doctrines (ibid.). Partha Dasgupta (2003) has considered social capital as identical with interpersonal network. Like Coleman (ibid.), he avers that there is no single object called social capital. It is rather a multitude of bits that may together be called social capital. Each bit reflects a set of interpersonal connections.

While talking about social capital as resources embedded in relationships, R.S. Burt brings in the concept of ‘structural hole’ to explain the separation between non-redundant contacts. Here, non-redundancy is significant with reference to resource value. For him,

Nonredundant contacts are connected by a structural hole. A structural hole is a relationship of nonredundancy between two contacts … Nonredundant contacts are disconnected in some way – either directly, in the sense that they have no direct contact with one another, or indirectly, in the sense that one has contacts that exclude the others. The respective empirical conditions that indicate a structural hole are cohesion and structural equivalence … Under the cohesion criterion, two contacts are redundant to the extent that they are connected by a strong relationship. A strong relationship indicates the absence of a structural hole … Two people are structurally equivalent to the extent that they have the same contacts. Regardless of the relation between structurally equivalent people, they lead to the same sources of information and so are redundant. Cohesion concerns direct connection; structural equivalence concerns indirect connection by mutual contact (Burt, 1992, pp. 18-19).
Structural holes are beneficial not only in terms of their resource potential, but also in terms of the opportunity they create in exercising control by utilizing information gap (ibid.). However, this argument may be questioned empirically. For example, the typical collectivistic culture of China dampens the control effects of structural holes. On the other hand, in organizations that foster a clan-like high-commitment culture, a culture that emphasizes mutual investment between people, the control benefits of structural holes are dissonant with the dominant spirit of cooperation. Information benefits of structural holes cannot materialize due to the communal sharing values in such organizations (Xiao and Tsui, 2007).

An important debate has evolved around the relationship that exists between social capital and trust. According to Putnam (1994), trust is an inseparable part of social capital. It promotes cooperation and vice versa. For him, trust is a component of social capital; social capital emerges out of civic engagements and not trust. Whereas, a completely reverse argument has been advocated by Dasgupta (2003), who states that social capital is just a component of trust formation. According to him, trust can be developed in different ways; interpersonal network is only one among them. It is not always necessary to know people personally to develop a relationship of trust. F. Fukuyama also gives a superior status to trust. According to him, trust has to exist in order for social capital to develop:

… social capital is a capability that arises from the prevalence of trust in a society or in certain parts of it … acquisition of social capital … requires habituation to the moral norms of a community and … acquisition of virtues like loyalty, honesty, and dependability. The group moreover, has to adopt common norms as a whole before trust can become generalized among its members. In other words, social capital cannot be acquired simply by individuals acting on their own. It is based on the prevalence of social, rather than individual virtues. (1996, pp. 26-27)

Over a period of time, trust has emerged as a phenomenon that has attracted significant attention from researchers belonging to different disciplines (see Lewis and Weigert, 1985; Li, 2007b). “Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time” (Arrow, 1972 as cited in Dasgupta, 2003, p. 334). Trust entails an individual’s “expectation about those actions of others which have a bearing on her choice of action, when that action must be chosen before she can observe the actions of those others” (Dasgupta, ibid., p. 312). Such expectation is based on one’s knowledge about
other actors’ disposition, about options available to those actors, about consequences of adopting such options, about actors’ ability, and so on (Dasgupta, 1988).

According to Fukuyama,

Trust is the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms, on the part of other members of that community. Those norms can be about deep ‘value questions like the nature of God or justice, but they also encompass secular norms like professional standards and codes of behaviour (1996, p. 26).

Trust is distinct from familiarity and confidence (see Luhman, 1988). Trusting a person means believing that when offered the chance, he or she is not likely to behave in a way that is damaging to others who are trusting her/him. Trust will typically be relevant when at least one party makes itself vulnerable to the other. Higher the level of trust, higher is the likelihood for cooperation. However, cooperation does not depend on trust alone (Gambetta, 1988).

Trust emerges out of reputation and reputation is an outcome of observed consistent behaviour over time. “Reputation is an asset, so people invest in it, in that they forego immediate gains for the purpose of enjoying benefits later” (Dasgupta, 2003, p. 314). Such arguments about trust and reputation may be linked to the writings of early contributors to this field like Granovetter. The notion of embeddedness advocated by Granovetter emphasizes,

… the role of concrete personal relations and structures (or ‘networks’) of such relations in generating trust and discouraging malfeasance. The widespread preference for transacting with individuals of known reputation implies that few are actually content to rely on either generalized morality or institutional arrangements to guard against trouble. Economists have pointed out that one incentive not to cheat is the cost of damage to one’s reputation; but this is an undersocialized conception of reputation as a generalized commodity, a ratio of cheating to opportunities for doing so. In practice, we settle for such generalized information when nothing better is available, but ordinarily we seek better information. Better than the statement that someone is known to be reliable is information from a trusted informant that he has dealt with that individual and found him so. Even better is information from one’s own past dealings with that person (1985, p. 490).

Following the foregoing discussion, ‘social capital’ may provisionally be conceptualized as social networks that have resource potential. Social networks here would imply more or less institutionalised social relationships which generate a ‘we feeling’ among the members. Such a definition of social capital is surely inadequate. For example, this definition of social capital does not explicate what such capital
consists of. However, improvement in this definition requires empirical data. It is evident that there exists some peculiarity in various institutionalised social relationships that gives rise to resources, which may be used for purposes other than maintenance of social structure. This peculiarity is primarily observable in the pattern of such social relationship, that is, in the nature of expectations and obligations existing among the members of such social networks.

Although social network is not essential for engendering trust, quite often trust is an outcome of close-knit social networks. Therefore, it would be improper to conclude that social capital (conceptualised as social networks having resource potential) implies only social network and not trust. Trust (as an outcome of social networks) may function as an important resource, having its applicability in areas other than maintenance of social structure. Even social network, by itself, should not be considered as social capital; it becomes social capital only when its resource potential for application has been identified. Another aspect, which plays an important role in the formation of social capital, is norms governing the pattern of exchange within a social network, for example, the norm of reciprocal exchanges. Putnam has identified two forms of reciprocity, namely, ‘balanced’ (or ‘specific’) and ‘generalized’ (or ‘diffuse’).

Balanced reciprocity refers to a simultaneous exchange of items of equivalent value. Generalized reciprocity refers to a continuing relationship of exchange that is at any given time unrequited or imbalanced, but that involves mutual expectations that a benefit granted now should be repaid in the future (1994, p. 172).

It is this second form of reciprocity which gives rise to a trusted relationship.

1.5 Indicators for Measuring Social Capital

Social capital, being a sensitizing concept, has found application in different areas of study like regional development, organization, and entrepreneurship. Studies related to social capital have, by and large, attempted to find out what role social capital plays. However, depending on the context, researchers’ opinions about the role played by social capital have varied distinctly. Whereas with regard to society or organization researchers have examined the role of social capital in bringing cohesion and collaboration among people, entrepreneurship researchers have tried to explore the role of social capital in facilitating entrepreneur’s effort in securing individual
advantages. Therefore, indicators for measuring social capital have also varied considerably depending upon the objectives of the researcher.

For example, for studying economic development through small-scale venturing there is a need to focus on the context at large and its networks, not the individual venture (Johannisson et al. 1994). Commercial transactions in Silicon Valley in the USA rely on deep-rooted relations of trust which emerge out of reputation about the ability and character of individuals. This kind of performance-generated trust is the building block of the particular form of social capital in Silicon Valley. Unlike the form of social capital observed by Putnam (1994) in the context of socio-economic development of Italy, the one functional at Silicon Valley does not generate out of civic engagements; rather it develops out of performance (Cohen and Fields, 1999). “All the rest (such as informal conversations in bars or bowling alleys) is, relative to many other places, somewhat underdeveloped and ancillary. It exists, it matters, but it is second in sequence and importance. It is not the defining or distinguishing element” (Cohen and Fields, ibid., 127).

Scholars have used different indicators for measuring social capital with reference to regional development. Following collation of S. Prakash and P. Selle (2004) those indicators may be classified into three categories:

(i) Participation, networks, etc.: This includes variables like associational milieu, group affiliation, associational membership, inter-associational linkages, participation in organizational work, membership in central bodies of one’s organization, length of participation, membership in labour-sharing groups, membership in multiple organizations leading to creation of organizational networks, involvement in collective action like dealing with crop-infection or approaching the government during natural disaster, time spent in collective action, participation in local and national voluntary associations, reading local news, voter turnout in referenda (in Italy), voter turnout in personal preference vote towards various political parties (in Italy), and one’s engagement in the school of their children (see Putnam, 1994, 1995; Pai, 1999 cited in Rudolph, 2004; Krishna, 2003; Caulkins, 2004; Dekker, 2004; Diani, 2004; Krishna, 2004; Stolle, 2004; Bandiera and Rasul, 2006; Antoci, Sacco and Vanin, 2007).

(ii) Concerns, opinions, and attitudes: This includes indicators like involvement in disciplining other’s children, views about political issues, views about scope
for existence of rural leadership devoid of personal interests, informal
discussion of politics, newspaper readership, reading about politics,
disagreement with an item of an anomie scale, attitude towards others as
revealed by a scale, agreement with the statement that everyone should do
voluntary work at times (considering that volunteering is something positive
as it is a burden), and readiness to act against injustice (see Putnam, 1994;

(iii) Trust: This includes indicators like sharing ownership of farm land, views
about generalized trust, trust in various institutional actors including
politicians, and trust in institutions like bank, court, police, parliament, union,
business and media, Catholic institutions, and army (see Dekker, 2004; Diani,
2004; Rothstein, 2004; Stolle, 2004).

With reference to organization studies, social capital may be understood
through associability, that is, willingness and ability of participants in an organization
to subordinate individual goals to associated actions, trust, social network, proportion
of partners and associates of a firm who has earlier worked in other industries and
other agencies and are, therefore, likely to have many valuable ties with potential
clients, proportion of partners and associates of a firm who have left the firm and
joined its potential clients, heterogeneity in the background of firm’s partners and
associates, heterogeneity in destination of partners and associates of a firm who have
resigned, shared codes, languages and narrative, norms, obligation and expectation,
and identification (Burt, 1997; Nahapiet and Ghosal, 1998; Pennings, Lee and
Wittelooostuijn, 1998; Leana and Buren III, 1999).

With reference to entrepreneurship, social capital is mainly understood
through social networks. Indicators of such networks may include range (the number
of external relationships to obtain resources), frequency of contact (with kins, friends,
suppliers, business associates, industry contacts, and local government), intimacy,
friendship, value sharing, and moral obligation (towards kins and friends), trust (kins,
friends, customers, employees, local residents, and local business owners),
commitment (towards customers, employees, local residents, and local business
owners), reputation (among customers, employees, local residents, business
associates, non-competing businessmen in other localities, suppliers, industry
contacts, and local government), longevity of social network (with customers,
employees, local residents, suppliers, business associates, industry contacts, and local
government), reciprocal relationship (with customers, employees, local residents, suppliers, business associates, industry contacts, and local government), goal-sharing (with local business owners), and infrequent contact (with business associates, and non-competing businessmen in other geographical localities) (Zhao and Aram, 1995; Frazier and Niehm, 2004; Tötterman and Sten, 2005; Rindova, Petkova, and Kotha, 2007).

In addition, social capital in the context of entrepreneurship may be measured by exploring indicators like having parents or friends who owned businesses, membership of business networks, having experience as a member of a start-up team (Davidsson and Honig, 2003), frequency of church attendance, and marital status of the entrepreneur (Honig, 1998). With reference to entrepreneurship among immigrant ethnic community, measurement of social capital requires certain specific indicators. These include the extent of retention of ethnic identity (absent/intermediate/strong), residence patterns (dispersed/intermediate/enclave), frequency of social events (absent/infrequent/frequent), retention of native language (assimilation/intermediate/strong), dependence on group assistance (independent/intermediate/interdependent), self-sacrifice for group success (none/intermediate/high), role differentiation based on sex (absent/intermediate/strong), class hierarchies (differential access to power roles) (absent/weak/intermediate/strong), resistance to acculturation (open/implicit/rigid), conflict resolution mechanism (absent/intermediate/strong), unequal inheritance distribution (equal/intermediate/unequal), endogamous marriage (open/intermediate/rigid) (Caulkins and Peters, 2002).

The argument of the current research begins by questioning the validity of certain indicators that have been used for measuring entrepreneurial social capital. Logically, it appears doubtful that we can infer about an entrepreneur’s social capital by measuring the number of people known to her/him, frequency of communication with those acquaintances, length of previous conversation with them, and duration of familiarity. For example, for securing financing it may be more useful to know one influential person in the investor community, than knowing a large number of unrelated people. This is not to say that knowing more people would never amplify an individual’s social capital. However, it would not inevitably be so. This means that context would play a significant role in deciding the indicators of social capital. It would rather be difficult to conceptualize universally applicable indicators for measuring entrepreneurial social capital.
Parameters mentioned above for measuring social capital among ethnic entrepreneurs appears suitable for that context. However, it is definitely inapplicable in non-ethnic context. At the same time, it needs to be assessed empirically whether it is appropriate to quantify social capital measurement at all and, if so, what variables can be quantified. As an alternative, it is also necessary to understand what can be an apposite procedure for making a qualitative assessment of social capital. However, for doing that there is need for a shift in theoretical perspective. Keeping these concerns in mind, the current study would base itself upon social constructionism in developing an understanding about the way in which various agencies construct meanings of the concept of social capital.

1.6 Social Capital and Entrepreneurship

Social capital is capable of being identified in social, political, and economic contexts, and is often associated with strongly integrated communities. However, not all strongly integrated communities exert the effects of social capital in respect of business activities (Cooke and Wills, 1999). In the context of entrepreneurship, social capital is utilized for various purposes including acquiring customers, attracting employees, building reputation, and discussing the ways of solving business problems (Anderson and Jack, 2002). Benefits of social capital are of two kinds: access to information and ability to control. Personal contacts get significant information to an individual before others receive it. It can also function as referral for future opportunities (Burt, 2000). There are primarily two ways in which social capital may influence access to various resources. First, personal relationships of the entrepreneur may allow access to resources that are not possessed internally. This rational choice perspective views social capital as a basic resource, which individuals may use only for their self-interested ends. Whereas, secondly, there exists the concept of social embeddedness, which also connotes individual freedom of action, but at the same time implies some form of reciprocity or mutuality. In embedded contexts, entrepreneurial agency would be shaped or nudged in different directions because of social obligations, expectations, trustworthiness, values, norms, and effective sanctions (Anderson and Jack, 2002).

With reference to entrepreneurship, social capital is visualized as a relational artefact. It is a by-product of the process of association whose primary purpose is to
understand each other. Formation of social capital is a process of negotiating to embed the self into an appreciative relationship with another (ibid.). It is not owned but represents a pool of goodwill residing in a social network and it can be envisaged as a revolving mutual fund of traded and un-traded interdependencies (Anderson, Park and Jack, 2007).

There are many indirect ways in which social capital may influence economic action (Lin, 2003; Khan, 2006; Meccheri and Pelloni, 2006). One among them is scope for the reduction of transaction costs associated with administrative procedures (Knack and Keefer, 1997). This is because achieving a coordinated action among a group of people possessing no social capital implies additional investment for monitoring, negotiation, litigation, and enforcement of formal agreements. Preparing a contract keeping in mind every contingency that may arise in future would become an expensive affair, and, naturally, it would be inflexible and costly to enforce (Fukuyama, 2000). Informal enforcement, involving a loss of reputation and future access to the market for any party that defaults on a contract, may often be a better alternative (MacLeod, 2007).

Similarly, business processes function well if knowledge is trusted (Fukuyama, 2000; Ojha, 2002). In an emerging economy, entrepreneurs often consider it essential to trust employees, suppliers, and customers. Trust is considered as useful for facilitating learning, reducing uncertainty and thereby increasing efficiency and effectiveness (Neace, 1999). This is also supported by other researchers (see Saxenian, 2000). Interpersonal trust is critical because competition is always imperfect. Had competition been perfect, one need not have depended on interpersonal trust; one could trust the system instead.

Most of the time new ventures lack access to essential resources like established products, longstanding customer relations, experienced managerial teams, sufficient capital, and strong reputation (Zhao and Aram, 1995). Social capital, particularly in the form of social network, may emerge as an important channel for accessing these resources (Svendsen and Svendsen, 2004; Hung, 2006; Ramachandran and Ray, 2006). In biotechnology start-ups, network formation and industry growth are significantly influenced by the development and maintenance of social capital. Firms that are structurally more constrained cooperate with partners who can be firmly embedded in the historical network structure. Enduring interfirm
ties sustain the structure that facilitates new cooperation (Walker, Kogut, and Shan, 1997).

Social capital may perform an important role in offering access to information and know-how that entrepreneurs do not have, but definitely need for better pricing, superior delivery, innovative merchandizing and accessing new products (Tötterman and Sten, 2005). Social capital building is associated with enhanced business, knowledge and innovation performance through linkage with external innovation networks (Cooke and Wills, 1999). However, the nature of information exchange and the frequency of exchange would depend on trust, commitment, reciprocal intention, and shared expectation present in the network, that is upon the strength of ties. Dense relationships with kins, close friends, employees, and customers may provide information, encouragement (or motivation) and necessary support required for initiating new business ventures. They may also provide information about customer attitudes, competitor activities, business concerns, and about financial matters. On the other hand, sparse weak ties with business acquaintances, suppliers, business associates, industry contacts and local government may provide information that serves as fuel for innovation and renewal of business strategies. Besides, they may also provide information about industry trends and market. Whereas strong ties in social network facilitate access to information that is not codified, is complex, or is rapidly changing, weak ties are often useful in tapping information about broader market and macro-environment. Access to unique information about customer needs and wants, or product availability can result in a competitive advantage over less-informed competitors (Frazier and Niehm, 2004).

However, there is growing empirical evidence that social embeddedness has negative consequences. Tightly controlled relationships reinforce social obligations and expectations that may limit the freedom of economic agents to recognize and exploit new opportunities. Previously instrumental relationships may turn into ‘dark resources’ or social liabilities that constrain rent-seeking activities of managers and entrepreneurs, affecting negatively their performance indicators (Batjargal, 2003). Despite their usefulness, personal relationships may have drawbacks in managing interfirm alliances. For example, strong interpersonal ties in alliances can sometimes prevent dissolution of faltering arrangements, as feelings of affection may prevent the making of difficult, yet prudent, termination decisions (Adobor, 2006). Excessive trust may as well have various negative consequences (see Goel and Karri, 2006;
Zahra, Yavuz and Ucbasaran, 2006). It has also been argued that social capital or social embeddedness can be of certain analytical use as conceptual tool, but that they hardly suffice to explain human behaviour in a detailed manner (Egbert, 2006).

Social capital, conceptualized as connections, may not be sufficient for accessing various resources. For example, in cosmetics and high technology industry in the United States

while entrepreneur’s social capital (as based on their reputation, social network, etc.) often helps them gain access to persons important for their success (e.g., venture capitalists, potential customers), their social competence then plays a key role in determining the outcomes they experience (e.g., whether they obtain financing, attract key employees, etc.) (Baron and Markman, 2003, p. 42).

Here, social competence includes skills like accuracy in perceiving others, skill at impression management, persuasiveness, etc.

Research focusing on the relationship between social capital and entrepreneurship has given considerable emphasis on studying social networks of which entrepreneurs and enterprises are part (see Ramachandran and Ramnarayan, 1993; Johannisson, 2000; Jack and Anderson, 2002; Hoang and Antoncic, 2003; Täube, 2005; Roberto, 2006; Bowey and Easton, 2007; Casson and Giusta, 2007; Cope, Jack, and Rose, 2007; Coviello and Cox, 2007; Elango and Pattnaik, 2007; Wu, 2007; Mainela and Puhakka, 2008; Wu, 2008). It has also highlighted how trust plays a crucial role in facilitating entrepreneurship (see Fowler, Lawrence and Morse, 2004; Brunetto and Farr-Wharton, 2007; Greiner, 2007; Marcuello-Servós, 2007). In this section, we shall specifically examine the importance of both social network and trust for the development of entrepreneurial social capital.

1.6.1 Social Network and Entrepreneurial Social Capital

Extent of diversity of entrepreneur’s social network is often considered as a variable determining business success. This is because homogeneity of social networks may lead to redundancy of information. Diversity existing in business networks facilitates business start-up process (Renzulli, Aldrich and Moody, 2000). However, such an argument may be contradicted empirically. For example, in Russia, network heterophily hinders entrepreneurial performance. The high proportion of non-industry ties in personal networks may redirect the attention, resources and time of entrepreneurs from key suppliers and customers. Relationship building and maintaining ties from industries other than one’s own negatively affect firms’
financial performance. This may suggest that too diversified networks are ineffective or inefficient for revenue growth, at least in Russian conditions (Batjargal, 2003). However, having social networks in industries other than one’s own may actually be useful in case of an industry like ICT whose value is generated by its application in different industries.

Granovetter (1973) has argued that, whereas strong ties in the form of close relationships with family members and friends are source of social support, it is the weak tie which provides access to various material resources which an entrepreneur requires for making an enterprise grow. However, such an argument may be contradicted with regional observations. For example, the support that new ventures in Germany receive from strong ties is more important for business survival and growth than support from weak ties (Brüderl and Preisendörfer, 1998). Similarly, in Taiwan’s network economy, the solidarity provided by family networks makes small initial business organizations possible (Luo, 1997). Membership in business network and earlier membership of a start-up team is significant in development of gestation activity (Davidsson and Honig, 2003).

However, appropriate strong ties do act as motivating factors for development of entrepreneurship. In Sweden, having parents and/or close friends and/or neighbours with business background, as well as receiving encouragement from friends and family members, facilitates an individual’s entry into entrepreneurship (Davidsson and Honig, 2003). Similar observation has been made about high-technology entrepreneurs in the USA who frequently come from families in which the father was self-employed, providing a role model that presumably stimulated his son’s desire for independence (Roberts, 1991). Both broad social and interorganizational strategic networks are important for successful start-up and ongoing competitive advantage (Butler and Hansen, 1991). At the same time, in Sri Lanka, it has been observed that social network of an individual entrepreneur provides more non-material support and information, while organizational networks, especially the supporting networks, provide financial support (Premaratne, 2001).

A large network is always useful for business growth. However, at the same time, increase in network size without a corresponding enhancement in diversity may cripple the network in significant ways. What matters is the number of non-redundant contacts. Contacts are redundant to the extent that they lead to the same people, and so provide the same information benefits. Non-redundant contacts are connected by a
structural hole, which is a relationship of non-redundancy between two contacts (Burt, 2000). In biotechnology industry, firms can realize performance benefits when their members repeatedly adapt the configuration of their social capital to changing resource needs, while inertia turns a firm’s social capital into a liability (Maurer and Ebers, 2006).

1.6.2 Trust and Entrepreneurial Social Capital

Researchers in recent times have started focusing on the role of trust in business ventures (see Soto, 2006; Welter and Smallbone, 2006). In the context of entrepreneurship, there is a close relationship between social network and trust. However, neither trust is essentially a precondition for formation of social network, nor vice versa. Rather, presence of one often facilitates the existence of the other. Every organization is subject to uncertainty emerging out of the behaviour of both market and partner organizations. Firms can attempt to reduce the risk emerging out of partners by shielding their association with legal contracts. However, considering the difficulty of doing so, organizations may have to trust a lot on the moral integrity and goodwill of their partners. Here, trust is a social-psychological bond between two or more partners that provides mutual confidence to both to pursue a relationship in which each may be vulnerable to the other (Ojha, 2002). Personalized business trust tends to be strongest under certain general circumstances. These include, first, conditions of fluctuating markets and consumer demand; second, a system of flexible, decentralized manufacture and distribution; and last, circumstances where avoidance of formal legal controls is necessary or desirable (Menning, 1997). Such trust, which is often visible in family firms, may at times require trust catalysts. In family businesses, different trust catalysts like high status friend, mother and wife, and outside advisor play crucial role (LaChapelle and Barnes, 1998).

Trust plays a critical role in the formation, maintenance, and transformation of interorganizational cooperative relationships (Neergaard and Ulhøi, 2006). Positive relationship exists between the level of interfirm trust and flow of incoming knowledge spillovers from business partners (Bönte, 2008). However, building interpersonal trust-based knowledge communities in industries which are dependent on innovative knowledge solution is to a large extent unrealistic (Kieser, 2001). Formation of interorganizational trust in the ICT industry is dependent on communication of trustworthiness (Kasper-Fuehrer and Ashkanasy, 2001). Interorganizational trust also has a strong and direct relationship with organizational
performance. It functions to smoothen negotiation processes and thereby reduce the
transaction costs of interfirm exchange. However, high interorganizational trust does
not necessarily indicate high interpersonal trust among the people in those
organizations. This is because boundary-spanning individuals come and go, whereas
the institutionalized structures and processes accompanying interorganizational trust
are more stable and enduring. Therefore, some researchers opine that interpersonal
trust does not have a direct relationship with organizational performance (see Zaheer,

However, a contradictory argument is also prevalent, whereby it is argued that,
without effective interpersonal trust, strategic alliances between organizations cannot
sustain. Given that strategic alliances are extremely beneficial for developing and
improving a firm’s level of competitiveness, interpersonal trust indirectly plays a
crucial role in influencing organizational performance. One crucial mechanism in
managing and reducing alliance risk is reliance on personal relationships between
managers in partnering firms. Personal ties are beneficial in that they can form the
basis for developing trust between partners, and they aid joint decision-making and
information sharing, thereby reducing some of the risks inherent in alliances (Adobor,
2006 and Patzelt and Shepherd, 2008). In Turkish automotive industry, development
of trust is facilitated by informal commitment (Wasti and Wasti, 2008).

Trust increases accuracy and quantity of information available to
organizational agents. This occurs in proportion with the level of trust between the
information provider and information receiver and the actor who bridges a structural
hole between the provider and receiver (Droege, Anderson and Bowler, 2003). In an
industrial district in Turkey

trust becomes a low ‘cost’ substitute for contracts; entrepreneurs/firms of the district establish
reliable relations and have confidence in each other because they know that information about
malfesance will be disseminated quickly, good or bad deeds will be reciprocated and those
who defect will be expelled from the district; in other words, trustworthy behaviour is a
rational choice. Furthermore, ... it is found out that entrepreneurs’/firms’ evaluation and
choice of a trusting exchange partner is based on rational factors (reputation, knowledge of the
industry, competence) rather than social (belonging to the same family, same town) (Oba and
Cioz, 2005, p. 179).

In India, depending on the nature of the industry, the basis of trust and the role
that trust plays in business vary considerably. For example, in low-end manufacturing
and trading business personalized trust based on experience of collaboration, caste
connection, etc. play important role. In contrast, higher end business depends more on institutionalized sanctions (formal contracts and bank regulation). However, this is not to say that higher end business does not depend on personalized trust at all. For example, among entrepreneurs in software industry in Chennai there is a striking combination of formal contract and institutionally backed sanctions and incentives, with trust built through personal connections (Harriss, 2002, 2003).

John Harriss observes that “… in the new context created by globalization a shift is taking place, depending upon institutional innovation, from a reliance on personalized relationships or ‘selective trust’ to a reliance on abstract principles and professional codes” (2003, p. 768). However, it is doubtful whether, even after such transformation, the relationships between large and small firms in traditional industries are going to be based on trust or they are going to be based on hierarchical arm’s length relationship resulting from higher power of one of the parties in the exchange (ibid.). Similar observation has been made in France as well (see Hancké, 1998). While firms in a local economy may derive mutual advantage from networking, which enhances the industrial strength of the whole area, individual firms compete with each other over prices charged and paid, over the ownership of technology, and over their relative of industrial markets (Oakey, 1993). For new ventures in Germany, personal network of the founder improves the probability of survival and growth of newly founded businesses (Brüderl and Preisendörfer, 1998). Networking does not bring any significant short-term benefits for a firm in the form of growth in employment or growth in total sales. However, networking is associated with high growth in the form of geographic extension of markets which suggests that networking sustains long-term objectives of the firms (Havnes and Senneseth, 2001).

The preceding discussion establishes the argument that with reference to entrepreneurship social network and trust may function as social capital. Nevertheless, the way in which they function as social capital varies regionally. As a result it was possible to observe contextual variation. One observation was that researches mentioned above have visualized social capital as rather constant; not much attention has been given to the possible temporal variation in social capital. Secondly, another aspect which requires exploration is the reason behind any kind of contextual variation. Finally, even though the role of social network and trust in entrepreneurship is well established, there is need to understand what is the nature of such necessity to be able to classify it as necessary and sufficient or just necessary.
1.7 Social Capital and Different Aspects of Business Operation

The previous section has established the importance of social capital for business venture. It has been discussed that social networks play diverse role for making a business venture grow. In order to understand this diversity it would be useful to look into various aspects of business operation and assess the importance of social capital for them. The various aspects of business operation that would be discussed under this section would be identification of business opportunity, access to customers, business growth, business financing, and human resource.

1.7.1 Identification of Business Opportunity

Social capital has major consequences for the nature of the industrial economy that society will be able to create. If people who have to work together in an enterprise trust one another because they are all operating according to a common set of ethical norms, doing business costs less. Such a society will be better able to innovate organizationally, since the high degree of trust will permit a wide variety of social relationship to emerge (Fukuyama, 1996, p. 27).

The above quotation clarifies that innovation is crucial to any business venture and it is innovation which, in turn, ensures the growth of an industrial economy. The question remains what facilitates innovation, how does one identify business opportunity. Knowledge is essential for identifying business opportunity. Many entrepreneurs acquire such knowledge through work experience. Entrepreneurs in high-technology industry frequently initiate their business activities in spheres which are closely related to technologies and/or market segment with which they are familiar through their prior work experience (Cooper, 2002). Identification of an opportunity sets the beginning of a business venture in any industry. However, the importance of identifying business opportunity does not end there. Having an ability to identify opportunities at regular intervals is what makes an enterprise distinctive. The importance of such ability is particularly high in an industry like ICT which is based on fast changing new technology (Ramachandran and Ray, 2006).

Information about possible business opportunity is scattered unevenly among the enterprises in the market (Soh, 2003). Entrepreneurs adopt different strategies for collecting information about business opportunities. This can include asking people who may be in a position to help them in identifying an opportunity as well as finding out from purchasing agents the items for which demand exists, but supply is poor. In many corporates, departments like R&D are institutionally entrusted with the
responsibility of identifying business opportunity. In addition to developing ideas on their own, R&D departments sometimes adopt ideas suggested by individuals from other departments like marketing, purchase, etc., who play boundary-spanning roles and thus bring into the organization information about market needs and new technologies (Cooper, 2002). Considering the variation in the information acquisition process, enterprises gain differential access to external information. It is in this context that role of social capital becomes important for identifying business opportunities.

The ability to integrate a large periphery of heterogeneous weak ties and a core of strong ties is a distinctive characteristic of a lead firm’s relational capability. Leveraging this dual network architecture provides fertile ground for leading firms in knowledge-intensive alliance networks to gain competitive advantages (Capaldo, 2007). Networking is an activity by which enterprises and individuals obtain potential information about untapped opportunities. However, networking may still be a time-consuming and expensive effort as information is dispersed unevenly among the enterprises in the market. Due to disparity in networking strategy, enterprises and individuals may gain differential access to external information about new technological opportunities. The firms with more efficient networking strategy, having business relationship with large number of firms and being centrally located in an industry network, will secure information before others and thus lead to better new product performance (Soh, 2003; Dyer and Hatch, 2006). A wide variety of research has asserted that the level of innovation/identification of opportunity is directly proportional to the intensity of networking (see Lippiarini and Sobrero, 1994; Julien, Andriambeloson and Ramangalahy, 2004; Arenius and Clercq, 2005; Eraydin and Armatli-Köroğlu, 2005).

Business networking in the form of alliances is not only a protective mechanism to create benefits of scale, but also an active way of creating entrepreneurial opportunities, and organizing high technology innovation (Moensted, 2007). However, influence of proximity on formation of interfirm network is one field about which researchers have made contradictory observations. ‘Technology spillover’-driven innovation in high-technology industry clusters like Silicon Valley in the USA has been influenced by social networks among geographically proximate firms (Cooper, 2002; Saxenian, 2000). Whereas, in Turkey, firms with global networks have higher number of innovations than firms with dense local networks.
(Eraydin and Armatli-Köroglu, 2005). In Ireland, as well, networking is more likely to involve firms in the international market than firms at lower geographical levels (Andreosso-O’Callaghan and Lenihan, 2008). In Australia, only small manufacturing firms relied more heavily on external knowledge networks as an input to innovation than did large firms (Rogers, 2004). Criticizing the relevance of local networking it has been argued,

... territorialised innovation theories rest on simplistic perceptions of embeddedness and space, and on functional notions of proximity which treat the firms as black box. The result is a considerable regional determinism. On the basis of recent network theory and empirical results, it is argued that firms do find knowledge sources on different spatial scales. Global networks or distant knowledge sources are particularly beneficial to innovation and firms are able to establish and participate in knowledge networks on all spatial scales (Lorentzen, 2008, p. 533).

In Belgium and Finland, individual’s education as well as place of residence influences her/his access to network resources and therefore her/his capacity to recognize opportunity. Higher education qualification facilitates entrepreneur’s ability to recognize opportunity through increased exposure to ‘knowledgeable others’ belonging to networks such as alumni organizations. Here, human capital of individual entrepreneur facilitates her/his entry into networks which provides access to information about business opportunities. At the same time, individuals residing in large urban centres are more likely to perceive opportunity compared to individuals residing in rural areas or smaller urban centres due to presence of various organizations like universities, research centres and service providers in those areas, which provide more possibilities to discover and exchange new information (Arenius and Clercq, 2005). Similar observations regarding the link between place of residence and utilization of social network was also made by other researchers (see Kristiansen et al., 2005).

1.7.2. Access to Customers

Accuracy and speed of business offerings are critical factors for success in a fast-changing competitive environment. While developing business relationships no one wants to take the risk of working with enterprises whose credibility is ‘unknown’. Firms look for strong brand names to be associated with. As a result, new enterprises have to struggle for getting their initial customers. In this context, networks play an extremely important role in any industry. Viewed from the perspective of enterprises in the ICT industry, networking provides access to not only valuable scarce resources,
but also customers. However, membership in networks does not come automatically. Entrepreneurs have to work continuously in order to secure entry into such networks. Getting access to such networks depends upon multiple factors like quality of business idea, reputation, and entrepreneur’s networking capabilities (Ramachandran and Ray, 2006). Entrepreneurial founding team members utilize different channels for accessing customers. Some use the reputation of the investors for this purpose. Some others use their own reputation developed by word of mouth reference, while networking at conferences or through publishing articles in refereed journals (Neergaard, 2005). For some, kins also play an important role as introducers to initial clients (Anderson, Jack and Dodd, 2005).

1.7.3 Business Growth

Relationship between networking and business growth is one area which has received considerable attention from the researchers (see Zhao and Aram, 1995; Chell and Baines, 2000). In Jamaica, social capital, in the form of marital status and church attendance, is significantly related to profitability of business for all micro enterprises excepting those in the higher tier. The reason for variation in the higher tier probably lies in the fact that this segment is addressing technologically more complex market which requires them to operate in a more bureaucratic or competitive market rather than focus on community markets and resources. The advantages provided by maintaining close associations with community groups through church participation may be lost if entrepreneurs are aiming their production at wholesale and export markets, where they have to deal with people otherwise ‘unfamiliar’ to them. In such cases, people who spend a lot of time in maintaining an active church life appear to be penalized financially, as the time they spend on developing community connection hardly helps them in their business (Honig, 1998).

In Italy, the outcome of industrial networks varies depending on the nature of leadership of an organization. Incremental type of contribution is dominant whenever professional management is present, while the relevance of ‘architectural and radical topologies’ increase when the entrepreneur is present. When the entrepreneur is leading and managing the business, more suppliers are involved in the development of new products (Lipparini and Sobrero, 1994). In Russia, possession of weak ties (acquaintances and not friends) is positively and significantly related to revenue growth. Structural autonomies found in weak relationships seem to provide greater room for flexible negotiations in buying and selling decisions, and this freedom may
facilitate the revenue growth. On the contrary, strong ties do not have any significant relationship with revenue growth. Having many friends as one’s business partners leaves little room for manoeuvring; financial concessions to strong ties directly harm firms’ revenues and profit margins. Neither do strong ties provide the benefit of network size and network heterogeneity (Batjargal, 2003).

Social capital developed from managerial networking and social relationships with top managers at other firms, government officials (political leaders and bureaucratic officials), and community leadership enhance organizational performance (Acquaah, 2007). Social capital impacts growth by assisting in the accumulation of human capital, by affecting financial development through its effects on collective trust and social norms, and by facilitating networking between firms that result in the creation and diffusion of business and technological innovations (Chou, 2006). Among the ICT entrepreneurs who are not located in the ICT hub, firm performance of entrepreneurs having diaspora networks is significantly better than those who do not have or do not avail of such networks. Frictions preventing entrepreneurs from locating themselves in the ICT hubs or from being able to access diaspora networks allow these differences to persist over time (Nanda and Khanna, 2007).

Business growth depends to a large extent on the ability of an enterprise to retain its existing customers and to secure new customers by remaining competitive. Therefore, firms need to collect information about their customers and competitors. In smaller firms this often becomes a responsibility of the entrepreneur, whose information and advisory network is frequently composed of family members and/or friends owning non-competing small firms (Shaw, 2006). Following Granovetter (1973), such strong ties, due to their being homophilous, have the disadvantage of information redundancy. However, empirical data contradicts such an argument; family ties need not be resource redundant. A large number of entrepreneurs receive strong support from their kin during the start-up stage in terms of business idea, finance, physical infrastructure, and advice (Anderson, Jack and Dodd, 2005). Often relationships with family members as well as friends from non-competing firms and existing clients function as multiplex relationships, which bridge the gap between personal and professional ties (Shaw, 2006).

One technique of increasing network heterogeneity is the use of personal communication network of employees. In certain firms, there are systems of
encouraging and rewarding (often in kind) staff for collecting market and competitive information using their personal network (Shaw, 2006). In the US wine industry, small firm entrepreneurs network even with their immediate competitors, other small firms, in order to compete with larger firms and thereby grow in business (Brown and Butler, 1995). However, this is never done by entrepreneurs studied by E. Shaw (2006).

One requirement for business growth is a strong entrepreneurial team. Strength of a team often comes from possession of diverse complimentary skills by team members. Management by a team, rather than an individual entrepreneur, is often a prerequisite in high-growth industries such as technology-based sectors, because of the wide array of skills needed to start a new technology-based venture. Sectors such as biotechnology and ICT often have high levels of team start-ups (Gartner, 1985 as cited in Neergaard, 2005; Littunen, 2000). However, heterogeneity of entrepreneurial teams, which gives competitive advantage to an enterprise and thereby facilitates its growth, does not come by default. Team members do not automatically possess dissimilar backgrounds. In fact, there is a possibility of homogeneity in the social and business network ties in which entrepreneurial team members are embedded. In many cases, entrepreneurial team members are either from the same family or they are childhood friends or classmates or work associates (Neergaard, 2005). This may result in lack of diversity in the entrepreneurial team. However, at the same time, friendship facilitates the formation of management teams for new ventures, thereby improving their early performance. It is also conducive to decision-making processes that enhance the team’s effectiveness in solving critical problems and improving venture’s performance. However, friendships, under different circumstances, may exert either positive or negative influences on turnover of the enterprise (Francis and Sandberg, 2000).

Successfully managing business crises helps in sustaining business growth. In the USA, owner managers of manufacturing industries depend less on building external ties when they perceive uncertainty in the market. Rather, they seek to cope with the situation by strengthening the network internal to their organization (Sawyerr, McGee and Peterson, 2003). Similar strategy is practised by entrepreneurs from metal product manufacturing firms and business service firms in Finland. Here, firms create competitive advantage, innovation and efficiency by strengthening
networks internal to the firm rather than emphasizing on external networks. Emphasis is also laid on working in groups (Littunen, 2000).

In business services industry in UK, small firms depend considerably on supply- and-demand-driven networks of informal personally based contacts with its clients and other business service firms for various purposes including filling particular market niches and competitive pricing. Without an ability to network with other firms, many small enterprises would not be able to offer a wider range of services at a competitive price. In comparison, consultancy and research firms have very little knowledge of their competitors. Here, client’s choice of external advisers is dependent on personal recommendations and on an informal selection procedure (Bryson, Wood and Keeble, 1993). The nature of the network influences the way in which firms in an industry grow. In Belgium, national and international contacts are more useful for business growth than regional networks (Donckels and Lambrecht, 1995). In Turkey, small firms are governed by traditional values, sectarian affiliations, family and social environment, rather than long-term business partnerships. This character of networks acts as an inertial force over technological and managerial improvements in small firms (Özcan, 1995).

1.7.4 Business Financing

Social capital can function as alternative collateral for those who lack access to ‘ordinary credit markets’. It may also provide access to financial capital, which is not available in the ‘ordinary credit markets’, for example, personal resources. In the absence of physical assets, which may be offered as surety, people may utilize their social connections (Putnam, 1994). For instance, “Taiwanese entrepreneurs opt to start their business ventures primarily through the use of network financing, since bank loans fall under the dominion of government policies” (Luo, 1997, p. 297). In Singapore and Beijing, “culture emphasizing the value of social obligation, the under-development of the legal/regulatory system and the immaturity of the venture capital market increased the proclivity of entrepreneurs to use network methods” (Zhang and Wong, 2008, p. 409). Besides, at times, an entrepreneur’s ability to secure finance from investors is facilitated by her/his personal relationship with the investors. For example, founders of a reputed software consulting firm, MindTree, used their networks for securing initial financial investment: “… the promoters knew the professionals in-charge of the two venture capital firms that invested in MindTree from their earlier jobs, one of them as colleague in Wipro. This facilitated

‘Direct ties’ (defined in terms of personal acquaintances), as well as ‘indirect ties’ (defined in terms of references by trusted individuals), influence a seed-stage investor’s decision to invest in new ventures by providing access to non-public information in a cost-effective way (Shane and Cable, 2002). For any investor, such informants may belong to different categories. This may include other entrepreneurs whose enterprise has already received investment from the same investor. Trust plays an important role in such mediated investments (Ramachandran and Ray, 2006). Building a trust-based relationship between entrepreneur and investor is essential for facilitating a successful capital investment (see Harrison, Dibben and Mason, 1997; Lapavitsas, 2007).

In various regions in Europe, networking among organizations involved in financing business ventures (banks, Chambers of Commerce, support agencies and educational institutions) facilitates the development of greater degree of specialization. Implicit in this development is the ability to cross-refer clients between organizations for specialist support and advice. Networking facilitates exchange of information and has the potential for improvement in procedure of bank risk-assessment of propositions from small firms (Deakins and Philpott, 1995).

Investment strategies of different categories of investors are not identical with one another. Investment strategies of venture capitalists (VCs) differ from that of angel investors in the United States. For collecting market information, VCs depend more heavily on their formal network with associates at other VC firms than on informal network informants. These associates are quite often co-investors who participate in risk-sharing. When it comes to risk, VCs primarily take market viability into consideration. The ability of the entrepreneur in executing a business idea is not always considered as an important issue. As one VC mentioned, “If the people are good and the idea is good, we will do the deal and replace the entrepreneur [if found unsuitable]” (Fiet, 1995, p. 216).

In comparison, business angels are more concerned with evaluation of the ability of entrepreneurs. Their information is often based on the extended industry experience that they have. Like VCs, they also distinguish between the information provided by their close associates, with whom they have had extensive investment experience, and that provided by mere acquaintances. However, unlike VCs, many
angel investors do not have a strong trustworthy formal network. Interestingly, despite having differences in strength of network, both VCs and angels spend significantly long time in conducting due diligence of a venture. The primary purpose of such due diligence is to assess the validity of the information already collected from various networks (ibid.).

Despite the growth of venture capital industry, banks continue to remain the main source of finance for smaller businesses. Provision of finance to these businesses is generally characterized by information asymmetries, which naturally lead to some amount of credit-rationing. Collateral is commonly utilized as a mean for protecting the bank from any kind of unfavourable information asymmetry. An alternative mechanism is to increase the flow of information between borrower and bank. This can be achieved by development of a close working relationship. The success of such a relationship depends upon the willingness of both the parties to involve themselves with each other and work together (Binks and Ennew, 1997). Within close-knit communities, information from third parties and community involvement affect the build up of trust. The implications are that bestowing trust may increase trustworthy behaviour leading to a spiral of trust. Instead, heavy monitoring may lead to lower levels of trust in a bank and lower demand for finance and/or less trustworthy behaviour (Howorth and Moro, 2006).

In the USA, firms seeking bank financing are more likely to get loans and to receive lower interest rates on loans if their network include a mix of embedded ties and arm’s-length ties with banks. This mix of ties result in network complementarity, with arm’s-length ties enabling firms to scan the market for loan prices and structures and embedded ties leading to lower interest rates. Socially embedded commercial transactions between a firm and the bank it borrows from increases the expectations of trust and reciprocity among the exchange partners. It also facilitates governance of financial transaction and promotes transfer of private resources that are inaccessible otherwise through market ties (Uzzi, 1999). However, … women-managed and minority-managed firms are less likely than other firms to access credit. One reason for these discrepancies may be that the “scripts” that white male RMs [Relationship Managers] use to forge ties with white male entrepreneurs are “coded” differently by minorities and women (e.g., an evening of dinner and the theatre becomes comparable to a “date”) because relationship-building involves contextually defined activities. These differences may therefore unintentionally hamper the formation of embedded ties between groups that use alternative scripts. Thus, one tentative conclusion is that prejudices
against an out-group may explain only part of the discrepancies in lending because collaboration among in-group members improves access for in-group members, even if out-group bias does not exist (ibid., pp. 501-502).

Other researches conducted in the USA also suggest differences on the basis of gender in access and utilization of credit. It has been suggested that women seek angel financing at rates substantially lower than that of men. However, according to these researches, women have an equal probability of receiving investment. It has also been documented that women are more likely to seek, and to a lesser extent receive, financing from women angels (Becker-Blease and Sohl, 2007).

Ethnicity may facilitate an entrepreneur’s access to financial capital. Immigrants to New York and Los Angeles in the USA often arrive with substantial financial capital or can obtain capital from family members back home. Ethnic groups may participate in informal credit associations or obtain loans from lending institutions (usually ethnic-owned) that consider the pre-migration finances of immigrants and the immigrant’s reputation in the local ethnic community. This combination of characteristics encourages self-employment. (Sanders and Nee, 1996).

However, according to other researches, ethnic resources like rotating credit associations are not as crucial for business establishment as they are for business operation. It is important only through giving a competitive advantage over other ethnic or minority groups who do not utilize them (Yoo, 2000). Among the ethnic entrepreneurs in UK, Africans/Caribbeans are in the most disadvantaged position in accessing bank loans. They have a higher tendency to turn to non-bank formal sources of start-up finance (including various sources of ‘last resort’ lending). Although some of these difficulties are associated with certain types of business activity in which the above-mentioned entrepreneurs are concentrated, sector is not a determining influence (Smallbone et al., 2003).

Leaving aside entrepreneurs who succeed in receiving formal investments at seed stage, for many entrepreneurs, seed capital comes from personal savings, family, and friends. Some of these funds which come through such strong ties are offered as expression of personal support, some other is made available because of personal confidence built up through past relationships (Cooper, 2002). However, according to some researchers, finance might be acquired both through friends and through regular market transactions. It is not always essential to have a strong relationship with investors in order to obtain money for a business start-up (Jenssen and Koenig, 2002).
Social obligation has no role to play in the investment decisions of many seed-stage investors (Shane and Cable, 2002).

1.7.5 Human Resource

The clustering of innovative industry both demands and creates a highly skilled local labour market. The growth of this agglomeration of labour, it has been argued, benefits both individuals and firms by providing the opportunity for matching labour demand with labour supply, which is crucial to sustaining innovation. Additionally, mobility within the local labour market is argued to be of collective benefit as the movement of the highly skilled within the cluster is a key mechanism for technology transfer and fostering of interfirm links. Social networks (social capital) are argued … to be the medium by which these activities are facilitated (Waters and Smith, 2008, p. 21).

In microbusinesses in UK the owner-managers use their weak ties for identifying prospective employees (Chell and Baines, 2000). Entrepreneurial founding team members use their networks for recruitment of human resource until these are exhausted. Then the entrepreneurs use network of the initial employees for this purpose (Neergaard, 2005). While environmental constraints are important considerations for adapting recruitment practices through networks, strategic needs and interpersonal dynamics are the key drivers behind the evolution of such practices. With transition from the start-up to the growth phase, entrepreneurial firms utilize different network pools in search of diversity, yet cling to strong ties to find talents with common values and goals (Leung et al., 2006).

However, the nature of social network that is used for recruitment may vary depending on contexts. During situations of political instability and civil wars, social network and trust may play an important role in vetting candidates for employment. Among Algerian small and medium enterprises (SMEs), an earlier tradition of basing recruitment on extended family networks has mutated, as a result of political instability, into narrower and more confining networks based on trust. Increasingly, in Algeria, the recruitment and selection of employees depend on the ability to gain the trust of employers. To cope with an increasing lack of physical safety and institutional support, many managers narrow down the pool from which they select and recruit their employees to personal networks connected by strong trust. Personal trust is found to be more important than family connections or any other factor as a defence mechanism against threats resulting from leaking information about the performance of the business, the business partners and the political affiliations of managers (Mellahi and Wood, 2003).
It is often perceived that members of immigrant ethnic community generally seek employment in firms run by people belonging to their own community. However, unlike ethnic economies, in which co-ethnics employ co-ethnics, immigrant economies develop when immigrants hire non-co-ethnic fellow immigrants. This situation usually arises when an entrepreneurial immigrant groups co-exist in a labour market with working-class immigrant groups that generate few entrepreneurs of their own. This is visible in garment industry in Los Angeles where only a third of immigrant employees find jobs in a conventional ethnic economy (Light, Bernard and Kim, 1999). This implies that immigrant ethnic entrepreneurs are not always particular about employing people from their own ethnic group, specially when the institutional environment is trustworthy.

This section has attempted to highlight the important contributions that have been made by social capital researchers to the various functional areas of business operation. Two aspects which have visibly received more focus from the researchers are business growth and business finance. In comparison, other areas are in need for more empirical contributions. Specifically, research concentrating on studying business start-ups needs to focus on the role of social capital in identification of business opportunities, accessing customers (particularly initial customers), and locating human resource. There is even need for further research on the role that social capital may play in the process through which start-ups secure financing. Considering all these research gaps there is need for further empirical research. The discussion has also showed that the role of social capital varies contextually; there is need for further research to identify contextual factors.

1.8 Nature and Forms of Entrepreneurial Social Network

There has been a steady increase in the number of studies in the area of entrepreneurship focusing on structures of entrepreneurial networks (see Johannisson, 1986; Paché, 1990; Birley, Cromie and Myers, 1991; Larson, 1991; Shaw, 1991; Curran et al., 1993; Johnston, Peters and Gassenheimer, 2006; Wang and Watts, 2006; Elfring and Hulsink, 2007; Han, 2007; Virkkala, 2007; Siu and Bao, 2008). Networks may be developed artificially in an institutionalized way. This may include trade organizations, strategic alliances, and supplier-buyer networks (Frazier and Niehm, 2004). Similarly, business incubators may provide entrepreneur tenants with a wide
range of contacts with consultants, financiers, advisers, lawyers, accountants, patent authorities, mentors, other tenants, post-incubated companies, and some external companies (Tötterman and Sten, 2005). Some of the educational institutions also facilitate the development of entrepreneurial network by linking academics and industry (see Grandi and Grimaldi, 2003; Nicolaou and Birley, 2003).

Sometimes, business network is incubated through the development of formal associations. The role of two such organizations in New Zealand, namely, Wellington Chamber of Commerce and Canterbury Business Advisory Foundation is illustrative of this. Members of both networks share a strong feeling that business growth depends on expanding personal contacts (Perry, 1996). In the USA, not-for-profit organizations are found to be excellent for setting up business networks because of their trustworthiness (Cooke, 1996). However, it has been observed that government agencies may unintentionally destroy existing, well-functioning, interorganizational cooperative arrangements (Neergaard and Ulhøi, 2006).

In addition to institutionalised networks there can be informal personal connections. It is this type of network, unlike organizational network, which the small entrepreneurs often find to be more cost and time effective. Informal networks develop when members utilize ties based on social relationship, kinship, or geographic proximity (Frazier and Niehm, 2004). For example, in Finland, small coffee rooms existing in some incubators perform an important role in expanding informal social networks. At incubators, where there is a lack of physical proximity among the tenant entrepreneurs, proximity is a generally felt need (Tötterman and Sten, 2005). Similarly, parties and nightlife of ‘Silicon Alley’, New York City’s internet industry, help to constitute the production of the industry and not the other way round (Neff, 2005). However, proximity may not always facilitate development of informal relationships. For example, in business incubators where tenants were fierce competitors, physical closeness may actually increase mental distance (Tötterman and Sten, 2005).

It has been observed that entrepreneurial network may be local, regional, national, or international. There are various factors which influence the geographical location of entrepreneurial networks. According to some researchers, entrepreneurs who live in the ICT hubs in India, where the local institutional environment is strong, are able to avail these benefits and do not necessarily gain significantly from relying more on diaspora networks. Entrepreneurs based in smaller cities, however, are faced
with a weaker institutional environment, where information asymmetries create barriers to trade. Entrepreneurs who have lived abroad and are currently located in smaller cities are much more likely to tap into diaspora networks for help with their business (Nanda and Khanna, 2007). However, this argument can be contradicted by stating that in the ICT industry in Bangalore, a large city in India with strong institutional environment, transnational diasporic networks play an important role for development of entrepreneurship (Upadhya, 2004; Upadhya and Vasavi, 2008).

Many a time, this variation in the nature of networks is an outcome of the nature of activity in which the enterprise is engaged. For example, many technology-intensive small firms need to internationalize their activities, and especially sales, at a very early stage of their development because of the limited and global nature of the technological market niche which they are attempting to exploit. Such firms in UK are engaged in a range of international networks and internationalization processes, including internationalization of markets, research collaboration, labour recruitment, ownership and facilities location. However, this does not mean that for these firms local networks were substituted by international networks; the firms are instead embedded in strong local networks in research collaboration and intra-industry links (Keeble et al., 1998). It has been found that inter-firm trust between geographically close partners exceeds that between distant partners (Bönte, 2008).

For small firms in traditional industries in the USA, proximity did not seem to be an important factor shaping the structure of inter-firm informal networks (Kingsley and Malecki, 2004). Whereas, for wineries in the same country, transnational and transregional networks, even with modern forms of communication available, are not as effective as networks that exist locally (Brown and Butler, 1993). Similar is the case of SMEs in Aberdeen oil complex in UK, for whom extra-local networks play a crucial role in providing access to wider sources of information and knowledge. However, at the same time, an Aberdeen location still matters to oil-related firms as it offers access to crucial forms of industry-specific information and expertise (Mackinnon, Chapman and Cumbers, 2004).

In the discourse over role of social networks in entrepreneurship, discussion over inter-firm alliances has occupied a critical position. Alliances have often been defined as voluntary arrangements that two or more firms get into for the purpose of sharing or co-development of products, technologies, or services. Formation of alliances is often dependent on various forms of social networks. For example, among
small manufacturing firms in the USA, formation of inter-firm alliances depend on the social network of executives (BarNir and Smith, 2002). Often initial relationships between business partners lack social relationships. However, with time, some of these business relationships develop into close ties. In an embedded relationship, firms may invest in specialized assets, develop specific knowledge of their partner’s plans and problems, and do more than required by the letter of the contract. Such alliance partners may be identified through stakeholders like suppliers (particularly in small firms) and members of board of directors (Cooper, 2002). In Norway and Sweden, personal networking involvement of few directors may be of greater importance than having many directors on board. However, it has been observed that level of networking by board members differed depending on the incentives received by them (Borch and Huse, 1993).

Formation of alliance for developing cooperative outsourcing, a major means of downscaling, is found to be of special relevance for small firms (Suarez-Villa, 1998). For small independent firms, the creation of alliances across national boundaries is a social event that relies upon the building and nurturing of a series of entrepreneurial networks. Such networks may be realized through the use of gatekeepers who facilitate the creation of a ‘network-of-networks’, that is, a global network of local networks. Social events, such as international symposia, exchange programmes, or conventions are important mechanisms for identifying potential partners (Hara and Kanai, 1994). To be an effective competitor in today’s global marketplace one needs to be an effective cooperator in some network of organization. Such cooperative networks are characterized by relationship commitment and trust. Commitment and trust develop when firms attend to relationship by (i) providing resources, opportunities and benefits that are superior to the offerings of alternative partners; (ii) maintaining high standards of corporate values and allying oneself with exchange partners having similar values; (iii) communicating valuable information, including expectations, market intelligence, and evaluation of the partner’s performance; and (iv) avoiding malevolently taking advantage of their exchange partners (Morgan and Hunt, 1994).

Over a period of time, existence of trust in entrepreneurial venture has emerged as an important area of research (see Lane and Bachmann, 1998; Dibben, 2000). Inter-firm cooperation is strongly influenced by various forms of network (Håkansson and Johanson, 1988; Walker, 1988). Embeddedness is a significant factor
in the evolution of new, technology-based firms. In becoming immersed in a network, the crucial step seems to be establishing the initial intensive linkages, or finding the right niche in the network (Yli-Renko and Autio, 1998). Silicon Valley in the USA is characterized by long-term trust-based alliances between system firms and interdependent but autonomous supplier firms, which emerged out of longstanding tradition of informal information exchange, inter-firm mobility and networking. Collaboration with suppliers is seen as a long-term investment (than a short-term procurement relationship) which is needed for pacing up new product introductions and improving product quality and performance. This is more of a reciprocal relationship where both sides are committed not to take advantage of one another when market conditions change. It involves supporting suppliers through tough time – by extending credit, providing technical assistance or manpower, or helping them find new customers (Saxenian, 2000).

Entrepreneurship necessitates networks of various forms. Five different forms of networks are utilized by small rural retailers in the United States of America. ‘Advisor’ network comprises of few localized dense ties with kins and friends. ‘Grapevine’ network is composed of large localized dense ties with employees, customers, and community residents. ‘Merchant’ network consists of large localized dense ties with local business owner. In advisor, grapevine, and merchant networks, the rural retailers hold a central position. ‘Inspiration’ network consists of sparse weak ties with business acquaintances who are situated outside the geographical locality. Finally, ‘expert’ network involves sparse weak ties with suppliers, business associates, industry contacts and local government. Both ‘inspiration’ and ‘expert’ networks are based on weak ties with people who are not located in nearby geographical area. Here, the rural retailers are located at the periphery of the network. These relationships are purposefully initiated and sustained. Finally, the same individual may be part of more than one type of network. The distinction between social and business network in such cases is quite often blurred (Frazier and Niehm, 2004).

Actors in the social network of entrepreneurs may be broadly divided into six categories, namely, kins, friends, co-workers, business associates, consultants, and fellow group or association members. This categorization is based on the premise that resources received from them would differ. However, there is a possibility for existence of heterogeneity of resources from similar types of relationships (Renzulli,
Aldrich, and Moody, 2000). At the same time, there is also a possibility of resource homogeneity across diverse relationships. In this context, it would be relevant to bring in the term ‘multiplex relationships’, where the same actor may perform more than one role with reference to entrepreneurship (Greve and Salaff, 2003). Structure of entrepreneurial social network varies depending on the industry and the scale of business operation (Tötterman and Sten, 2005). For example, in Sweden, in comparison to traditional entrepreneurs, those in knowledge-based firms invest more time in networking and also build more focused networks. Entrepreneurs in science parks establish less dense local networks than traditional entrepreneurs in the industrial districts. However, differences between knowledge-based and traditional firms with respect to personal networking are reduced over time (Johannisson, 1998).

It is erroneous to perceive that entrepreneurial networks are constant. Their structure as well as functioning change with time. In Netherlands, it was observed that outsourcing, supplier, and cooperative relationships shift from social to business contacts over time, whereas sales relationships shift from business to social contacts (Schutjens and Stam, 2003). It has been found that, in Russia, greater the initial network size, the less is the increase in network size, strong and weak ties, and resources over time (Batjargal, 2006).

Entrepreneurial networks change as the venture grows. Growth of entrepreneurship may be divided into three different stages. In the motivation phase, entrepreneurs discuss the initial idea and develop their business concept. In the planning phase, entrepreneurs prepare to set up a firm. Getting the necessary knowledge and resources in this phase entails quite diverse activities. In the establishment phase, when entrepreneurs establish and run a firm, they focus more narrowly on daily activities, or exchanges, and on problem solving. The stage of entrepreneurial growth plays an important role in determining the size of network discussion partners of entrepreneurs. Network size is largest in the planning phase and smallest in the motivation phase. There is a significant difference in the size of network between motivation phase and establishment phase. Similarly, there prevails a significant difference between network size at motivation phase and planning phase, on the one hand, and between motivation phase and establishment phase, on the other. However, there is no significant difference in network size between the planning phase and establishment phase. Like network size, the time spent on developing and maintaining the network also varies depending on the entrepreneurial stage.
Entrepreneurs spend least time behind network development and maintenance in the motivation phase and most time in the planning phase (Greve and Salaff, 2003).

As regards the effect of having family members in entrepreneurial networks, researchers have come up with contradictory conclusions. One conclusion is that entrepreneurs with a high percentage of family members in their networks spend significantly less time in maintaining their contacts than others (ibid.). Another argument is that entrepreneurs having strong family relations as network participants take energy and focus away from the external aspects of strategic management (Borch and Huse, 1993). It appears that the effect of the presence of family members in entrepreneurial networks may vary contextually. Similarly, various other factors related to entrepreneurial networks vary depending on context. Keeping the importance of context in mind, the present section would highlight different contextual factors like entrepreneur’s educational qualification, gender, ethnicity, as well as, region. This section would also highlight on the geographical expanse of entrepreneurial network as well as inter-firm alliances as entrepreneurial networks.

1.8.1. Education and Entrepreneurial Network

In the USA, education and previous work history does not significantly affect the likelihood of business start-up (Renzulli, Aldrich, and Moody, 2000). In Sweden as well general formal education is found to have no measurable effect on entrepreneur’s success in business gestation activity. However, attending a course on business education as well as having previous experience of start-up as a team member are useful in executing a business idea (Davidsson and Honig, 2003). Even though formal education as human capital does not directly influence entrepreneurial performance, indirectly it does influence business by structuring the nature of business network formed by them. In Netherlands, the level of education of entrepreneurs influences the location of business relationships developed by them: highly educated entrepreneurs are relatively strongly oriented outside their own region for all business relationships except supplier relationships (Schutjens and Stam, 2003).

Education is also found to be indirectly useful for the Korean immigrants in Atlanta, Canada. It has been observed that class resources based on educational background play a decisive role in the establishment of social networks, which provide valuable resources for business establishment. In addition, educational background is crucial from the starting point of business establishment by
facilitating valuable business information and connections in the community … considering that those with higher educational backgrounds have more dedicated and stronger social networks, and that most business information is acquired through social networks, those with higher educational backgrounds enjoy better conditions in which to start businesses and efficiently utilize resources such as money from Korea. Therefore, the fact that Korean immigrants with higher educational backgrounds start businesses sooner, often immediately, after immigration appears to have been influenced by the social networks based on class resources (Yoo, 2000, pp. 360-361).

Effect of education is also visible in the networking strategies practiced by the ICT entrepreneurs in Bangalore, India. Many of these entrepreneurs are involved in transnational networks with alumni and/or ex-colleagues. Educational qualification is a prerequisite for participating in these networks (Upadhya, 2004; Upadhya and Vasavi, 2008).

1.8.2 Gender and Entrepreneurial Network

Women and men are equally likely to start a business in the USA. Entrepreneur’s age, sex, marital status, and number of children have no direct correlation with business start-up (Renzulli, Aldrich, and Moody, 2000). However, gender does have an effect on the structure and functioning of entrepreneurial network. In Italy, Norway, Sweden, and the USA, women often have more kins in their networks than men (ibid.; Greve and Salaff, 2003), which, for many, act against business start-up. The reason for this may lie in the valuable time consumed in maintenance of kin ties. The number of family members in entrepreneur’s discussion networks varies from country to country. In general, in all the countries mentioned above, female entrepreneurs have more network partners than males (Greve and Salaff, 2003). In both Italy and the USA, personal networks of women still include few men (Aldrich, Reese, and Dubini, 1989). However, not all researches agree about the differences in entrepreneurial network based on gender. Other research findings suggest that, in Ireland, the level of heterogeneity of business networks remain the same for both male and female entrepreneurs. Women are as active in their networking as men and they are no more likely to consult family and friends than are men (Cromie and Birley, 1992). It has also been asserted by other researchers that entrepreneur’s gender does not bring any difference in structure and performance of a firm (Smeltzer and Fann, 1989).

Ethnic Iranian women entrepreneurs in Los Angeles in the USA are active participants in ethnic economy. Gender is an important factor in determining one’s
access to ethnic resource utilization at these work sites. Women’s business in the 
ethnic economy, similar to men’s, makes use of family labour and is highly labour 
intensive. Through their businesses, Iranian women entrepreneurs have diversified 
and expanded their range of social contacts beyond their own religio-ethnic networks 
in the Iranian community. Iranian women entrepreneurs in Los Angeles make use of 
their gender resources and the distinct ethnic component that they embody to create 
small businesses in settings where work and social activity converge, such as in case 
of home-operated businesses. In home-operated businesses, the social visit and 
networking that occurs is essential to the economic transaction that follows. In such 
work environment information regarding happenings in the community, new friends, 
as well as employment and purchasing possibilities occur simultaneously (Dallalfar, 
1994).

1.8.3 Ethnicity and Entrepreneurial Network

Ethnicity often plays an important role in the development of business 
networks among immigrant entrepreneurs (Yetim, 2008). Social capital facilitates the 
growth of business initiatives undertaken by ethnic minority communities in Scotland 
(Deakins et al., 2007). Different kinds of networks are visible among Israeli 
immigrants in Los Angeles: while they collaborate with American Jews and reveal 
solidarity on a community-wide basis, those sharing commonalities based on 
premigration ties appear to have developed especially active networks (Gold, 1994). It 
has been observed that Manangi trade communities in South and Southeast Asia use 
kinship and religious practices to sanction a system of social and economic 
cooperation in their community. By pooling labor, information, material and financial 
resources, ensured by trust and mutual obligation, they can lower their operating 
costs. By extending kinship relations to societies abroad, such as through marriages 
with local women, they can have access to both local and ‘translocal’ trade networks, 
as well as, reduce protection costs (Ratanapruck, 2007).

Social networks comprising the ‘community’ and the ‘family’ play a central 
role in the operation of an ethnic enterprise. However, reliance on these networks is 
frequently shaped by racism in the wider environment; and the network itself is not an 
unqualified resource (Ram, 1994). Social capital located in immigrant ethnic groups 
does not necessarily play an important role in the development of self-employed 
people, particularly in the first generation. Instead, family-based social capital may be 
more supportive of immigrant entrepreneurship (Caulkins and Peters, 2002). At the
same time, not all members of ethnic groups would require community or family-based social capital. In Canada, immigrants entering the host society with pre-migration intentions of business ownership possess sufficient human capital to enable them to disregard the formation and utilization of ethnic social capital in their economic adaptation (Marger, 2001).

Commonly, it is perceived that family-based homogeneous ties play a significant role in traditional businesses. However, this need not essentially be so. Gold traders in West Africa have established intricate webs of relations based on personal dyadic affiliations. These extended networks are very heterogeneous, involving a multitude of actors, spanning regional, ethnic and social categories. It is not a business carried out by members of a single ethnic group. Despite this heterogeneity, confidence between all actors is created, particularly in this case, where there is no legal recourse when informal contracts are broken. A patron-client system of risk-sharing at various economic levels is the basis both for economic rationale and cohesion among all actors (Grätz, 2004).

1.8.4 Region and Entrepreneurial Network

Entrepreneurial networks vary depending on geographical location of the entrepreneurs or the political system within which they have to function. Entrepreneurial networks in China take a specific form as a result of the existence of a Communist political system. Traditional patron-client relationship is functional in a different way in the market economy in China. Under a Communist political system it is essential for entrepreneurs to maintain a close network with the state. Entrepreneurs refer to their ties with officialdom in Government as gunaxi capital and classify their gunaxi capital by the principles of efficacy. Efficacy refers to the degree of benefits that an entrepreneur hopes to receive from a tie relative to the cost of developing it. One tool for measuring the efficacy of gunaxi is ‘connectivity’ which refers to the extent that a patron links an entrepreneur to others in the bureaucracy. Connectivity is efficacious because a tie with a cadre can give an entrepreneur an access to the cadre’s ties with others, reducing the probable cost to the entrepreneur of developing each tie from the scratch. Similarly, another way of judging efficacy of gunaxi is ‘obligation’, which stems from consanguinity. Strongest obligations is “endowed” gunaxi capital that is ascriptive and produced by birth (Wank, 1996).

Somewhat weaker ties accumulated through life experiences are called gunaxi savings. Savings are personal ties formed prior to the business career that has been
‘pulled over’ for commercial purposes. They involve ‘emotional’ attachments created by shared experiences. Affect is stronger if the shared experience was in childhood or youth. The weakest obligations are found in gunaxi investments. These are personal ties forged after inception of business for commercial ends (ibid.). Guanxi networks can explain well members’ effectiveness as work team member. Effects of members’ guanxi networks on individual effectiveness as work team member are mediated by member’s centrality in trust networks (Chou et al., 2006).

The political system emerging out of socialism also tended to influence the pattern of institutional trust existing in a country. Performance of SMEs in the ICT industry in post-socialist eastern Germany was negatively affected by entrepreneur’s perception of a general lack of market power (Nuissl, 2005).

The nature of entrepreneurial networks may differ regionally. For example, professional networks of the Chinese software entrepreneurs are smaller, denser and more homogeneous in educational specializations, compared with the networks of Russian entrepreneurs. Furthermore, both ties and interpersonal trust in the referral tie are stronger in China than in Russia (Batjargal, 2007). In the USA, weak-tie networking among entrepreneurs was less than those among the managers (Katz and Williams, 1997). In UK that social networking pattern of self-employed persons is similar to that of salary/wage earners (Dodd, 1997).

Comparative data collected from Italy, Norway, Sweden, and the USA shows that the number of the network discussion partners varies depending on entrepreneur’s country of residence (Greve and Salaff, 2003). Another study supported by comparative data collected from Ireland, Greece, Italy, Japan, Scotland, Sweden, and the USA concludes that the number of both strong and weak ties is smaller for Scottish entrepreneurs in comparison to their counterparts from other countries mentioned above. It is presumed to be a consequence of the geographic isolation of the region used for the study. However, network size is not influenced by the number of years an entrepreneur has run a business. Similarly, having self-employed parents does not have any effect on the size of network of an entrepreneur (Dodd, Jack and Anderson, 2002). Even within one region, entrepreneurs may differ from one another. For example, entrepreneurs in England differ in their networking activities according to the competitive strategy pursued by the firm (Ostgaard and Birley, 1994).
A survey of small and medium size firms in Slovenia and Bosnia-Herzegovina shows that the institutional environment in Slovenia gives rise to more trust, which facilitates actors to base their business relationships on trust rather than on contract. In addition, when actors rely on trust, it is usually institutional trust, not interpersonal trust. In contrast, Bosnia, with a weaker institutional environment, generates less trust, leading actors to base their economic relationships on contract. Even when trust is used in Bosnia as a basis of business relationships, it is likely to be centred on interpersonal trust (Rus and Iglič, 2005).

From the prior discussion it can be observed that the binary opposition between strong/dense ties and weak ties that Granovetter had proposed in his article published in 1973 still continues to have a significant influence on social network literature. However, the validity of this binary opposition appears questionable. As both the terms are subjective, comparison becomes difficult. There is need for better terminology. Some researchers (see Neace, 1999; Anderson and Jack, 2002) have argued that formation of social capital is not necessarily related to its utility. For some entrepreneurs, formation of social capital is an end in itself; establishing social networks is more important than utilizing them. However, the validity of this observation appears questionable as no entrepreneur would get involved in formation of social capital if there is no potential for value.

1.9 Research on Entrepreneurial Networks: Methodological Issues

Entrepreneurship is a relatively new area of research. As a result, it is subject to considerable experimentation by the researchers. Different research designs have so far been adopted by scholars. These include exploratory research design (for example, Shaw, 2006), and ethnography (for example, Larson, 1991; Jack and Anderson, 2002; Harriss, 2003). Some researches have adopted a longitudinal approach (for example, Schutjens and Stam, 2003; Shaw, 2006). Geographically, researches on entrepreneurial networks have been conducted in different regions. This include Australia (for example, Rogers, 2004), Belgium (for example, Donckels and Lambrecht, 1995; Arenius and Clercq, 2005), China (for example, Zhao and Aram, 1995), Denmark (for example, Cooke, 1996; Cooke and Wills, 1999; Neergaard, 2005), Finland (for example, Yli-Renko and Autio, 1998; Arenius and Clercq, 2005), France (for example, Cooke, 1996; Hancké, 1998), Germany (for example, Deakins
and Philpott, 1995; Cooke, 1996; Brüderl and Preisendörfer, 1998), India (for example, Ramachandran and Ramnarayan, 1993; Harriss, 2003; Ramachandran and Ray, 2006), Italy (for example, Lipparini and Sobrero, 1994; Cooke, 1996; Grandi and Grimaldi, 2003), Jamaica (for example, Honig, 1998), Netherlands (for example, Schutjens and Stam, 2003), New Zealand (for example, Perry, 1996), Sweden (for example, Davidsson and Honig, 2003), Turkey (for example, Özcan, 1995; Eraydin and Armatli-Köroglu, 2005), United Kingdom (for example, Bryson, Wood and Keeble, 1993; Ostgaard and Birley, 1994; Deakins and Philpott, 1995; Cooke, 1996; Dodd, 1997; Keeble et al., 1998; Cooke and Wills, 1999; Dodd, Jack and Anderson, 2002; Jack and Anderson, 2002; Anderson, Jack and Dodd, 2005; Shaw, 2006), and the USA (for example, Fiet, 1995; Cooke, 1996; Katz and Williams, 1997; Uzzi, 1999; Baron and Markman, 2003; Sawyerr, McGee and Peterson, 2003; Soh, 2003; Kingsley and Malecki, 2004; Forbes et al., 2006).

Researchers have utilized different sources to identify their study participants. This has included annual trade publications like Network World (for example, Soh, 2003), industry directory (for example, County Councils Industrial Directories in Ostgaard and Birley, 1994; data maintained by Banking Resource Centre, a research institute on banking located within Kellogg Graduate School of Management in Uzzi, 1999; Grampian Business Directory in Dodd, Jack and Anderson, 2002; register of the Chambers of Commerce in Schutjens and Stam, 2003; CorpTech Directory, Lexis/Nexis and Dow Jones databases in Soh, 2003; Australian Bureau of Statistics Business Register in Rogers, 2004; list of SMEs provided by local Chambers of Industry and Commerce in Eraydin and Armatli-Köroglu, 2005), database of members of associations (for example, National Venture Capital Association and Houston Venture Capital Association in Fiet, 1995), regional database (for example, General Social Survey in Katz and Williams, 1997; British Household Panel Survey in Dodd, 1997; European Union database CORDIS in Cooke and Wills, 1999), and personal familiarity (for example, Neergaard, 2005; Shaw, 2006; Forbes et al., 2006).

Sampling techniques adopted by researchers for collecting information about entrepreneurial network has varied considerably. This has included a variant of convenience sampling (for example, Ramachandran and Ray, 2006), purposive sampling (for example, Jack and Anderson, 2002; Grandi and Grimaldi, 2003; Anderson, Jack and Dodd, 2005; Neergaard, 2005; Forbes et al., 2006; Ramachandran and Ray, 2006; Shaw, 2006), snowball sampling (for example, Kingsley and Malecki,
2004) and random sampling (for example, Fiet, 1995; Honig, 1998; Keeble et al., 1998; Davidsson and Honig, 2003; Rogers, 2004; Anderson, Jack and Dodd, 2005). Sampling units are either firms (for example, Lipparini and Sobrero, 1994; Ostgaard and Birley, 1994; Özcan, 1995; Keeble et al., 1998; Sawyerr, McGee and Peterson, 2003; Schutjens and Stam, 2003; Soh, 2003; Kingsley and Malecki, 2004; Rogers, 2004; Eraydin and Armatli-Köroglu, 2005; Ramachandran and Ray, 2006; Shaw, 2006) or individuals (for example, Ostgaard and Birley, 1994; Fiet, 1995; Uzzi, 1999; Dodd, Jack and Anderson, 2002; Jack and Anderson, 2002; Davidsson and Honig, 2003; Anderson, Jack and Dodd, 2005; Arelius and Clercq, 2005; Neergaard, 2005; Forbes et al., 2006; Shaw, 2006) or founding teams (for example, Grandi and Grimaldi, 2003; Neergaard, 2005). Individuals selected as respondent in researches on enterprise as well as entrepreneurial network included venture capitalists (for example, Fiet, 1995), business angels (for example, Fiet, 1995), founder entrepreneurs (for example, Ostgaard and Birley, 1994; Zhao and Aram, 1995; Brüderl and Preisendörfer, 1998; Jack and Anderson, 2002; Baron and Markman, 2003; Neergaard, 2005; Forbes et al., 2006; Shaw, 2006), individuals working as employees for entrepreneurs (for example, Shaw, 2006), members of the labour force (for example, Arelius and Clercq, 2005), and bank employees (for example, Deakins and Philpott, 1995; Uzzi, 1999).

Depending on the nature of the research questions, researchers have collected different kinds of data. This has included researches based on only quantitative data (for example, Lipparini and Sobrero, 1994; Ostgaard and Birley, 1994; Fiet, 1995; Özcan, 1995; Cooke and Wills, 1999; Dodd, Jack and Anderson, 2002; Davidsson and Honig, 2003; Sawyerr, McGee and Peterson, 2003; Schutjens and Stam, 2003; Soh, 2003; Kingsley and Malecki, 2004; Arelius and Clercq, 2005; Eraydin and Armatli-Köroglu, 2005) or only qualitative data (for example, Deakins and Philpott, 1995; LaChapelle and Barnes, 1998; Yli-Renko and Autio, 1998; Jack and Anderson, 2002; Harriss, 2003; Neergaard, 2005; Forbes et al., 2006; Shaw, 2006) or a mix of both (for example Uzzi, 1999; Grandi and Grimaldi, 2003; Anderson, Jack and Dodd, 2005). Accordingly, the sample size has also varied considerably. Sample size is naturally higher for studies which are entirely dependent on quantitative data.

Considering the difficulty of securing information about relationships from secondary data sources, almost all researchers in this area have primarily depended on primary data. However, there are a few studies which have entirely depended on
secondary data (for example, Soh, 2003 in studying technology alliances). Other than that there are studies which have used secondary data as supportive information. This includes collecting information from news reports (for example, Zhao and Aram, 1995; Neergaard, 2005; Ramachandran and Ray, 2006), annual reports of enterprises (for example, Zhao and Aram, 1995; Neergaard, 2005), websites of enterprises (for example, Neergaard, 2005), data of related large-scale research (for example Global Entrepreneurship Monitor in Arenius and Clercq, 2005).

Researchers who have collected primary data have utilized different methods. This includes case study of enterprises supported by interview (for example, Deakins and Philpott, 1995; Zhao and Aram, 1995; Perry, 1996; Ramachandran and Ray, 2006; Shaw, 2006), interview (for example, Deakins and Philpott, 1995; Keeble et al., 1998; LaChapelle and Barnes, 1998; Cooke and Wills, 1999; Uzzi, 1999; Dodd, Jack and Anderson, 2002; Jack and Anderson, 2002; Davidsson and Honig, 2003; Grandi and Grimaldi, 2003; Harriss, 2003; Schutjens and Stam, 2003; Kingsley and Malecki, 2004; Anderson, Jack and Dodd, 2005; Arenius and Clercq, 2005; Eraydin and Armatli-Köroglu, 2005; Neergaard, 2005; Forbes et al., 2006; Shaw, 2006), group interview (for example, Neergaard, 2005), survey supported by interviews (for example, Lipparini and Sobrero, 1994; Donckels and Lambrecht, 1995; Fiet, 1995; Özcan, 1995; Perry, 1996; Brüderl and Preisendörfer, 1998; Honig, 1998; Keeble et al., 1998; Sawyerr, McGee and Peterson, 2003; Anderson, Jack and Dodd, 2005; Eraydin and Armatli-Köroglu, 2005), survey supported by mailed questionnaire (for example, Ostgaard and Birley, 1994). Interviews are at times, structured (for example, Grandi and Grimaldi, 2003), at time, semi structured (for example, Anderson, Jack and Dodd, 2005; Neergaard, 2005; Shaw, 2006), at times, unstructured (for example, Jack and Anderson, 2002; Shaw, 2006). In some research, interviews have been conducted over the telephone (for example, Lipparini and Sobrero, 1994; Donckels and Lambrecht, 1995; Dodd, Jack and Anderson, 2002; Schutjens and Stam, 2003; Anderson, Jack and Dodd, 2005; Arenius and Clercq, 2005; Eraydin and Armatli-Köroglu, 2005).

Research on entrepreneurial networks has utilized different instruments for collecting data from selected respondents. This has included questionnaire (for example, Lipparini and Sobrero, 1994; Ostgaard and Birley, 1994; Fiet, 1995; Cooke and Wills, 1999; Havnes and Senneseth, 2001; Dodd, Jack and Anderson, 2002; Grandi and Grimaldi, 2003; Schutjens and Stam, 2003; Kingsley and Malecki, 2004;
Anderson, Jack and Dodd, 2005; Arenius and Clercq, 2005; Eraydin and Armatli-Köroglu, 2005), interview guide (for example, Larson, 1991; Deakins and Philpott, 1995; Neergaard, 2005). In some research, questionnaire has been mailed to the respondents (for example, Fiet, 1995; Anderson, Jack and Dodd, 2005; Arenius and Clercq, 2005; Eraydin and Armatli-Köroglu, 2005).

A review of the research conducted in this field indicates that the need for use of primary data has been felt by many researchers. At the same time, it is visible that interview has emerged as an appropriate method for collecting primary data from entrepreneurs. In comparison to the USA or UK, very few studies on entrepreneurship have been conducted in India. Scarcity of easily available appropriate data sources in India, which can be used as sampling frames, may be one possible obstacle to collecting quantitative data through a random sample. Of course, to some extent, this is a challenge in all countries. Another observation is the use of firm-level data over entrepreneurial data by researchers. One reason for this may be the relatively easy availability of firm-level data. However, what happens at the level of firm is often contingent on a large number of other factors, specifically the entrepreneur.

Literature analyzed in this chapter reveals that social network and trust are crucial for various aspects of business like identification of business opportunity, business growth, and access to customers, business finance, and human resource. This justifies our decision to use ‘social capital’ as a sensitizing concept for understanding the development of business venture, as it is found to be intimately associated with social network and trust. We saw that education, gender, ethnicity, and region significantly influence the nature and form of entrepreneurial networks.

It was discussed under section 1.1 that, with its dependence on new technology, entrepreneurship in the ICT industry differs from that found in various traditional industries. Therefore, it may be presumed that the entrepreneurial social capital in the ICT industry would also have its own uniqueness. For example, the existence of a large number of first generation entrepreneurs in the ICT industry suggests that hailing from business family/community, which is significant for development of entrepreneurship in traditional industries, may not be that important for development of entrepreneurship in the ICT industry. However, there is need for empirical exploration in order to assess the validity of such a logical argument.
Furthermore, the literature reviewed in this chapter advocates that social capital is important for developing a business venture. However, such an argument is not sufficient for answering how important social capital is in ensuring the survival of an ICT enterprise, which is the focus of our research. For addressing such an issue there is need for understanding the importance of social capital in relation to other prerequisites of business. It is possible to develop such an understanding only by conducting an empirical study.