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Who you know: Small-town entrepreneurs' perceptions of the value of their social networks

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ABSTRACT

Entrepreneur networks have been recognized as an important factor in business success. Networks are embedded with valuable business resources, such as financial support, advice, and encouragement. This study examines the nature of business-related networking among small-town entrepreneur business owners. The purpose is to: 1.) compare the perceived benefits of strong and weak tie networks, 2.) compare the perceived benefits of different types of weak tie networks, and 3.) locate factors that may affect the benefits that entrepreneurs' receive from their weak tie networks. The data comes from a survey mailed to all 228 businesses in one Iowa town. Entrepreneur business owners were asked about the resources and support they receive from three types of social networks: "strong tie networks" including entrepreneurs' close friends and family; "informal weak tie networks" (business contacts, employees, and coworkers); and "formal weak tie networks" (the local chamber of commerce).

Using Granovetter's "strength of weak ties" as a theoretical framework, the study found that informal weak ties are most important, followed by strong ties, and least important is formal weak ties. The study also found that psychological and community perception factors help to explain variations in the benefits that entrepreneurs receive from weak tie networks, but business variables do not. This study has important implications for entrepreneurs, scholars, and theorists. It expands on the understanding of why it is important for entrepreneurs to develop networks and which types of networks are most beneficial. It suggests that scholars should pay attention to contextual factors, such as the community environment and entrepreneurs' perceptions, when studying networks. Finally, it proposes a theoretical clarification of the term "weak ties" based on formality of the relationships.

CHAPTER I. INTRODUCTION

Entrepreneurship, originally an area confined to the fields of economics and business management, has increasingly captured widespread attention among sociologists, community planners, and policymakers as an alternative to traditional methods of economic growth and development in communities. The role of entrepreneurship in the local economies of the community is especially relevant today. In an age when big business makes many demands on communities without regard to the environmental and social costs, entrepreneurship can be a locally-led development strategy that imposes fewer costs to communities. Entrepreneurs, defined in the present study as business owner-operators, play an important role. Economically, entrepreneurs demand fewer financial incentives and generate community wealth by creating businesses whose profits will be reinvested locally. Socially, entrepreneurs are typically residents who, being highly attached to the community and dependent upon its support, participate in its organizations, and work to make the community a better place to live (Korsching & Allen 2004).

The problem is that long-term survival rates for new businesses are modest. Sixty-nine percent of firms started in 2000 survived for 2 years, but only half of the initial firms survived to 5 years (U.S. SBA 2009). This makes researchers' attempts to locate factors that explain business success or failure especially imperative. Efforts to identify what makes businesses successful have focused on economic and social factors. Social networking is increasingly recognized as playing an essential role in business success. Entrepreneurs who are well connected to other people can tap into their networks for assistance, ideas, economic capital, and resources.

In an influential work on the role of social relationships in entrepreneurship, Aldrich and Zimmer (1986) argue in their concluding paragraph “it is not just what you know, but who you know.” The underlying message of this popular phrase is the foundation of the present study – that is to say that entrepreneurs are embedded within their social context and their behavior cannot fully be understood without understanding the social relationships they form with others. Social interactions help people to make sense of their environment and to access the ideas, information, and resources within them (Aldrich & Zimmer 1986, p.20). Being connected with other people heightens individual actors’ abilities, making it easier to gain knowledge, turn ideas into reality, and successfully accomplish goals.

Social networks, which are the sets of social relationships that connect individuals to each other, are essential for entrepreneurs and their businesses. Entrepreneurs’ personal networks are a critical resource of the firm (Johannisson 1990, p.41; Birley 1985). Entrepreneurs must have an abundance of information and ideas in order to search for opportunities and make decisions, and they must have resources in order to maintain their businesses. Social networks potentially give entrepreneurs access to the resources and information they need. Benefits of networking for entrepreneurs include locating customers to build a link with the community (Fortner 2006, p.126); shared learning, management of risk and uncertainty, minimization of negative shocks to individuals, and increased innovation and action (Julien 2007); finding employees and assembling elements needed to start a business (Birley 1985, p.113); building credibility and legitimacy (Zhao & Aram 1995; Elfring & Hulsink 2007, p.1865); and finding opportunities (Singh 2000; Hills, Lumpkin, & Singh 1997). Although participation in networks and the quality and quantity of resources made available in networks may vary based on many factors, including the type of firm and external factors shaping the larger society, networking generally opens opportunities for entrepreneurs and the firms they create.

While networking presumably provides vital business resources and information, research suggests that many entrepreneurs are not good networkers. Although it seems that the majority of entrepreneurs recognize the benefits associated with networking, as suggested by one study that found seventy-eight percent of entrepreneurs reported networks as beneficial in supplying knowledge (Solymossy 2000), entrepreneurs may not recognize the significance of actively managing and building networks. Schallenkamp & Smith (2007) found that new entrepreneurs ranked networking as the least important of seventeen entrepreneurial skills. In addition, there are very few differences between entrepreneurs and the general workforce when it comes to social networking, and the differences that do exist suggest that, during career start-up, entrepreneurs have fewer contacts and are less likely to receive help from them than people in the general workforce (Shane 2008, p.61). These studies raise more questions than answers. If networking is vital, then why do entrepreneurs participate in networking less than the general workforce and why do entrepreneurs rank it as one of the least important skills?

Perhaps the importance of networking depends on whether one has formed the right types of connections. A seminal work by Granovetter (1973) showed not only that it is important to have relationships with other people, but that it is particularly important to have "weak ties," instrumental relationships with people outside friendship and family circles. Entrepreneurs who do not have an adequate number of weak tie relationships may have fewer resources available, explaining why some may not regard networking as an important skill. Another explanation for entrepreneur's reportedly low network participation is that some entrepreneurs are cautious when building relationships or simply lack the time to develop meaningful relationships. There are benefits that accrue to people who network in the workplace; however, relationship building takes time, effort, and trust; characteristics that may be especially difficult to develop in the competitive marketplace where entrepreneurs traditionally operate. On the other hand, perhaps entrepreneurs simply regard networking as commonplace so they do not regard it as a skill that needs to be learned, which could also explain the results of these studies. Investigating the types of relationships entrepreneurs form during the course of business development, the networks they participate in, and the resources they have access to as a result of their network connections will likely clear up some of the ambiguity and provide some useful answers.

Besides its direct application in helping entrepreneurs build their personal networks and increasing their understanding of the benefits of networking, studying entrepreneur social networks also has implications for communities. Understanding entrepreneur networking is important when designing community support programs for entrepreneurial ventures and building a community environment that is conducive to local business success. If it is difficult for entrepreneurs to develop certain kinds of networks, the environment could be altered to encourage trust and stimulate the exchange of business resources.

The study will give a general overview of networking and build on the current understanding of entrepreneurs' use of networks to access the resources and support needed to operate their businesses. The first objective is to examine whether different types of networks are more important to entrepreneurs than others, using Granovetter's classic "strength of weak ties" theory as an explanatory framework. Of particular interest is whether entrepreneurs perceive benefits from weak tie networks, as Granovetter's theory suggests they should, and if not, why not. Three types of social networks will be studied: “strong tie networks” consisting of an entrepreneur’s friends and family, “informal weak tie networks” consisting of an entrepreneur’s business contacts, employees, and coworkers, and “formal weak tie networks” consisting of relationships within a formal community organization, the local chamber of commerce. The study will provide a general comparison of strong tie and weak tie networks and will also consider differences in informal and formal weak ties networks.

The second objective of this paper is to examine in more depth weak tie networking, which is argued to be particularly vital to business maintenance and development. Entrepreneurs differ in terms of their reliance on networks and the content of strong and weak ties present in them. Understanding the factors that contribute to social networking behavior has potentially significant theoretical and practical contributions. Theoretically, understanding network dynamics can enhance scholarly understanding of the effects of networking on business success. As stated by Hoang & Antoncic (2003, p.181), the study of network effects and outcomes…“can be far richer and more theoretically nuanced when combined with the theoretical insights arising from research on network dynamics.” Practically, gaining a better understanding of what leads to variation in entrepreneurs’ personal networks can provide direction for entrepreneurs, who may not always be consciously aware of their networking style (Vissa & Anand 2006) or may not have the know-how to utilize network contacts in a beneficial way (Witt 2004, p.401), and help them to develop a networking strategy that best meets the needs of their particular business. In the present study, two different perspectives, the economic and the social psychological, will be applied to understanding entrepreneurs’ weak tie networking behavior and locating factors that explain variations in the benefits they receive from these networks. The role of individual, social, and business factors in contributing to weak tie networking will be examined.

The paper is structured as follows: the literature review in Chapter II develops the definitions of entrepreneur and networking, identifies different types of networks using Granovetter's "strength of weak ties theory," exposes theoretical and conceptual issues, explores network dynamics, and finally provides explanations for why entrepreneurs may vary in the resources they receive and what factors affect their networking behavior from an economical perspective and a social psychological perspective. The methods section in Chapter III describes the site selected for the study, discusses the development of the questionnaire used to test the hypotheses, and explains the construction of variable measurements. Chapter IV discusses the significant findings of this study, Chapter V provides possible explanations and implications, and Chapter IV develops topics that future research should explore.

CHAPTER II. LITERATURE REVIEW

A fundamental concern when studying entrepreneurs is deciding how to define them. There is ambiguity and debate surrounding the definition of an "entrepreneur," and no widely accepted definition has been established. The basic definition of an entrepreneur is a business owner (Marshall 1998, p.195). Most scholars have accepted this definition, but have incorporated contingencies and variations, tailored to their particular research interests. For example, sociological definitions have typically conceptualized entrepreneurs by their fundamental "behaviors," such as creators of new organizations (Gartner 1989, p.62), whereas economic definitions have incorporated entrepreneurs' economic functions, such as their drive for profit-making and growth and their capacity to engage in risk-taking, innovating (Schumpeter 1928) and opportunity-seeking (Drucker 1986) in order to carry out these functions. The present study will use the basic definition of an entrepreneur as a business owner-operator. This definition captures both sociological and economic aspects of entrepreneurship: the initiative, innovation, and risk that entrepreneurs take in order to make profit and the tasks related to creating, organizing, operating, and maintaining a business. Furthermore, it is concrete and measurable, and it distinguishes the entrepreneur from the manager, who does not own a business.

Although traditionally studied by economists, entrepreneurs have increasingly been recognized by sociologists and psychologists. Early interest generally focused either on understanding entrepreneurs' individual characteristics in attempt to identify personality traits and psychological attributes to distinguish them from others or on understanding entrepreneurs as a product of environmental and institutional structures in attempt to locate contextual constraints or opportunities that impede or encourage entrepreneurship (Kalantaridis 2004). More recently, social scientists have become interested in the study of entrepreneurs' social networks, which are defined as a set of people with whom they are acquainted in relationships (Aldrich & Zimmer 1986, p.12).

Most research on entrepreneur social networking has rested on the Network Success Hypothesis (NSH), which proposes a link between social networking and various business venture outcomes. Studies have particularly focused on nascent entrepreneurship, the early phase of business development, investigating the relationship between nascent entrepreneur's networks and the likelihood of business startup, survival, growth, and profit (Bruderl & Preisendorfer 1998; Aldrich, Rosen, & Woodward 1987; Hansen 1995; Jarillo 1989). These studies, which are based on the assumption that establishing a new business is a difficult process and that many new businesses fail, have generally found that personal social relationships help nascent entrepreneurs to overcome the "liability of newness" (Stinchcombe 1965) by providing them with reputational legitimacy and resources for their business start-up.

Although the research produced under NSH has proved constructive in that it has established the importance of entrepreneur social networks and its implications for business outcomes, there are some unresolved issues with the model, including the difficulty in establishing causality between networking and firm start-up and the lack of recognition of personal and business factors that may also affect business outcomes (Witt 2004, p.401-404). The presence of a sufficient network does not necessarily imply business success, as some entrepreneurs who have vast networks may not know how to maximize their connections in a beneficial way (Witt 2004, p.401). Another argument is that network importance may be greater among entrepreneurs who have less favorable starting conditions, such as those with less experience or fewer existing financial resources (Witt 2004, p.402), or those who are unprofitable and more prone to failure (Bates 1994), although this was not supported by one study (Bruderl & Preisendorf 1998).

The present study will not attempt to discuss these issues nor debate the merits of NSH, but rather they are noted here because it seems that the hypothesis could be strengthened by understanding why entrepreneurs form networks in the first place, which types of networks they form, and what factors explain the variations in the resources they obtain from network participation. The following section will more closely examine social networks, specifically what they are and how they have been measured, and the subsequent section will attempt to show how and why research should move toward locating factors that affect the networks entrepreneurs form.

TYPES OF SOCIAL NETWORKS

Definition & Measurement of Networks

At a basic level, networks are simply sets of social relationships that connect individuals to each other. The connections between people take on many different forms and people are connected to each other in a seemingly infinite number of ways. A classic study conducted by Travers and Milgram (1969) revealed the interconnectedness of people. By asking a sample of two-hundred ninety-six people to mail a letter to someone who they thought would be able to get it to the unknown recipient, they calculated how many hands the letter had passed before it reached the intended recipient. They found that, on average, people are separated by only 5.2 intermediary contacts, suggesting that most people are connected to each other through acquaintances.

The complex nature of relationships and the interconnectedness of people makes deciding where to draw the boundaries of networks an important, yet complicated decision. The problematic nature of conceptualizing networks is attributable to…“the fact that empirical studies must use quantitative measures to estimate information which is essentially qualitative and cumulative in nature” (Witt 2004, p.393). Network boundaries are relatively fluid and usually a matter of perspective of the researcher and the given purpose of the study. For example, networks can be studied from the individual level, such as a business owner’s ties to other people in a community, or from the collective level, such as a community business association’s ties to other local organizations. When examining networks of collectivities, the focus can be on the internal characteristics and linkages between individuals within a group (bonding elements), or on the external linkages that the collectivity or individuals within the group have with outside collectivities or individuals (bridging elements) (Adler & Kwon 2002, p.19-21). In addition, there is an interrelationship between individual and collective networks. For example, “the relations between an employee and colleagues within a firm are external to the employee but internal to the firm” (Adler & Kwon 2002, p.21). An employee’s social network may enhance or threaten the collective network of the firm, in the same way that the collective network of the firm can enhance or threaten the employee’s network (Inkpen & Tsang 2005, p.151-152).

No universal definition of networks has been adopted (Dixon 2004, p.19), and a variety of characteristics and dimensions have been used in network analysis to measure them (Hoang & Antoncic 2003, p.171). Most operationalize networks based on structural or relational aspects. Measurements of networks have included network centrality, an actor’s direct and indirect links and their ability to “reach” others in the network through intermediary contacts; network size, defined as the “number of direct links between a focal actor and other actors;” relational aspects, such as the closeness, primariness, or frequency of contact (Hoang & Antoncic 2003, p.171); structural holes, which refers to bridges between actors that connect them where ties are otherwise absent; and network density/closure, which refers to the degree of interconnectedness between others within an actor’s network (Burt 2001).

Benefits of Strong & Weak Ties

Several prominent scholars have utilized the structural dimensions of networks to develop theories about the benefits that certain types of ties offer, proposing that networks which bridge otherwise unconnected people offer the most instrumental resources. Burt (2001) uses the concept of structural holes, which refers to individuals who “broker” connections between disconnected networks of otherwise unconnected people, to argue that exchanges are more rewarding and less difficult to negotiate when they are not overlapping. Similar to Burt, Granovetter also considers the “bridging” capacity of network connections when considering information and resource exchange. He conceptualizes this capacity by the “strength” of ties, defined as the degree of time, emotional intensity, intimacy, and reciprocal services between contacts (Granovetter, 1973, p.1361).

From this definition, Granovetter builds two broad categorizations, weak ties and strong ties. Although he does not explicitly define them, he does provide general indicators of what they are and how they may be studied. “Weak ties” are interpersonal acquaintance relationships characterized by infrequent contact and low emotional intensity, typically found in work settings and formal organizations, and “strong ties” are those characterized by frequent contact and high emotional intensity, typically found in relationships with family members and friends. In strong tie relationships parties trust each other, have overlapping mutual acquaintances, can easily gain access to each other, and are motivated to reciprocate and exchange information. Weak tie relationships, which bridge (connect) otherwise unrelated individuals and groups, fulfill a more instrumental purpose – to get valuable resources.

While Granovetter recognizes the importance of having a mixture of ties, he theorizes that having weak tie relationships is especially important. Because weak ties are boundary-spanning vertical linkages that bridge otherwise disconnected people, they offer participants access to diverse information and opportunities that lie outside the homogenous information exchanged in strong ties between closely acquainted and similar people. Although it is perhaps more difficult to facilitate resource exchange in weak tie relationships since parties are generally less trusting of each other and feel less obligated to reciprocate, weak tie relationships are embedded with significant resources for individuals (i.e. employment opportunities and information) and groups (i.e. access to people who can aid in collective mobilization efforts).

Granovetter emphasizes the "strength" of weak ties, but research suggests that having both strong and weak ties are important for entrepreneurs. Both strong and weak ties have positive effects on businesses, as shown in a study by Bruderl & Preisendorfer (1998), which found a significant positive relationship between strong ties and both business survival and growth and a significant positive relationship between weak ties and growth. In addition, different types of ties are important during different stages of business development. Davidsson & Honig (2003, p.322) found that strong ties are beneficial during the discovery phase in stimulating potential entrepreneurs' initial interest in starting a business and increasing the pace of start-up. The benefits of weak ties became more apparent as a business moved toward establishment. The presence of weak ties was a strong predictor of having a first sale and being profitable.

These findings may be explained by the fact that strong and weak ties offer different types of information, support, and resources that are essential to entrepreneurs. A qualitative study by Fortner (2006, p.131-134), which investigated the meanings that entrepreneurs attach to their connections, showed that a variety of contacts in entrepreneurs' social networks offer them resources and support for their business ventures. Family, friends, and employees, were the "core" networks, offering emotional, financial, and management support, customers were critical in helping them to make business and product decisions and connecting them to the community, and professional advisors were acquaintances that assisted in accomplishing business maintenance tasks. Research suggests that the "benefits" family and friends are likely to offer are planning advice, word-of-mouth advertising, emotional and moral support, encouragement, and free services, such as extending credit and offering to work without pay, whereas weak tie relationships may offer more instrumental resources, such as technical assistance, practical information, referrals to other contacts, equipment, and raw materials (Grossman 2006; Birley 1985; Bruderl & Preisendorfer 1998; Sequeira, Mueller, & McGee 2007). Because both types of networks offer beneficial resources and have potentially positive business outcomes, a contingency approach may be more appropriate in the study of strong and weak ties (Hoang & Antoncic 2003, p.174).

Although there are benefits of strong ties and the optimal network contains a mixture of ties, weak ties are nevertheless vital to entrepreneurs. One study that examined the differences in the use and value of strong tie networks showed that, although 23% of new venture ties were strong ties, nascent entrepreneurs were more likely to award mythical "bonuses" to weak ties, suggesting that weak ties were more highly valued. The study indicated that strong ties of close friends and family members were valued for their moral support, but they were not very useful in introducing entrepreneurs to new contacts or providing the significantly more valuable tangible resources (Grossman 2006). Singh (2000, p.131-132) found support for the "strength of weak ties" theory, showing that the number of weak ties in an entrepreneurs' network was a significant predictor of the number of ideas and opportunities recognized by entrepreneurs. He suggests that strong ties can be an impediment to opportunity-recognition when trusted family and friends discourage potential entrepreneurs from considering the idea of starting a business. This can occur in ethnic enclaves where minority business owners may be highly connected within the minority community, but may lack boundary-spanning connections.

Weak ties provide basic resources that entrepreneurs at all stages of business development could benefit from. Most studies have focused on weak ties in the networks of nascent entrepreneurs, because the start-up phase of business development has been acknowledged as a critical time when the "elements of the firm are set" (Birley 1985, p.115). Having the non-redundant, unfamiliar, and diverse information that is usually exchanged in weak tie relationships may give nascent entrepreneurs access to a variety of ideas, a necessary part of innovation and opportunity-recognition (Singh 2000, p.52). In addition, weak ties may assist nascent entrepreneurs in setting up a business by providing them financing, helping them to develop necessary business skills (Birley 1985), increasing business legitimacy, or helping them build a good reputation (Lechner & Dowling 2003; Elfring & Hulsink 2007).

The importance of weak ties also likely extends to later stages of business development, as entrepreneurs continue to need information and advice. Weak ties may be beneficial to established entrepreneurs by giving them a continued supply of resources and new customers. In addition, weak ties may keep established entrepreneurs informed about new trends in the marketplace and help them to manage workload, evaluate themselves against competitors, or identify new market opportunities or threats (Lechner & Dowling 2003; Solymossy 2000, p.3).

Limitations of Weak Ties

While it is acknowledged that weak ties are an especially crucial element of networks, there are several circumstances that limit the effectiveness of weak ties in giving individuals access to resources and information. Overinvestment in weak ties may reduce their effectiveness as a source of diverse information, contribute to overdependence, reduce the firm's ability to adapt to the environment, or make firms more vulnerable if allies exit the marketplace (Uzzi 1997, p.57-59). Weak ties can gradually come to resemble strong ties, as participants interact more often and become increasingly similar to each other, thus no longer offering diverse information and resources to exchange (Uzzi 1997). In addition, participants in broad networks of weak ties can easily become freeloaders, especially where there are few incentives to reciprocate (Coleman 1988a; Uzzi 1997).

Potential limitations of weak ties are also apparent when applied to the marketplace environment in which entrepreneurs operate. Reliance on network connections, while advantageous in terms of sharing information and resources at low market costs, may also make the business more vulnerable. Relationships between actors are forever changing and evolving in the marketplace where there is a constant flow of new businesses entering and exiting. Over-reliance on weak ties may threaten entrepreneurs' autonomy and freedom in making their own decisions, and they are subject to greater risk when the business of a weak tie contact fails (Uzzi 1997, p.57). Furthermore, it may be difficult for entrepreneurs to develop weak tie relationships in environments that encourage competition or exclude outsiders.

The conceptualization of weak ties is also problematic. Granovetter's broad definition of weak tie networks, which could include practically any relationship not considered a strong tie (friends and family), does not provide much direction. Researchers have typically based their measurement of weak ties on the role of the tie (i.e. primary or secondary) or the frequency of contact (Hoang & Antoncic 2003, p. 171). Previous studies have used many indicators of weak ties, including coworkers, acquaintances, bankers, community organizations, and venture capitalist investors (Sequeira et. al 2007), business partners and former employers (Bruderl & Preseindorfer 1998), and contacts that were referred to them after starting a business (Grossman 2006). Defining all relationships that are not close friends or family as "weak ties," without considering possible variations in weak tie relationships and the benefits they offer, is too simple. The issue of measurement is further complicated by the fact that researchers have used indicators that overlap with those for "strong" and "weak" ties to measure "informal" and "formal" networks (those that are personal as opposed to impersonal), distinguishing family, friends, and personal business contacts from bankers, accountants, lawyers, and organizational affiliations (Birley 1985).

Benefits of Formal & Informal Ties

Organizational structure may prove constructive in making distinctions between different types of weak tie networks. Defined in the present study, formal weak ties are relationships that exist within an organizational framework. In the present study, “intermediary” organizations are considered *formal,* and formal weak tie relationships will refer to an entrepreneurs’ participation in the local Chamber of Commerce. In contrast, informal weak ties are personally-initiated relationships that are unstructured and lack organizational affiliation, as indicated in the present study as an entrepreneur’s relationship with business contacts, coworkers, and employees. Although both can be considered weak ties because they are created for instrumental purposes, informal weak tie networks differ from formal weak ties when it comes to the types of resources they make available to entrepreneurs and the ease of access of entrepreneurs to these resources.

Formal organizations are potentially beneficial, serving as entrepreneurs’ link to the community’s agencies, customers, and investors, offering classes to teach technical skills, keeping them updated on industry or business developments, and providing recognition for their accomplishments. However, there remains a question as to their true effectiveness. In an early study of nascent entrepreneurs in a small Indiana town, Birley (1985) found that informal personal networks were much more beneficial to entrepreneurs than formal organizational networks. The town’s formal business organization, the Small Business Association, was rarely mentioned by entrepreneurs as being helpful, and entrepreneurs were not largely aware of the assistance it offered. Similarly, Fortner (2006) found limited participation and lack of awareness of small business associations and support organizations among business owners. Among those who did participate, encounters were sporadic and business owners felt that small business support organizations were unable to meet their needs and difficult to maintain. Another study found that organizational membership in trade associations, service clubs, and chambers of commerce did not result in any positive effects for nascent entrepreneurs, other than increasing the likelihood that they would make a business plan. Organizational members were not more likely to succeed than non-members at any stage of business start-up (Davidsson & Honig 2003, p.322-323).

The differences in the normative basis of exchange in formal ties and informal ties may help to explain why formal organizational networks are less effective. Formal weak ties may be more difficult for entrepreneurs to maintain, and they require deliberate effort and sometimes financial resources, such as the payment of membership fees, in order to participate (Fortner 2006, p.128-129). Formal weak tie organizations often have a system of authority and regulatory norms to govern member participation and resource exchanges (Casson & Giusta 2007, p.226) and encounters typically lack the intimacy, longevity, and mutual obligations of informal weak tie networks (Fortner 2006, p.125). In addition, formal intermediary networks are not always tailored to entrepreneurs' specific business and industrial needs (Fortner 2006; Perry 1996, p.76). Due to the more personal nature of interaction, informal weak tie contacts may be more attuned to the needs of entrepreneurs. Informal weak tie networks may also have greater resources to offer than formal networks, because they have fewer formal constraints and there is more freedom of choice in selecting network contacts.

Application of Strength of Weak Ties Theory

While noting the limitations of the "strength of weak ties," Granovetter's theory will be the foundation for the present study. It gives much needed recognition to the importance of resources that come from different types of social relationships and takes into account the role of the larger social context/environment in explaining behavior (Aldrich & Zimmer 1986). Granovetter's "strength of weak ties" theory has been cited in numerous studies of social networking and is supported by studies which have shown that boundary spanning networks are associated with benefits at both the individual and firm level. Boundary spanning ties are essential for the transfer of information between firms in industrial districts (Inkpen & Tsang 2005), access to job opportunities and job mobility (Granovetter 1995), collective mobilization (Granovetter 1973), and are associated with market "tipping points" (Gladwell 2002) and the diffusion of innovations (Rogers 2003).

In addition, the shortcomings of Granovetter's theory are at least partially resolved when combined with Social Capital Theory, which provides a better understanding of how resources are exchanged. Social Capital Theory proposes that social networks act as a source of "capital," because they are embedded with resources that can be extracted in relationships (Adler & Kwon 2002, p.21-22). Although networks are one aspect of social capital, the present paper makes a distinction between the term network, which is a set of social relationships, and social capital, which is the underlying social dynamics that allow exchanges to occur. Social networks, alone, do not provide resources. Resources acquisition depends on the social dynamics underlying the relationships. Networks are simply sets of social relationships that connect individuals to each other, but it is the social dynamics underlying those relationships the "goodwill" – i.e. reciprocity, respect, and trust – that allow exchanges to occur (Adler & Kwon 2002, p.17). When a high degree of *social capital* is present in a relationship, resources are more easily attained by the people who are engaging in the interactions (although outsiders may not have access to the resources exchanged).

The application of Social Capital Theory to Granovetter's "strength of weak ties" enhances understanding of why weak ties may be particularly beneficial, but also more difficult to develop than strong ties. Trust, defined as the belief that the other party will honor obligations, and norms of reciprocity, defined as implicit shared obligations of exchange (Casson & Giusta 2007, p.229), are especially crucial elements of exchange relationships. Trust and reciprocity develop in relationships over time (Larson & Starr 1993; Smith & Lohrke 2008; Jack, Dodd, & Anderson 2008). Due to repeated long-term interactions that usually characterize relationships with family and friends, high levels of trust and reciprocity are typically already established in these existing relationships, but new relationships outside the inner circle that could offer undiscovered resources (weak ties), may take more effort to establish because trust and reciprocity must be developed. The fact that people have to stretch outside the comfort zone of their inner friendship circles to develop weak tie relationships with strangers explains why weak ties offer such desirable resources. However, because trust and reciprocity in weak tie relationships are initially lacking, weak tie relationships may be riskier. Establishing weak tie relationships may be especially difficult in the marketplace, which is traditionally characterized by high levels of uncertainty, rivalry, distrust, and competition. The social dynamics underlying strong tie networks and weak tie networks within the marketplace setting have implications for differences among networks in resource exchange.

Hypotheses

Based on Granovetter's "strength of weak ties" theory, which says that weak tie networks provide diverse information, ideas, and resources generally needed by entrepreneurs, and in light of previous research findings which support this contention, it is hypothesized that **1a.)** entrepreneurs perceive weak tie networks to be more beneficial than strong tie networks. In addition, it is hypothesized that the **1b.)** resources embedded in weak tie networks are perceived by entrepreneurs to be more important than the ones embedded in strong tie networks. Having weak tie relationships is expected to be particularly important for entrepreneurs, because their business ownership would necessitate access to the diverse information and resources that these boundary spanning ties presumably offer. Finally, it is hypothesized that **1c.)** entrepreneurs perceive informal weak tie networks to be more beneficial than formal weak tie networks.

FACTORS THAT EXPLAIN NETWORKING

Entrepreneurs do not operate their businesses in isolation. The act of establishing and maintaining a business requires some degree of social interaction, whether it is with customers, suppliers, leaders in the community, or friends and family. As stated by Julien (2007, p.162), "entrepreneurs and the people in their organizations are social beings; they are members of families and communities, and are therefore all connected in some way or another to various social or economic networks." There is little doubt that all entrepreneurs network to some extent. What is less understood is whether entrepreneurs vary in the types of people with whom they interact and what factors explain these variations.

Explaining Weak Tie Networking with an Economical Perspective

In a traditional economic perspective, entrepreneurs are typically viewed as self-interested rational actors, who make judgments based on available information and exploit opportunities that are most likely to result in personal gains. This economic perspective has largely informed research on entrepreneurs' social networks, and sociologists have portrayed networking as the result of self-interested and rational individuals who calculate exchange investments and manage their networks for efficiency (Coleman 1988b; Blau 1964; Burt 1992). This perspective is useful in understanding the development of instrumental weak ties, which has been suggested to involve a component of individual self-interest.

Economic theories elucidate the role of networking from this economic rationality perspective. Rational Choice theory assumes that people are rational actors, weighing the costs and the benefits of actions when making decisions. Transaction-cost theory elaborates on how rational behavior facilitates exchanges between actors in the marketplace. It assumes that actors are not always able to make rational decisions because they are bounded by imperfect access to information and cognitive deficiencies in processing the information. People engage in relationships with others to overcome these limitations. They do so in an opportunistic and economical way, engaging in those relationships that are most likely to minimize transaction costs and uncertainty. Actors see relationships as investments and put resources into relationships believing that they will receive something in return (Aldrich 1982, p.282-283; Williamson 1981; Coase 1937).

Entrepreneurs opportunistically and strategically shape their networks to obtain desirable resources. A study by Elfring & Hulsink (2007) on Dutch entrepreneurs in information technology showed that the mixture of strong and weak ties in networks was related to the necessity of spotting opportunities, acquiring resources, and gaining legitimacy. For example, independent businesses that were outsiders to the IT community relied heavily on weak ties, which would provide them with access to the opportunities and the resources needed by those types of businesses. On the other hand, spin-off businesses, which were founded by experienced entrepreneurs in association with the parent organizations, generally relied more heavily on strong ties. In addition, they found differences between the types of network ties used by incrementally innovative and radically innovative firms. A similar study conducted by Lechner & Dowling (2003) showed that high-technology entrepreneurial firms had a personalized network mix, which was continually reconfigured as existing network ties became inefficient. As firms developed through five identified stages, the perceived importance of reputation and social networks decreased while reciprocity networks and co-opetition (cooperation with competitors) increased. These studies show that entrepreneurs develop a tailored network approach, depending on the needs of their businesses, which change over time.

Other research has more directly revealed a relationship between weak tie development and business strategy toward innovation. Stam and Elfring (2006) found that Dutch entrepreneurs in the high-tech software industry aligned their networks with their entrepreneurial innovation strategy. Furthermore, networking moderated the effects of innovation strategy on performance. Highly innovative firms that had established organizational relationships within the industry and bridging ties to organizations in other industries were more likely to perform well. A content analysis of sixty-seven Indian business journals conducted by Ramachandran & Ramnarayan (1993) found that entrepreneurs with high motivation to pioneer and innovate (PI) were more likely to utilize latent networks (non-immediate networks characterized by infrequent contact), tap into "outer circle" contacts (characterized by lack of emotional content), engage in industry and community leadership, and collaborate with customers and consultants than low PI entrepreneurs. High PI entrepreneurs synthesized the ideas from diverse sources to produce new ideas and networked to pursue interests that were not directly on the business agenda.

A relationship between networking strategy and the pursuit of business growth has also been identified. A field study conducted by Zhao & Aram (1995) on the importance of networking among high-tech entrepreneurial firms in China, showed that high-growth firms at all stages of early business development had a greater intensity of networking (depth in their relationships), more network contacts, greater network diversity, and were more likely to positively justify the time and costs of their relationships than low-growth firms. Ostgaard & Birley (1994) found that marketing strategy explained differences in weak tie networking. For example, those who adopted a market differentiation strategy had larger networks than others and utilized personal networks, particularly customers and suppliers, to a greater extent than social organizations; those who adopted an innovation strategy relied on personal networks to obtain ideas, spent less time networking with suppliers, and were more likely to be members of professional organizations; and differentiation strategy entrepreneurs had large networks and sought out new ties, especially to gain contact with new customers. These studies indicate that entrepreneurs manipulate the composition of their networks (strong and weak ties) to obtain an optimal mix of resources for their particular business' needs.

The idea that entrepreneurs seek weak tie networks based on their business needs is also supported by research on the process of network development. In a study of Chinese entrepreneurs, Chu (1996) found variations in the importance of networks at different stages of entrepreneurship. Before start-up, entrepreneurs' networks centered on close relationships with friends, family members, and associates who were highly accessible. After start-up, entrepreneurs tapped into social acquaintances, such as partners, suppliers, and staff, who were more able to provide them resources. During firm maturation, entrepreneurs turned to professional organizations and government agencies. Hite & Hesterly (2001) argue that nascent entrepreneurs utilize existing strong ties because they provide the best resources at an early stage of development. In later stages of development, businesses outgrow the limited information that friends and family are able to provide, and entrepreneurs evolve and expand their networks to include weak ties that are better able to meet their needs. The transition from identity-based networks to weak-tie networks is accompanied by increasing strategic calculations of economic benefits.

The extraction of resources from networks is further elaborated by understanding the process of network change over time. Larson & Starr (1993) have outlined a three-step process of relationship development from trial phase, to partnership, to strategic resource exchange. In the first stage, entrepreneurs tap into their relationships with existing friends, family, and business contacts and identify new weak tie contacts. The second stage is a trial period for relationships. Existing relationships increasingly take on business roles that overlap with social roles, new weak tie relationships are solidified and gain meaning, and standards and expectations are established moving towards the gradual development of trust and reciprocity. In the final stage, personal relationships increase in complexity and become “layered,” allowing exchanges of business financing and technical information to occur, and entrepreneurs develop organizational linkages and begin to engage in organization-to-organization exchanges. Networks evolve and change over time as a result of increasing trust and affectivity in relationships that facilitates resource exchange (Smith & Lohrke 2008; Jack et. al 2008).

Hypotheses

<u>Growth Strategy:</u> Entrepreneurial growth strategy has been found to affect networking (Zhao & Aram 1995). It is hypothesized that **2a)** pro-growth entrepreneurs, defined as those who want to expand their business in the future, will perceive weak tie networks to be more beneficial than no-growth entrepreneurs. It is reasoned that entrepreneurs who do not desire to expand their businesses may not need as many diverse resources, and thus, they will not participate in weak tie relationships as much as others.

<u>Length of Business Ownership:</u> Although weak ties may be important in early stages of development, nascent entrepreneurs have smaller networks and spend less time developing and maintaining relationships in early start-up (Greve & Salaff 2003; Lechner & Dowling 2003) and may have undeveloped networks that lack a strong base of weak ties, as indicated by studies that suggest initial heavy reliance on strong tie networks of friends and family (Hite & Hesterly 2001; Larson & Starr 1993). Therefore, it is hypothesized that **2b)** there is a positive relationship between length of business ownership and the perceived value of weak tie networks. In other words, entrepreneurs who have owned businesses for longer periods of time will be more likely to receive resources and support from weak ties.

Explaining Weak Tie Networking Psychologically & Sociologically

Classical sociological theorists have emphasized the relationship between psychology and sociology, the individual and the collectivity, recognizing individuals as autonomous yet intertwined actors in their social environments. According to symbolic interaction theory, individual behavior is independently defined; however, it is influenced by social interaction and participation in social activities. Classical symbolic interaction theorist George Herbert Mead (1962) proposed that social interaction and individual behavior are reciprocally related.

Individuals develop relationships that fit with their personal identities, and in turn, social interaction and group participation reshapes their individual and group identities.

This social psychological perspective can be applied to understanding entrepreneurs. Entrepreneurs are both a product of the environment and an agent that shapes environment; influenced by a combination of individual attributes and opportunity (Shane 2003). This reciprocity between the entrepreneurs and the environment is perhaps best captured by Dodd & Anderson (2007, p.341), who say that "to conceive the entrepreneur as an atomistic and isolated agent of change is to ignore the milieu that supports, drives, produces, and receives the entrepreneurial process. The entrepreneurial agent encounters the social, may be shaped by it, but in turn, employs his or her agency to change the structure." Consideration of "both levels, the individual and the social, will jointly… contribute to understanding" (Dodd & Anderson 2007, p. 348).

A social psychological approach is useful in the study of entrepreneurs for several reasons. First, a social psychological approach is useful in reconsidering the factors that contribute to a person becoming an entrepreneur. Arguably, too much misdirected attention has been given to the question of what makes the entrepreneur different from non-entrepreneurs. Psychological traits, by themselves, are not as accurate at predicting who becomes an entrepreneur as other factors, such as age, race, and gender (Shane 2008, p.42). The variation among entrepreneurs is as great as the variation between entrepreneurs and non-entrepreneurs (Gartner 1985). This wide variation perhaps explains why attempts to establish a psychological profile of *the* entrepreneur has produced mixed findings, and empirical research has had trouble identifying personality traits or differences in leadership styles associated with entrepreneurship (Aldrich & Zimmer 1986, p.5).

Although entrepreneurs are not a distinct group separate from the general population in terms of psychological traits, they are different from the general population in their choice of occupation. The desire for self-employment is the primary reason for deciding to start a business of one's own (Shane 2008, p.43). The factors leading one to decide to become an entrepreneur are the result of both personal characteristics, including the aspiration for autonomy in work (Shane 2008) as well as being exposed to opportunities in social interactions (Singh 2000), including having business-owning family, friends, and neighbors (Davidsson & Honig 2003, p.320)

In addition, many people consider starting a business, but entrepreneurs are those who are able to transform this dream into reality. This takes a combination of opportunity *and* personal motivation (Shane 2003). Alone, social ties only partially explain business startup. Sequeira et al. (2007) found that, without personal efficacy, social ties can potentially discourage business start-up. Morally supportive strong ties coupled with high entrepreneurial self-efficacy both increased the likelihood that a nascent entrepreneur intended to start a business and that they engaged in behavior that turned the intention into reality. Strong ties that offered practical knowledge had no effect on nascent entrepreneur behavior or intentions, and weak ties that offered practical knowledge increased the likelihood of nascent entrepreneur behavior, but did not affect intentions. A study by DeCarolis, Litzky, & Eddleston (2009) showed that both entrepreneurs' social networks and their cognitive traits had positive effects on the progression of new venture creation. Specifically, they found that social networks shaped entrepreneurs' illusion of control and propensity for risk-taking, thus increasing the likelihood that they would launch a venture.

Secondly, a social psychological examination of how personality combines with social aspects can provide insight into why some entrepreneurial businesses succeed and others fail. The resources and information entrepreneurs are exposed to in their social interactions with other people provide them access to different opportunities. However, it is ultimately their own initiative, abilities, motivations, and goals that determine what courses of action they take and how they use the resources that they receive. DeCarolis & Saparito (2006) also showed the interplay between predisposition and social relationships in making business decisions. They found that the interaction between social capital factors – such as strong ties, trusting relationships, structural holes, and shared meanings – and cognitive factors – such as the illusion of control, confidence, and representativeness – influenced entrepreneurs' perception of risk, which determined whether or not they exploited opportunities. This suggests that social connections provide access to information about opportunities, but psychological factors determine whether opportunities are acted upon.

Thirdly, a social psychological perspective helps to elucidate entrepreneurs' networking behavior outside the economic realm, by looking to the individual and cultural factors that encourage or impede the development of certain types of ties. The term "network entrepreneurs" has been used to refer to entrepreneurs who develop their ideas with the help of social contacts (Hills et. al 1997). Making the distinction between "network entrepreneurs" and others suggests variation in entrepreneurs' networking behavior; not all entrepreneurs fit the characterization of entrepreneurs as pure individualists and "lone wolves" (Dodd & Anderson 2007; Hills et. al 1997). What encourages some entrepreneurs to network more than others?

Although the rational explanation proposed earlier that entrepreneurs form networks to meet specific business needs is appealing, it does not consider that entrepreneurs are potentially shaped by individual, environmental, and cultural factors. Rather than strategic choice in building networks, entrepreneurs' networks may be largely a product of their individual cognitions and predispositions and their cultural and environmental contexts (Singh 2000, p.47). The development of weak ties may be encouraged and constrained by these factors. Subsequently, their network participation may shape their cognition (Sequeira et. al 2009, p.540) and their current contacts may shape the development of subsequent network ties (Gulati & Gargiulo 1999).

Researchers have found that psychological traits are related to network participation and selection. Using a sample of undergraduate students, Totterdell, Holman, & Hukin (2008) found a positive relationship between the propensity to connect with others and extraversion, emotional stability, and affectivity. Furthermore, the propensity to make friends did not appear to be related to the propensity to make acquaintances, suggesting that a combination of personality qualities is needed to obtain a mixture of ties. In a study that examined the role of personality in network closure and structural holes, psychologists Kalish & Robins (2006) found that predisposition influences network structure. Participants who had weak or mixed structural holes (strong ties or a mixture of strong and weak ties), were highly group-oriented and less individualistic, self-identified through group membership, and made weak ties to connect to outside social circles. Participants who were more individualistic and viewed group membership as less important were more likely to have diverse networks and to keep their ties separated from each other. A study conducted by Burt, Janotta, & Mahoney (1998) to establish a personality profile of "network entrepreneurs," identified them as non-conformists who sought change and authority.

While these studies seem to suggest that traits stereotypically associated with entrepreneurship have positive implications for networking, other researchers have suggested the opposite effect of these traits. According to Zhao & Aram (1995, p.353), "networking arises out of an acceptance that the firm lacks some resources and cannot rely completely on its internal resources." Entrepreneurs are "notoriously" independent, self-confident, and self-reliant and "networking may run counter to these aspects of the entrepreneurial personality." Fortner (2006, p.140) claims that entrepreneurs' self-concepts affect the content of their networks. Some learn to rely on and trust their own skills and abilities due to the nature of their job as owners and managers, and those who exhibit great independence may not value networks unless they see immediate results.

Research also suggests the role of environmental and cultural factors contributing to differences in networking. Greve & Salaff (2003, p.15) found international differences in entrepreneurs' network size and time spent networking. Italian respondents had the highest percentage of kin in their business "discussion" networks, followed by the Norwegians, the Swedes, and the Americans. Time spent networking followed a similar pattern. Italians spent the most time developing and maintaining their relationships, followed by the Swedes, the Americans, and Norwegians. In a recent study by Robinson & Stubberud (2009) that analyzed entrepreneurs' advice networks across six countries and three different industries, country context appears to be a big factor in networking differences. By far, the highest proportion of entrepreneurs in Bulgaria reported using friends and family for advice, followed by Sweden, Czech Republic, Slovakia, Italy, and Austria. Use of professional acquaintances, appears to be highest in Italy, followed by Slovakia, Sweden, Austria, Bulgaria, and Czech Republic. A greater percentage of entrepreneurs reported friends and family as offering advice than professional acquaintances in all countries except for Italy, Austria, and Slovakia. Comparing networking of Chinese entrepreneurs in different contexts, Chu (1996) found that society and government influence networking. Chinese entrepreneurs in Hong Kong had a more dense and reachable network than Chinese immigrant entrepreneurs in Canada, attributable to both their greater familiarity with country and the location's collective tradition of group obligations and kinship. Chinese immigrants in Canada relied more heavily on business contacts and professional and governmental organizations because they were in an unfamiliar environment. In addition, they were more restricted by the governmental regulations imposed by a non-collective society.

Other research has found that immigrant entrepreneurs, who usually start businesses in ethnic enclaves, tend to have more restricted networks and rely heavily on close and informal connections (Sequeira 2006), as do women and minorities (Greve & Salaff 2003, p.17; Dixon 2004; Bruderl & Preisendorfer 1998, p.219). In ethnic business enclaves minority entrepreneurs tend to interact with their strong ties, but may not interact with many people outside the minority community. Having outside contacts (weak ties) may greatly benefit minority entrepreneurs, giving them access to diverse information and resources that they would not otherwise have within the community. Weak ties may be particularly important in breaking the cycle of poverty in economically disadvantaged ethnic enclaves where owners' strong tie contacts may have few resources to provide.

In a cultural approach, emphasis is placed on the norms and values that are transmitted in the socialization process by family and community groups within the larger society (Berger 1991). This could explain why the networks of minorities and women are heavily centered on kin. Cultural factors, such as the emphasis on close-knit interactions, may encourage entrepreneurs to utilize existing relationships within the community. In places where trust-based kin relationships are present and culturally encouraged, ethnic entrepreneurs, minorities, and women may greatly benefit from asking friends and family for assistance, and friends and family members may gladly offer it to them.

On the other hand, heavy reliance on strong ties may be the negative result of weak tie restriction. To their detriment, certain groups, such as women and minorities, may be excluded from diverse social circles due to prejudice or barriers to entry that act to keep the "downtrodden group in place" (Kanter 1977; Portes 1998, p.17). Environmental constraints, such as material scarcity, geographic isolation, and segregation, also play a role in contributing to the heavy reliance on strong ties. Under these circumstances, people look to the support of their inner circle due to the limited availability of outside social contacts (Granovetter 1973; Granovetter 1982, p.116; Morlicchio 2005).

While ethnic and international networking differences could be explained by both the cultural and environmental context of small-group associations, the societal marketplace may also shape networking behavior. In a longitudinal study that investigated the role of strategy and market factors in shaping the networking behavior of entrepreneurial semiconductor firms, Eisenhardt & Schoonhoven (1996) found evidence to suggest that the strategy of firms and the market environment in which they are located affects their alliance development. They found that firms in markets with high levels of competition and emergence of new firms had higher rates of alliance formation. This finding may be consistent with the idea that networking can be an effective competitive strategy for firms, especially those that are located in close geographical proximity (Polenske 2004; Alvarez, Marin & Fonfria, 2009). According to Burt (1992, p.4), "competition… is about securing productive relationships." Cooperation with competitors is common among high-tech firms in industrial agglomeration clusters and is important for growth (Lechner & Dowling 2003 p.12-13; Powell, Koput, & Smith-Doerr 1996), allowing firms to manage cumbersome work-loads, remain flexible (Uzzi 1997), and access cumulated knowledge (Inkpen & Tsang 2005; Powell et. al 1996).

On the other hand, the terms networking and competition seem inherently at odds. Both networking and competition involve relationship formation, but the relationships are characterized by opposite processes. Networking implies cooperation and sharing of resources, while competition refers to setting oneself apart from others and rivalry to win advantage. Referring to competition that occurs among corporate organizations, Inkpen & Tsang (2005, p.158) aptly note that "when members compete against one another for resources and markets, suspicion may replace trust in their relationship and, consequently, knowledge sharing may be sacrificed."

The culture of the marketplace, which is traditionally rooted in competition between firms to gain profit, may impede the development of weak tie networks by reinforcing independence and the "do-it-yourself" attitude. The marketplace culture traditionally emphasizes the capitalist market notions of competition, independence, and self-made success. Emphasis on these aspects may discourage entrepreneurs from sharing information with other businesses. Developing weak tie relationships with other marketplace actors is likely to be especially difficult as the marketplace environment may encourage potential allies to compete, making trust and reciprocity difficult to develop.

Although all entrepreneurs are, to some extent, subject to the influences of the marketplace culture and kinship affiliations, the community may be able to moderate their effects. The community is where individual and family meets the larger society (Wilkinson 1991, p.77). Communities play a vital role by setting the specific cultural and environmental context in which entrepreneurs operate. Among the numerous studies that have attempted to identify factors to encourage entrepreneurship in communities, many have emphasized creating culture. Communities that are favorable to entrepreneurs and more likely to attract new ventures: 1.) celebrate the arts and foster values of independence, risk-taking, non-conformity, creativity, innovation, diversity, and cultural uniqueness (Florida 2003; Shapero 1984, p.25), 2.) welcome entrepreneurs, encourage fresh voices, build a shared vision, develop entrepreneurial leaders, invest in entrepreneurship, create opportunities to learn and question, and cultivate networks (Hustedde 2007), 3.) accept controversy, depersonalize politics, decentralize leadership, and emphasize education and collective local investment, (Flora & Flora 1990), and 4.) fit with entrepreneurs' personal values and motivations (Johannisson 1987).

The community's culture also has implications for the types of networks that entrepreneurs form. According to Putnam (1993), norms of reciprocity and trust, the social dynamics that play an essential role in facilitating network exchanges of information and resources, may be enhanced through the development of community and local participation in community organizations. Granovetter (1973) suggests that open and non-restrictive communities with access to outsiders or community members from diverse backgrounds facilitate weak-tie networking. Flora & Flora (1993) argue that the community "entrepreneurial social infrastructure," the interaction that occurs between various community organizations, actors, and institutions, is developed through intangible and symbolic messages that the community includes all people, is open to debate, accepts different opinions, and treats all people fairly when distributing resources. Julien (2007, p.233-234) emphasizes the importance of communities that facilitate networking, saying that "with good networking, a locality will develop a strategic environment that fosters exchanges." This network building creates a contagious "virtuous circle" within the community that further facilitates local resource sharing and the creation of new firms. When applied to entrepreneurship, these findings suggest that community culture and participation in community may also facilitate entrepreneur networking, potentially breaking the "do-it-alone" attitude, lessening the marketplace's emphasis on competition, linking entrepreneurs to others in the community, and facilitating resources and information exchange.

Hypotheses

Entrepreneurial Self-Efficacy and Achievement-Motivation: This research will examine the relationship between networking and two well-established psychological traits, self-efficacy and achievement-motivation. The concept of self-efficacy originated from the work of the psychologist Albert Bandura. His definition of self-efficacy is one's belief in his/her ability to execute the actions (perform tasks) required to produce the desired effects (Bandura 1977, p.3). In studies of entrepreneurship, the definition of self-efficacy has been modified to include the set of skills needed specifically by entrepreneurs (Mueller et. al 2008; Sequeira et. al, 2007). The present study defines entrepreneurial self-efficacy as an entrepreneur's belief in his/her own ability to complete tasks related to operating and maintaining a business.

The concept of achievement-motivation was a psychological concept proposed by David McClelland (1961), who used it to explain why some countries have greater economic growth than others. People with a high need for achievement are attracted to occupations like entrepreneurship, because they involve moderate risks and responsibility. A large number of entrepreneurs exist in developed countries because people in developed countries are socialized to strive for achievement (McClelland 1961). His concept of "need for achievement" includes the desire for responsibility, yearning for feedback on performance, and interest in moderately risky situations (Kalantaridis 2004, p.53). In the present study, achievement-motivation will be defined as the act of striving for high personal performance.

As previously mentioned, the personality traits that are associated with the decision to enter entrepreneurship as well as the characteristics needed to manage a business – the desire for independence offered by self-employment, the self-initiative required to start a business, and the autonomy entailed in running a business operation – may negatively affect entrepreneurs' networking behaviors. Networking entails the loss of some personal autonomy that entrepreneurs who are highly independent or self-reliant may find particularly difficult to relinquish (Zhao & Aram 1995; Fortner 2006). Highly independent and self-reliant entrepreneurs may find it difficult to develop relationships with people whom they do not yet know well and may not want to invite others into their business affairs. Because of this, they turn to already established networks of trustworthy friends and family or they may have strained relationships with weak ties, limiting their ability to obtain optimal resources.

AM and ESE are believed to capture the traits of independence and self-reliance that presumably impede weak tie networking. Entrepreneurs who strongly believe that they are able to complete the tasks of operating the business (ESE) may be self-reliant, believing that they don't need to ask for assistance from others because they can do it themselves. Entrepreneurs who are highly goal-oriented (as indicated by the concept of AM) may have a strong sense of direction in the goals they set for themselves and how they want to reach those goals, and therefore, they don't want others to tell them what to do. It is therefore hypothesized that **3a)** there is a negative relationship between entrepreneurial self-efficacy and the perceived value of weak tie networks and **3b)** there is a negative relationship between achievement-motivation and the perceived value of weak tie networks.

Perceptions of the Community: This study also examines the relationship between community and networking behavior. The social structure is the foundation of the community, created through regular interaction between people in a community who share common interests of the community and interact for the collective well-being (Korsching et. al 2004; Wilkinson 1991). Community participatory structure is defined as an entrepreneur's perception of the community as being welcoming of citizen involvement. Because individuals' experiences in and perceptions of the community may widely vary, based on factors such as length of residency, age, and socioeconomic standing, the perceptions of individuals, rather than the comparison of communities, are examined.

It is hypothesized that **3c)** a positive relationship exists between entrepreneurs' perception of civicness within the community and their perception of weak tie value. It is reasoned that entrepreneurs who believe that the community has established this civic participatory culture will be more likely to interact with others within the community and participate in community organizations, which will increase their exposure to weak tie contacts both within and outside the community, making them more likely to report benefits of weak tie connections. In addition, since the participatory civic structure could potentially minimize the competition typical in the marketplace by setting norms of reciprocity and trust, it is believed that entrepreneurs that perceive the community as participatory will be more willing to engage in exchanges with weak tie connections.

CHAPTER III. METHODS

STUDY LOCATION

The site of this study is Nevada, Iowa, a small town with a population of approximately 6,600 (City-data 2010). Nevada is the county seat of Story County and is situated approximately ten miles east of the city of Ames and 35 miles north of the capital Des Moines, Iowa's largest city. When compared to the state of Iowa, Nevada and the surrounding county is experiencing higher population growth and has a younger, wealthier, and more educated population. This trend is attributable to the fact that Story County is home to one of Iowa's three public universities, which attracts many students, scientists, and professors. Both the state and the county, however, are more racially diverse than Nevada. Table 1 shows comparisons for these demographic and economic characteristics.

Table 1: The Percentage of Town, County, and State Populations Exhibiting Selected Demographic and Economic Characteristics

	Nevada, Iowa	**Story County**	**State of Iowa**
Population Growth (2000-2008) *recap.iastate.edu*	8.5%	12.4%	2.1%
Age under 35 Years (2000) *recap.iastate.edu*	49.3%	60.9%	47.5%
Age 35 Years and Older (2000) *recap.iastate.edu*	50.7%	39.2%	52.4%
Non-White Population (2000) *iowadatacenter.org*	(township) 3.6%	9.7%	6.1%
Educational Attainment Greater than High-School (2000) *recap.iastate.edu*	53.3%	72.2%	50.0%
Household Income above $35,000 (2000) *recap.iastate.edu*	62.0%	56.8%	56.1%
Individuals Living in Poverty (2000) *iowadatacenter.org*	(township) 5.2%	8.2%	9.1%

By all appearances, Nevada seems to be a thriving and active community. Nevada's local government website boasts that Nevada has "world-renowned entertainment, athletics, cultural events, continuing education opportunities, and a wealth of indoor and outdoor recreational opportunities" and, in the past, has been designated several times as one of the best small towns to live in America (City 2008). Nevada has business and family-oriented services and activities, with a public library, annual parades, several parks, highly rated schools, a full-time fire and police department, a hospital, an active local historical society, several civic organizations, a local chamber of commerce, and a full-time community economic development council. It seems to be advancing environmentally, with windmills to generate energy, a clean-burning trash incinerator, and several environmental and agricultural research facilities.

The town is home to a diverse base of businesses, including manufacturing, agricultural, commercial, and educational (City 2008). Nevada also has a strong sector of professional workers, primarily those who work in medical, financial, and legal occupations. The majority of the businesses in Nevada consist of legal aid firms, medical services, financial services and banks, agriculture-related operations, and locally-owned businesses, such as restaurants, stores, hair salons, and construction. There is a smaller presence of chain stores and restaurants, as well as recreation and art. The community does have a full-service grocery store, several convenience stores, and McDonalds, however, it does not have Walmart as many other small communities do. Recreation and art is limited to an aquatic center, a bowling alley, and a private country club, and several photography studios, respectively (Manta 2010; City-data 2010). According to the U.S. Small Business Association (2009), a small business is defined as an independent business (not publicly traded) that employs fewer than 500 employees. In terms of size, all of the businesses in Nevada could be characterized as "small," because none of them have more than 500 employees (City-Data 2005), and owing to the nature of the businesses, they are assumed to be independently owned.

Businesses are located in several areas throughout the city. On the west outskirts of town are the Nevada West Industrial Park and the Lincolnway Corridor Industrial Park, where agricultural and industrial operations are located (Nevada 2005). A newer business area has developed on the east side of town, which houses retail chain businesses, recreational-related operations, community action organizations, the new courthouse, telecommunications, marketing, and real estate firms, franchise restaurants, and convenience stores. The central business district located on Main Street downtown primarily has locally-owned shops, restaurants, medical clinics, and law firms. This area appears somewhat neglected, as some of the turn-of-the-century buildings are in disrepair or have been left vacant after business closings.

A considered benefit of choosing a small town site is that the entire population of businesses can be identified and included in the survey. Selecting a small town also presents an opportunity to make a contribution to research on small town businesses that is needed but lacking. Many small town businesses close and this often has negative implications for the entire community. Networking, particularly forming weak tie relationships with others outside the community, may help small town entrepreneurs to maintain their businesses. However, it may be difficult for small town business owners to develop weak tie relationships to access the instrumental resources that could greatly benefit them, because small towns are often geographically isolated.

Because of its geographic proximity to two urban areas, Ames and Des Moines, Nevada businesses owners may have exposure to a wider variety of people for networking than business owners in most small towns. They may also have more access to beneficial resources. Furthermore, Nevada is located near one of Iowa's major public universities, which may present business owners with greater exposure to a creative and innovative environment.

SURVEY DESIGN, DISTRIBUTION, AND RETURN

Survey research methods were used in this study. The purpose of the survey was to examine the role of different types of social networks in providing resources and support to entrepreneurs, and to understand their community participation and business interests and motivations. All Nevada for-profit business owners were invited to participate. A list of businesses was generated from multiple public directory listings, including an online phonebook, the local chamber of commerce website, the most recent yellow page phonebook, and local personal sources. In attempt to ensure a current list of all businesses in Nevada, a visit to the town's commercial areas helped to find new businesses that were not listed in the directories and remove from the list businesses that were no longer in operation or had moved away from Nevada.

After designing the questionnaire, pretesting was conducted to ensure that the survey questions were relevant and comprehendible. Business owners were approached in downtown commercial areas in two communities, Des Moines, an urban metropolitan city, and Indianola, a town similar to Nevada in its size and proximity to urban areas. Seven participated in pre-testing interviews, conducted at the convenience of the researcher and the interviewees. After informing them of the purpose of the study, interview participants were either read the survey questions and asked to respond aloud or asked to take the survey without instruction. During and after responding to the survey, interviewees reflected on the questions, elaborated on their answers, and provided feedback on the design of the questions. All the comments received during pre-testing were considered and the most useful suggestions were used to improve the questionnaire. Pre-testing also provided a better understanding of the topics and issues that were most relevant to business owners and presented a real context in which to approach this quantitative study.

The survey was mailed to all 228 Nevada businesses during the Fall of 2009. The initial survey packet included a cover letter, a letter of support from a local organization, a survey, and a postage-paid return envelope. Because the survey was mailed to businesses, not business owners, measures were taken to prevent respondents who owned multiple businesses from taking the survey numerous times. Participants were told that if they received multiple surveys, they only needed to complete the survey once. When answering the questions, they were asked to the think of their newest business. The survey was addressed to the current business owner or the president/manager. Business owners were instructed to complete the survey, but in the situation that the business owner was not present, presidents or managers were told to complete it. Business owners were instructed to complete all sections of the survey, and non-owners were asked only to respond to the final portion of the survey about the community and their personal information.

The average response rate for business surveys is approximately 20% (Dillman 2000, p.323). In the present study, ninety-two respondents returned the survey, making a 40% response rate. Several strategies were used to maximize the response rate in order to reach business owners, a survey population that generally is not very responsive (Dillman 2000).

Soon after the initial mailing, an article was placed in the local newspaper to announce the survey and encourage participants to respond. A follow-up postcard was mailed to all participants who had not responded within two weeks of receiving the survey, and a replacement survey package was subsequently mailed to all participants who had not returned the survey after receiving the postcard. Another strategy to boost the response rate was to collaborate with a local community non-profit organization to create an impression of relevance for the business owners.

VARIABLE MEASUREMENTS

The questionnaire consisted of seven sections: 1) business characteristics, 2) networking with close friends and family, 3) networking with business contacts, coworkers, and employees, 4) networking in the Nevada Chamber of Commerce, 5) business activities and interests (achievement-motivation and entrepreneurial self-efficacy), and 6) community perceptions, and 7) personal information. See Appendix A for the complete questionnaire.

When operationalizing variables, previous scales and measurements were consulted to determine the most appropriate aspects and indicators of the key concepts. Appendix B provides the indicators used to measure network value, achievement-motivation, entrepreneurial self-efficacy, and community participatory structure. With the exception of the measurement constructed for network value, all other scales used in the current study are based on similar scales that have been found reliable in past studies.

Entrepreneur is operationally defined as a business owner-operator. Entrepreneurship was determined by the first question on the questionnaire, “are you the owner of a business?” An affirmative answer indicated an entrepreneur. Of the 92 respondents who returned the survey, approximately 85% of them were entrepreneurs (n=78) and the remainder were managers, not owners.

In the first section of the questionnaire, entrepreneurs were asked basic questions about their business ownership status, including the length of business ownership, the ownership arrangement, the decision to start a business, and plans for growth. The answers to the question about plans for growth were used to determine growth strategy for hypothesis 2a. Respondents were asked to mark the statement that described their business growth plans in the next five years. Those who responded, “I want to expand my business” or those who indicated that they wanted to both “expand” and “sell” were coded as “pro-growth entrepreneurs.” Those who responded that they planned to “downsize,” “sell,” “close,” or “did not plan to change the size of the business” were coded as “no-growth entrepreneurs.” The question asking respondents to state how long they had owned their business was used to test hypothesis 2b.

Participants were also asked to rate the importance of receiving different types of support and resources in operating and maintaining their businesses. Indicators of resources and support included having emotional support, such as encouragement, praise, and recognition; having practical support, such as advice, ideas, or information on how to run a business; having referrals to new customers; having information on potential suppliers; and having business resources, such as financing and equipment. Participants were asked about these particular resources and support because the literature suggested these as salient “capitals” potentially offered in networks that would be beneficial to entrepreneurs (Sequeira et. al 2007; Fortner 2006). The following three sections of the survey then measured the value of social networking, based on the degree to which different types of networks' provided these same five types of support and resources.

Networks

Part two of the questionnaire asked respondents to rate whether their close friends and family (strong ties) offered those five types of resources and support. Part three and four of the survey measured the resources and support that respondents received from two types of "weak tie" networks: informal weak ties include business contacts, employees, and coworkers; and formal weak ties include the Local Chamber of Commerce. All respondents were asked to answer part two and three of the questionnaire regarding their strong ties and informal weak ties, and only entrepreneurs who indicated membership in the Chamber of Commerce were asked to answer part four of the questionnaire. These indicators of strong and weak ties are based on Granovetter's (1973) suggestion that tie strength should be measured based on the degree of emotional intensity and the frequency of contact and several past studies that have used similar indicators of weak and strong ties (Sequeira et. al 2007; Grossman 2006; Singh 2000, p.53).

Network value, defined as the degree to which an entrepreneur believes that a given social network offers resources and support, was measured by three sets of statements. See Appendix B for the survey indicators for each type of network and the statements used to measure network value. For each network, participants were given statements and asked to rate the degree to which they actually received resources and support from those relationships. They responded to the following statements for each network: "my [type of network contacts] provide me with emotional support, such as encouragement, praise, or recognition;" "my […..] provide me with practical support for my business, such as advice, ideas, or information on how to run my business;" " my […] refer new customers to my business; "my […] provide me with information on potential suppliers; and "my [….] provide me with business resources, such as financing or equipment." These resources and support are indicated in the literature as being beneficial to entrepreneurs and potentially offered by networks (Granovetter 1973; Casson & Giusta 2007; Decarolis & Sarapito 2006; Birley 1985). Using a Likert scale design, the response categories ranged from 1, strongly disagree to 5, strongly agree.

In another study, network value was measured by a "mythical bonus" approach. Each respondent was asked to distribute a pool of $1000 to contacts that they identified as valuable to their business. Contacts that received at least $50 were considered valuable (Grossman 2006; Grossman, Yli-Renko, & Janakiraman 2007). The advantage of this approach is that it is a more direct measure of network value, allowing the respondent to decide who is valuable to them, rather than using constructed indicators of resources and support and predetermined categories of relationships.

In the present study, an indirect measurement was used because it is more concrete and calculable. Three scales were created by using responses from the same set of five statements for each network. In creating the scales, a varimax factor analysis was conducted to determine whether responses to the five statements were generally consistent or whether multiple components existed, which would warrant the creation of separate scales. Factor analysis revealed two components for both strong tie and informal weak tie networks; however, there was only one component in the set of statements about the formal weak tie network. Because the three networks are being compared to test hypotheses 1a-c, the decision was made not to separate strong and informal weak tie networks into the components revealed by the factor analysis. All five statements were used to create averaged scales for each of the three networks. This was done to ensure consistency in the statements so that the respondents' scores for each network could be compared.

For each network, a scale was created by adding and averaging respondents' answers about the degree to which each network *provided* the five types of resources and support. These scales were used to test hypothesis 1a and 1c. The possible scale scores ranged from one, representing the lowest network value, to five, representing the highest network value. In order to test hypothesis 1b, three weighted network scales were also created. Scale scores were calculated by weighting the *importance* of having various types of resources and support on the degree to which each type of network actually *provided* the corresponding types of resources and support. Entrepreneurs' raw score for the degree of importance of a given type of resource or support was multiplied by their corresponding raw score for the degree to which it was provided by a given network. For each network, the resulting products (for each type of resource or support) were then summed and averaged. The possible scores on the weighted scales ranged from one, lowest, to five, highest. Table 2 presents the alpha scores, as well as the mean, median, and range for each scale.

Achievement-Motivation (AM) Scale

In locating questions to measure achievement-motivation, David McClelland's definition of achievement-motivation was considered. In the present study, achievement-motivation is defined as the degree to which an entrepreneur strives for high personal performance. Schuler, Thornton, Frintrup, & Mueller (2004) developed a 17-item scale achievement-motivation inventory. The scale's importance to the present study is its specification of the dimensions of achievement-motivation: avoiding failure, drive to win, confidence in abilities, high level of work activity, goal setting, internal motivation, enjoying challenges, persistence, and pride in accomplishments. Based on these dimensions, the following three indicators were created for the survey: “I enjoy challenging tasks,” “I am proud of my accomplishments,” and “I like getting feedback on my performance.” The remaining three measures of AM were adapted from a similar, but shorter scale created by Maya (2008): “I put forth the necessary effort to achieve my goals,” “I set high goals and expectations for myself,” and “I am eager to learn new things.” Response categories ranged from 1 representing “strongly disagree” to 5 representing “strongly agree.” Appendix B provides the definition of achievement-motivation, the survey statements that measure the concept, and the descriptive statistics for each survey indicator.

When creating the scale for the present study, a varimax factor analysis was conducted. Because it did not reveal multiple components from the set of survey questions, all six statements in the questionnaire were used to create an averaged scale. Possible scale scores range from 1, representing the least agreement to 5, representing the most agreement. The alpha reliability score for this scale was 0.81. See Table 2 for the descriptive statistics.

Entrepreneurial Self-Efficacy (ESE) Scale

Adapting Bandura’s (1977) definition to the present study, entrepreneurial self-efficacy is defined as an entrepreneur’s belief in his/her ability to complete tasks related to operating and maintaining a business. Several previous scales used to measure entrepreneurial self-efficacy were consulted. In her measure of entrepreneurial self-efficacy, Sequeira (et. al, 2007) includes an extensive set of tasks related to operating a business. She asks entrepreneurs to rate their ability to perform these tasks, such as “investigating the market for a new product of service," "accurately estimating the necessary revenues and costs associated with the business," and "preparing projected financial statements."

The questionnaire in the present study used a shorter scale of similar tasks that was developed by Mueller & Conway (2008). They measured ESE by asking respondents to rate themselves against their peers in completing tasks related to entrepreneurship: solving problems, managing money, being creative, persuading people, being a leader, and making decisions. Adapting a similar list of tasks, respondents in the current study were asked to rate their own ability to "solve problems," "manage money," "find capital," "make decisions," "be a leader," and "recognize business opportunities." These tasks were chosen because they are associated with owning a business and are likely relevant to most business owners. Response categories ranged from 1 representing "no ability" to 5 representing "much ability." Appendix B provides the definition and operationalization of entrepreneurial self-efficacy, as well as descriptive statistics for each indicator on the survey used to measure the concept.

A varimax factor analysis indicated two components in the set of six statements. It showed that the statements regarding "managing money" and "finding capital" were separate from the other four statements. Based on the results of the factor analysis and the comments of some respondents, who replied that managing money and finding capital were not relevant to their business, the decision was made to remove these two statements when creating the scale. Respondents' answers to the other four statements were summed and averaged to create a scale with possible scores ranging from one, representing the least ability, to five, representing the most ability. The reliability for this scale was 0.76. Table 2 shows the mean, median, and range of the scores.

Community Participatory Structure (CPS) Scale

Community participatory structure is defined as the degree to which an individual perceives the community as being welcoming of citizen involvement. Wilkinson (1991) outlines five dimensions of community well-being: distributive justice, which refers to human equality and equal exchanges; open communication, which refers to the efficiency, honesty, and authenticity of channels of communication; tolerance, defined as the acceptance of differences and diversity among people; collective action, which refers to working toward common goals and interests; and communion, defined as the selfless participation in community activity. These five dimensions are believed to be a good indicator of community participatory structure, because they capture the essence of the welcoming climate that may encourage people to become involved and form relationships. Wilkinson's dimensions were adapted by Korsching, Lasley, & Roelfs (2004b), who identified indicators and created a "community generalizing" scale. Drawing from Wilkinson's definitions and scales that other scholars use to measure similar concepts, Korsching et al. has developed three Likert-scale statements to measure each of Wilkinson's dimensions. Due to space constraints on the survey, only two of Korsching's indicators were used to measure each dimension in the present study.

On the survey, respondents were given ten statements and asked to rate their community, with response categories ranging from strongly disagree to strongly agree. The statements on the survey and the dimensions they represent are as follows: *distributive justice* – "all sides of important issues that affect the community are given consideration in making decisions" and "community leaders treat all groups equally when making decisions on allocating community resources;" *tolerance* – "newcomers are always welcome" and "people of all backgrounds feel welcome to participate in community activities;" *collective action* – "local businesses, organizations, and government agencies work together to improve the community" and "people have a strong civic spirit to make it a better place to live;" *open communication* – "I am able to have an input into decisions that affect the community" and "residents are not afraid to voice their concerns about community problems;" and *communion* – "people enjoy each others' friendship" and "people can count on each other when they need help." Appendix B provides the dimensions of community participatory structure, the survey statements used to measure the concepts, and the descriptive statistics for the indicators.

A varimax factor analysis was conducted to determine which statements should be included in the scale. The factor analysis only revealed two components instead of the five that would have been expected based on Wilkinson's dimensions, and the two indicators on one of Wilkinson's dimensions fell between the two components. Because of this, the decision was made to include all ten statements in the scale. Responses from the ten-item scale were summed and averaged for each respondent, with potential scores ranging from 1 to 5. The reliability of the 10-item scale is 0.89. See Table 2 for the descriptive statistics.

Table 2: Statistical Description of Scales

Scale	Number of Indicators in Scale	N	Reliability of Scale (α)	Mean Score (x)	Median (*M*)	Min	Max	Range
Networks (H1a, c)								
Strong Ties (close friends and family)	5	75	0.682	3.061	3	1.8	5	3.2
Informal Weak Ties (business contacts, coworkers, and employees)	5	75	0.760	3.296	3.4	1	5	4
Formal Weak Ties (Chamber of Commerce)	5	52	0.816	2.546	2.6	1	4	3
Weighted Networks (H1b)								
Having Resources & Support	5	77	N/A	3.436	3.6	1	5	4
Strong Ties (close friends and family)	5	74	N/A	3.250	3.3	1.8	5	3.2
Informal Weak Ties (business contacts, coworkers, and employees)	5	74	N/A	3.365	3.5	1	5	4
Formal Weak Ties (Chamber)	5	51	N/A	3.012	3	1.7	4	2.3
Achievement-Motivation (H3b)								
AM	6	78	0.813	4.267	4.167	3.33	5	1.67
Entrepreneurial Self-Efficacy (H3a)								
ESE	4	78	0.762	4.317	4.25	3	5	2
Community Participatory Structure (H3c)								
CPS	10	76	0.896	3.215	3.3	1.5	4.8	3.3

CHAPTER IV. RESULTS

The survey data were analyzed using Predictive Analytics Software (PASW), a computer program used by social scientists to statistically analyze quantitative data. Descriptive statistics and statistical tests were conducted to test the hypotheses. The results are as follow:

DESCRIPTION OF NEVADA ENTREPENEURS

The survey sample consisted of 92 respondents, seventy-eight (85%) of whom were entrepreneurs. Table 3 shows the demographic, business, and community-related characteristics of entrepreneurs. The average Nevada entrepreneur respondent is 53 years old and has completed 15.5 years of education, or approximately three-and-a-half years of college. Approximately 75% of entrepreneurs are male (n=59), while the remaining 25% are female (n=19).

The median number of businesses that Nevada entrepreneurs currently own is one, and they have been business owners for an average of 19 years. Forty-five (58%) reported sole-ownership of their business, twenty-one (27%) of the businesses were family-owned, three (4%) were franchises, and nineteen (24.7%) businesses were “other,” such as a corporation or partnership. The majority of entrepreneurs (n=51 or 66%) started their business from scratch, while the remaining entrepreneurs purchased it (n=21 or 27%) or inherited it (n=3 or 4%). Responses about the decision to start a business were evenly distributed, with approximately 30% (n=23) indicating that the desire to start a business came first before the search for opportunities, 38% (n=29) responded that the opportunities arose before the desire to start a business, and the remaining 32% (n=24) indicated that neither choice was applicable. Referring to the mailing list, which included respondents' business addresses and the types of businesses as indicated from the online phonebook, respondents own businesses in a variety of sectors. The types of businesses they own include restaurants, bars, convenience stores, clinics, hardware, hair salons, real estate, banks, auto and building repair, sanitation, skilled labor, professional services, and gift shops; they represent insurance, manufacturing, financial, legal, agricultural, recreation, and health sectors. When asked about their personal attachment to their business, approximately 74% (n=56) of entrepreneurs reported that their business was both a "way of life" and a "business," while 17% (n=13) of respondents regarded it as only a "business" and 8% (n=7) of respondents viewed it as only a "way of life."

Sixty-three (81%) of the entrepreneurs are residents of Nevada, and on average, they have lived in the town for 29 years. They participate in approximately two local community organizations. Sixty-four percent of entrepreneurs were current members of the local Chamber of Commerce (n=48). The majority, forty-eight (62%), responded that they were "attached" or "very attached" to the community, while fifteen (20%) were "somewhat attached," and fourteen (18%) indicated "very little" or "no attachment."

Table 3: Description of Nevada Entrepreneurs

	Frequency	Valid Percent	Mean (x)	Median (*M*)	Standard Deviation (σ)
Entrepreneurs in Sample	78	85.0%			
Demographic Characteristics					
Age (years)			52.8	54	9.3
Education (years)			15.5	16	2.9
Male	59	75.6%			
Female	19	24.4%			
Business Characteristics					
Number of Businesses Owned			1.8	1	2.2
Length of Ownership (years)			19.3	15	13.8
Sole-Ownership	45	58.4%			
Family-Ownership	21	27.3%			
Franchise	3	4.0%			
Other: Corporation, Partnership	19	24.7%			
Started from Scratch	51	66.2%			
Purchased	21	27.3%			
Inherited	3	3.9%			
Business is both "way of life" and "business"	56	73.7%			
Community Involvement					
Resident of Nevada	63	80.8%			
Length of Residency (years)			28.7	30	15.4
Organizational Memberships			2.2	2	1.9
“Attached” or “Very Attached” to the Community	48	61.5%			
Chamber of Commerce Member	48	64.0%			

NETWORK VALUE

Comparison of Networks by their Perceived Ability to Offer Resources (H1a, H1c)

Networks vary in their abilities to offer entrepreneurs different types of support and resources, including emotional support, practical support, referrals to customers, information on suppliers, and business resources. Table 4 shows the percentages of respondents' level of agreement and the means for each resource and type of support. When comparing networks, the means for informal weak ties are highest for all types of resources and support, except for emotional support which was highest for strong ties. Respondents highly rated all three networks on their ability to provide emotional support, practical support, and referrals to customers; however, to varying degrees, all three networks were less able to provide information on suppliers and business resources, such as financing and equipment. When analyzing networks individually, strong ties are most able to provide emotional support and referrals to customers. Sixty-nine percent and 62% of respondents agreed or strongly agreed that strong ties provide emotional support and referrals to customers, respectively. Of the three networks, informal weak ties are most able to provide referrals to customers. Eighty-one percent of respondents agreed or strongly agreed that informal weak ties referred customers to their business. Emotional support, practical support, and referrals to customers are provided by formal weak ties, but to a much lesser extent than other networks (agreement or strong agreement was 33%, 36%, and 37%, respectively).

Table 4: Level of Agreement that Networks Offer Different Types of Support and Resources (Percentage of Respondents and Means)

	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree	Mean (x)	Standard Deviation (σ)
Strong Ties					
Emotional support	6.4%	24.4%	69.2%	3.90	0.92
Practical support	25.6%	39.7%	34.7%	3.14	1.03
Referrals to customers	10.2%	28.2%	61.6%	3.62	0.98
Information on potential suppliers	49.4%	38.7%	12.0%	2.43	1.03
Business resources	62.7%	26.7%	10.7%	2.16	1.08
Informal Weak Ties					
Emotional support	9.3%	34.7%	56.0%	3.60	0.89
Practical support	16.0%	30.7%	53.4%	3.48	1.02
Referrals to customers	5.3%	13.3%	81.3%	3.99	0.81
Information on potential suppliers	30.7%	34.7%	34.7%	2.96	1.18
Business resources	48.0%	32.0%	20.0%	2.45	1.20
Formal Weak Ties					
Emotional support	21.2%	46.2%	32.6%	3.10	0.91
Practical support	48.1%	36.5%	15.4%	2.54	0.92
Referrals to customers	28.8%	34.6%	36.5%	3.08	0.95
Information on potential suppliers	73.0%	23.1%	3.8%	2.12	0.76
Business resources	82.6%	15.4%	1.9%	1.90	0.72

Average scores on the scale created using the five measures of the resources and support indicate that networks are moderately beneficial to entrepreneurs. With possible scale scores ranging from one, indicating the least agreement that resources and support were provided, to five, indicating the greatest agreement, the average scale score for informal weak tie networks (business contacts, coworkers, and employees) was 3.3 (σ =0.74), strong tie networks (friends and family) 3.06 (σ =0.67), and formal weak tie networks (chamber of commerce) 2.55 (σ =0.65). Appendix C provides a graph of the mean values of the three networks.

The frequency distributions of individual respondents' average scores for each network generally follow a bimodal curve, with modes falling slightly above and below the median. Most respondents either rate networks slightly higher or lower, but not in the middle as would be expected in a normal distribution. There are also differences in the range of values for each network. No respondents gave strong tie networks the lowest possible value score, and no respondents gave formal weak tie networks the highest possible value score. Most scores fall above the median for informal weak ties, at the median for strong ties, and slightly below the median for formal weak ties. Appendix D provides frequency distribution charts.

It was hypothesized in H1a that weak tie networks are perceived by entrepreneurs as more beneficial than strong tie networks. H1c hypothesized that entrepreneurs perceive informal weak tie networks to be more beneficial than formal weak tie networks. It is therefore expected that informal weak ties will be most beneficial, followed by formal weak ties, and strong ties. A paired samples t-test was conducted to determine whether entrepreneurs' mean scores for each of the three networks significantly differed and whether these differences were in the hypothesized direction. The results indicate that the mean network value for informal weak ties is significantly greater than the mean value for formal weak ties, $t(51)=6.46$, $p<0.000$, and the mean value of strong ties, $t(74)=2.86$, $p=0.006$. The mean network value for strong ties was significantly greater than the mean value for formal weak ties, $t(51)=5.86$, $p<0.000$. Table 5 provides detailed results of the paired samples t-tests. These results confirm that, of the three networks, informal weak ties are the most beneficial to entrepreneurs, followed by strong ties, and least beneficial are formal weak ties. There is partial support for H1a because informal weak ties were indeed more beneficial than strong ties; however, formal weak ties were unexpectedly less beneficial than strong ties. H1c is supported because informal weak ties provided resources to a greater extent than formal weak ties.

Table 5: Results of Paired-Samples T-Tests for the Comparison of Network Value

Comparison Groups	**N**		**Mean**		**Mean Difference**	**Standard Deviation (σ)**	***t***	***p***
		Strong Ties	*Informal Weak Ties*	*Formal Weak Ties*				
Strong Ties/ Informal Weak Ties	75	3.06	3.30		-0.23	0.71	-2.86	0.006**
Weighted Scale	74	3.25	3.36		-0.11	0.36	-2.77	0.007**
Informal Weak Ties/ Formal Weak Ties	52		3.37	2.55	0.82	0.92	6.46	0.000***
Weighted Scale	51		3.43	3.01	0.42	0.46	6.46	0.000***
Strong Ties/ Formal Weak Ties	52	3.14		2.55	0.59	0.73	5.86	0.000***
Weighed Scale	51	3.32		3.01	0.31	0.36	6.05	0.000***

** $p \leq 0.01$, *** $p \leq 0.001$

Comparison of Networks by the Perceived Importance of Resources they Offer (H1b)

Entrepreneurs indicated that having resources and support was important in maintaining and operating their businesses (see Table 6 for the results). With possible scale scores ranging from one, indicating the least agreement that resources and support were provided, to five, indicating the greatest agreement, the average scale score on the importance of resources and support was 3.44 (σ = 0.76). Separate analysis of the means for each indicator shows that having referrals to new customers was perceived as most important to entrepreneurs (x=4.44; σ =0.93), followed by business resources, such as financing and equipment (x=3.46; σ =1.25), practical support, which referred to advice on how to run a business (x=3.27; σ =1.16), emotional support, such as encouragement and praise (x=3.18; σ

=1.16), and lastly, information on potential suppliers (x=2.81; σ =1.28). Table 6 provides the percentages and means for responses on the importance of different types of resources and support.

Table 6: The Importance of Having Different Types of Support and Resources (Percentage of Respondents and Means)

	Not Important/ Slightly Important	**Moderately Important**	**Important/ Very Important**	**Mean (x)**	**Standard Deviation (σ)**
Emotional support	29.5%	25.6%	44.8%	3.18	1.16
Practical support	25.6%	17.9%	56.4%	3.27	1.16
Referrals to customers	5.2%	7.7%	87.2%	4.44	0.93
Information on potential suppliers	40.3%	28.6%	31.2%	2.81	1.28
Business resources	23.1%	21.8%	55.2%	3.46	1.25

To test H1b that resources embedded in weak tie networks are perceived to be more important than the ones embedded in strong ties, a weighted scale for each network was created using individuals' responses to the five survey questions about the importance of having various types of resources and support and their responses about the degree to which each type of network actually provided those resources and support. Creating weighted scales increased all three of the original network value means, resulting in a 0.45 increase in the formal weak tie mean, a 0.2 increase in the strong tie mean, and a 0.05 increase in the informal weak tie mean. Appendix C provides a graph showing the mean differences on the weighted scales.

A paired samples t-test was conducted to compare the mean weighted scale scores for each network. This statistical test yielded the same results as before, showing only partial support for H1b. The results indicate that the mean weighted network value for informal weak ties was significantly greater than the mean for formal weak ties, $t(50)=6.46$, $p<0.000$, and the mean for strong ties, $t(73)=2.77$, $p=0.007$. However, contrary to the hypothesis, the mean network value for strong ties was significantly greater than the mean value for formal weak ties, $t(50)=6.05$, $p<0.000$. Table 5, shown previously, displays these results.

EXPLANATIONS FOR WEAK TIE NETWORKING

Growth Strategy (H2a)

Thirty-six percent (n=27) of the respondents are “pro-growth” entrepreneurs, as indicated by plans to expand the businesses in the next five years. The remaining 64.5% have no plans for growth (n=49). Independent samples t-tests were conducted to evaluate the hypothesis that pro-growth entrepreneurs perceive greater benefits of weak tie networks than no-growth entrepreneurs. These tests compared the mean network value for “no-growth” and “pro-growth” entrepreneurs on both of the weak tie networks. Although there were small differences in the comparison groups’ means for informal and formal weak tie networks, *neither was statistically significant.* Table 7 provides detailed results for this statistical test and all others that follow.

Length of Business Ownership (H2b)

To test the hypothesis that length of business ownership is positively related to the perceived value of weak ties, Pearson zero-order correlations were computed to measure the strength and the direction of the relationship between length of ownership and weak tie network value. The correlations for both weak tie network variables were weak and *insignificant.* Table 7 shows correlation results, and Appendix E provides graphs of the correlations for each network.

Entrepreneurial Self-Efficacy (H3a)

Pearson zero-order correlations were computed to evaluate the hypothesis that entrepreneurial self-efficacy (ESE) is negatively related to the perceived value of weak tie networks. Although the correlation for informal weak ties was *significant*, the relationship is not in the hypothesized direction (r = 0.374, p = 0.001); that is, higher levels of self-efficacy are associated with stronger perceptions that informal weak ties are valuable. Correlation analysis for formal weak ties and ESE showed a very weak and *insignificant* relationship in the opposite direction (r = -0.01, p =0.94). See Table 7 for additional details of this analysis and Appendix E for graphical representation of the correlations.

Achievement-Motivation (H3b)

Pearson zero-order correlations were also conducted to calculate the relationship between achievement-motivation (AM) and the perceived value of weak tie networks. The hypothesis predicted a negative relationship between the variables. Similar to the results for ESE, correlation analysis showed a *significant* positive relationship between AM and informal weak ties (r = 0.32, p = 0.005). This does not support the hypothesis, showing instead that entrepreneurs with higher levels of achievement-motivation perceive informal networks as more valuable. The correlation between formal weak ties and AM was in the hypothesized direction, but the relationship was *not significant* (r = -0.164, p = 0.245). See Table 7 and Appendix E. It should also be noted that additional analysis revealed a *significant* positive relationship between strong ties and AM (r = 0.273, p = 0.018).

Perceptions of Community Participatory Structure (H3c)

The final hypothesis examined the role of community perceptions in explaining weak tie networking, predicting a positive relationship between entrepreneurs' perception of civicness within the community and their perceived weak tie values. The Pearson zero-order correlation test *did not find a significant relationship* between the perceived community participatory structure (CPS) and informal weak ties (r = 0.007, p = 0.95). However, in support of the hypothesis, there is a strong and *significant* positive relationship between CPS and formal weak ties (r = 0.448, p = 0.001). See Table 7 and Appendix E.

Table 7: Results of Statistical Tests for Factors that Affect Weak Tie Networking

	Statistical Test	**Direction of Relationship as Hypothesized**	***t***	**df or N**	***r***	***p***
Informal Weak Ties						
Growth Strategy (H2a)	Independent Samples T-Test	Yes	0.735	df=71		0.465
Length of Business Ownership (H2b)	Zero-order Correlation	No		n=74	-0.095	0.419
Entrepreneurial Self-Efficacy (H3a)	Zero-order Correlation	No		n=75	0.374	0.001***
Achievement-Motivation (H3b)	Zero-order Correlation	No		n=75	0.320	0.005**
Community Participatory Structure (H3c)	Zero-order Correlation	Yes		n=73	0.007	0.950
Formal Weak Ties						
Growth Strategy (H2a)	Independent Samples T-Test	No	-0.450	df=48		0.654
Length of Business Ownership (H2b)	Zero-order Correlation	Yes		n=51	0.096	0.504
Entrepreneurial Self-Efficacy (H3a)	Zero-order Correlation	Yes		n=52	-0.010	0.942
Achievement-Motivation (H3b)	Zero-order Correlation	Yes		n=52	-0.164	0.245
Community Participatory Structure (H3c)	Zero-order Correlation	Yes		n=51	0.448	0.001***

** $p \leq 0.01$, *** $p \leq 0.001$

Finally, partial-order correlations were also calculated to examine the relationships between the independent variables and the raw network value scores after controlling for the effects of several demographic and business variables: education, age, years lived in Nevada, number of businesses closed in the past, number of current businesses, sole business ownership, and perception of business as a way of life. Controlling for these variables only minimally affected the strength of the zero-order correlations. The significant zero-order correlations, found in Table 7, remained significant, and no changes occurred in the non-significant relationships, except for two control variables on achievement-motivation and formal weak ties. The relationship between achievement-motivation and formal weak tie value became significant after separately controlling for years lived in Nevada and education.

CHAPTER V. DISCUSSION

Business owners have a moderately high need for resources and support in operating their businesses, and they receive resources and support from multiple personal and business-related connections: close friends, family, business contacts, coworkers, employees, and the Chamber of Commerce. A mixture of network ties is probably optimal; however, this study found that informal relationships are particularly important. Informal networks of both strong ties (friends and family) and weak ties (business contacts, coworkers, and employees) were more valuable in providing entrepreneurs with resources and support than formal organizational membership in the Chamber of Commerce. Entrepreneurs seem to recognize this and look to friends, family, and business contacts for assistance. When asked how often they rely on various relationships to get support and resources for their business, 36% said they rely often or very often on business contacts, workers, and employees, 19% rely often or very often on friends and family, and 14% rely often (no respondents indicated very often) on the Chamber of Commerce. Although it provides entrepreneurs with fewer resources and support than other networks, it nevertheless appears that entrepreneurs recognize some benefit of the Chamber because the majority of them who answered the survey are members.

The findings show partial support for Granovetter's "strength of weak ties theory" (1973). The three networks examined in this study significantly differ in their perceived ability to provide entrepreneurs with resources and support; however, only informal weak ties and formal weak ties behaved differently. Informal weak ties were more valuable than both formal weak ties and strong ties; however, formal weak ties were least beneficial. The fact that informal ties, both strong and weak, were more valuable to entrepreneurs than formal weak ties suggests that the structure of a network is a more important factor than tie strength when examining network value. Because differences exist in the value of different types of weak tie relationships, careful attention should be given when defining and measuring networks. Researchers should take into account the differences between these relationships when conceptualizing weak tie networks and categorizing different types of relationships.

The second part of the study applied two different perspectives – the economic and the social psychological – to identify and examine factors that may affect weak tie networking. Of all five factors examined in this study, including length of business ownership, growth strategy, entrepreneurial self-efficacy, achievement-motivation, and community perceptions, only the three social psychological factors were significant in explaining the value that entrepreneurs received from networks. The social psychological perspective was supported, but not the economic perspective. The social psychological factors (achievement-motivation, self-efficacy, and community perceptions) were correlated with either informal or formal weak tie networking, but the economic factors (length of business ownership and growth strategy) were not.

If entrepreneurs strategically shape their networks to get the optimal mix of resources as the economic perspective hypothesized, the results should have found significant relationships between the economic factors and network value. However, this does not mean that the economic perspective should be altogether dismissed. Other studies have found that entrepreneurs do strategically develop relationships and have suggested the length of ownership and the desire to expand the business as factors (Elfring & Hulsink 2007; Lechner & Dowling 2003; Stam & Elfring 2006; Ramachandran & Ramnarayan 1993; Zhao & Aram

1995; Ostgaard & Birley 1994; Chu 1996; Hite & Hesterly 2001; and Larson & Starr 1993).

The motivations of Nevada entrepreneurs and the community where they choose to reside may explain why economic variables were not related to the value of weak ties. Most are "no-growth" entrepreneurs who have owned a business for more than five years (there was not a wide variation among respondents on those two variables). A small community like Nevada may attract entrepreneurs who are not strictly seeking business opportunities. The majority of Nevada entrepreneurs indicated that they were content with maintaining the current size of their business and did not wish to expand, suggesting that they were not generally profit-driven. Many also indicated that they viewed their business as not only a "business," but also a "way of life." These motivations for owning a business may differ in an urban setting, a context which may attract entrepreneurs who are primarily seeking opportunities for their businesses.

Several factors influence the benefits that entrepreneurs gain from networks. The study showed that entrepreneurs' perceptions of network value are differentially constructed based on the type of relationship. The psychological factors (achievement-motivation and self-efficacy) were related to the perceived value of informal weak ties, but not formal weak ties in the Chamber of Commerce. Community perception (community participatory structure) was related to the perceived value of the Chamber of Commerce, but not informal relationships with business contacts. These findings may be explained by differences in the context of the networks. The Chamber of Commerce is an organization within the broader community, so it makes sense that community perceptions would be related to entrepreneurs' perceptions that formal weak ties offer resources and support. In contrast, informal weak ties are personal relationships, and therefore, individual level factors, such as entrepreneurs' abilities (self-efficacy) and goals (achievement-motivation), would likely play a larger role in evaluating resource exchanges with informal business contacts.

Contrary to the hypothesis, this study found that informal weak tie value was positively, not negatively, related to self-efficacy and achievement-motivation. This suggests that high self-efficacy and achievement-motivation actually encourage entrepreneurs to network with business contacts, coworkers, and employees. This was surprising, considering that some entrepreneurship researchers have argued that independence and self-reliance impede networking (Zhao & Aram 1995; Fortner 2006). Pre-testing interviews conducted with business owners also indicated that independence and self-reliance would have negative implications for developing business networks. One business owner with a strong sense of ownership said that she did not want unsolicited help from family or business contacts because the business was her “baby” and she wanted to make all the decisions without others telling her what to do. Another reported a similar sentiment during pre-testing, stating that he did not want unsolicited help from other people and that he wanted to make his own decisions about his business.

There are several explanations for why AM and ESE were positively correlated with informal weak tie value. The most likely explanation is that these concepts simply didn’t capture the core traits of independence and self-reliance that presumably impede weak tie networking. Perhaps ESE and AM are not indicators of independence and self-reliance, but rather a motivation to succeed. For instance, an entrepreneur may believe that she is highly competent to complete all the tasks associated with operating a business (ESE), but she may also acknowledge that other people can assist her. Similarly, an entrepreneur who strives for high performance (AM) may acknowledge that other people inside and outside his social circle can help him to reach his goals by providing access to valuable resources and opportunities. Thus, personal networks are not viewed by entrepreneurs as an impediment to their independence or as a sign that they aren't able to make their own business decisions, but rather as a way to improve their business and expand their own competencies.

Another likely explanation is that social interaction, in itself, shapes entrepreneurs' traits. This research assumed that the lines of causality flowed from the individual level to the social level; however, the reverse relationship could also exist. The symbolic interaction perspective acknowledges that social interaction shapes and redefines the individuals' perceptions of self (Mead 1962), which could explain the positive relationships between AM and ESE and informal weak tie value. For example, the majority of entrepreneurs indicated that their informal weak ties provide practical and emotional support, suggesting that informal weak ties may be mentors. Perhaps the encouragement provided by business mentors boosted entrepreneurs' confidence in their personal abilities (ESE) and inspired them to set goals for themselves, take pride in their accomplishments, learn, and confront challenges (AM).

Another explanation for the results is that the measurements of ESE and AM simply did not capture the core traits that would distinguish respondents from each other. It is interesting that entrepreneurs displayed high levels of AM and ESE and none received the lowest scale scores (one or two). Although the characterization of entrepreneurs as above average in efficacy and motivation is warranted, as they have been able to manage the responsibilities associated with operating a business, it is nevertheless surprising that there was not more variance in these traits. It is possible that respondents overestimated their attributes and abilities because they did not want to admit their weaknesses to themselves or others. It should also be noted that AM and ESE are significantly correlated with each other (r = 0.494, p<0.001), meaning that entrepreneurs in this study who rate themselves as personally competent in performing tasks are also highly goal-oriented.

The findings confirm the hypothesized positive relationship between perceptions of the community's participatory structure and formal weak tie value. That is, positive perceptions of the community are associated with high ratings of the value of the Chamber of Commerce. Social capital theory has given attention to elements of relationships, particularly trust and reciprocity, that can gradually develop as relationships become more intimate and interaction more frequent. A likely explanation for the observed relationship is that entrepreneurs who have positive perceptions about the community's participatory structure become more actively involved in the Chamber, and as a result, they may receive more resources from it. Having positive perceptions of the community could minimize the perception of risk associated with participating in the Chamber (the costs associated with membership, the uncertainty of the extent to which it will have available resources to offer entrepreneurs, and the impersonal nature of the interactions), which, in turn, encourages entrepreneurs to ask the Chamber for help and utilize the services it offers. Reciprocally, having received useful resources from the Chamber of Commerce may reinforce entrepreneurs' existing perceptions that the community is a place where resources are equally distributed, people interact, and everyone has opportunities to participate in decision-making. In other words, engaging in interaction within the community shapes entrepreneurs' community perceptions, which in turn, reinforces involvement in community organizations (Wilkinson 1991).

It is important to mention that the Chamber of Commerce was, overall, poorly rated among entrepreneurs as providing support and resources. Not only did it have a lower mean network value than the other networks, but it also did not stand out as being strong in offering any particular resource. On all of the five types of resources and support measured, the majority of respondents indicated a neutral response, disagreed, or strongly disagreed that the resources were provided by the Chamber. Regarding the questions about receiving information on potential suppliers and business resources, less than 4% of respondents agreed and none of them strongly agreed.

Several respondents wrote negative comments about the Chamber on the questionnaire, saying that it has not done enough to promote business growth, it is an "expensive bulletin board" that is not useful, and it is "close-minded" and does not help small business owners. The two former comments about the Chamber's general ineffectiveness in assisting entrepreneurs is supported by the present study, which found that entrepreneurs generally perceived receiving limited resources and support; however this cannot be definitively confirmed because the Chamber is multi-dimensional and this study examined only one aspect of the organization. The latter comment, which suggests some favoritism exhibited by the Chamber in distributing resources, does not initially seem to be supported by the data. The poor ratings of the Chamber are generally shared among Chamber members. In addition, the observed positive relationship between the perceived community participatory structure and Chamber value suggests that entrepreneurs' ability to obtain resources from the Chamber is perhaps attributable to their own effort to seek assistance from the organization.

Nevertheless, there may be some bias in the value of the Chamber when it comes to who feels empowered to ask for resources or who believes that the organization has resources that they will actually be offered. To investigate further, additional zero-order correlations were conducted between the perceived value of the Chamber and other community factors. The correlations suggest that entrepreneurs who receive resources and support from the Chamber aren't necessarily highly involved in community organizations, but they are more likely to be leaders. There was a strong and significant correlation between Chamber value (the respondents' level of agreement that they receive resources and support from the Chamber) and the questions "how much leadership do you provide in efforts to make Nevada a better place to live" (r = 0.365, p = 0.009) and "how active are you in working with others to make Nevada a better place to live" (r = 0.309, p = 0.027). The correlation between the number of organizations in which entrepreneurs participate and Chamber value was very weak and not significant. Also notable is that the correlations between leadership and activity in the community and the value of both informal weak ties and strong ties were not significant. Appendix F contains a table showing the results of the follow-up correlations between the community variables and the value of the Chamber, as well as the correlations for informal weak ties and strong ties.

Perhaps, having held a leadership role in the community makes entrepreneurs feel more comfortable in soliciting the Chamber's resources. The fact that entrepreneurs who receive higher levels of resources and support from the Chamber provide leadership in the community and engage in collaborative activity could be attributable to the entrepreneurs' sense of entitlement to receive resources, a greater awareness of the types of resources the

Chamber offers, or certainty that the Chamber will not deny the entrepreneurs' request for resources.

Entrepreneurs who more highly rated the Chamber's value also were more likely to recognize the importance of resident involvement in contributing to the community's future, as suggested by significant positive correlations between Chamber value and the importance of residents making large financial contributions in community trusts and estates ($r = 0.301$, $p = 0.032$), residents shopping locally ($r = 0.315$, $p = 0.024$), and residents volunteering ($r = 0.359$, $p = 0.01$). See Appendix F. This could indicate altruistic desires to improve the community, or it could simply show that entrepreneurs who expressed that they had received greater levels of resources from the Chamber recognize that these activities are essential for sustaining the flow of resources and support that the Chamber provides them.

The follow-up analysis also examined the location and type of business to investigate whether the Chamber favors certain businesses based on entrepreneurs' self-reports of the resources and support they receive. The information was gathered from survey's mailing list, which included mailing addresses and the type of business from the online phonebook. The unweighted Chamber value scores of all Chamber members were recoded into low, medium, and high categories. Matching the ID numbers on the datasheet and the mailing list, the amount of respondents falling into each category was tallied, summed, and compared in terms of whether they were located in downtown Nevada or in other areas and what types of business they owned. This was only intended to identify interesting patterns and was not a meticulous or exhaustive effort. See Appendix F for a map showing the downtown street boundaries used in this analysis.

The follow-up analysis found that all respondents, except for one, had rated the Chamber as low or moderate in providing resources and support. In comparing downtown entrepreneurs versus others, the location of business does not seem to matter; however, of those who responded to the survey, a greater percentage of downtown entrepreneurs are members of the chamber than entrepreneurs in the surrounding areas (See Appendix F). The analysis also suggested that the type of business owned possibly matters in who receives low versus moderate levels of resources and support. Many of the entrepreneurs who reported receiving low levels of resources and support from the Chamber owned businesses that primarily provided services to existing residents, such as two funeral homes, a gym, a bank, a laundry, two accounting firms, and an electrician. More of the entrepreneurs who reported moderate levels of resources and support seemed to own businesses that would draw people into the community or offer services for visitors, such as a motel, several real estate businesses, and a fast food chain. The sole respondent who rated the Chamber highly was in real estate. Of course, these are only impressionistic analyses, and it is difficult to make comparisons or inferences simply because so many entrepreneurs gave the Chamber low scores.

Finally, the partial-order correlations reveal that the community is a key factor in entrepreneurs' perceptions of the value of formal weak ties, with psychological factors playing a less prominent role. The strong positive relationship between community participatory structure perceptions and Chamber value remained significant even after controlling for other variables. Entrepreneurial self-efficacy was not related to entrepreneurs' perceptions of the resources provided by the Chamber, and achievement-motivation was related, but only after controlling for length of residency in Nevada and educational attainment. The partial-order correlations for years lived in Nevada suggest that entrepreneurs who live in the community for a longer period of time receive greater resources from the Chamber and are more goal-oriented. Perhaps, having lived in the community for awhile strengthens entrepreneurs' dedication to the community. They may view active engagement in business ownership and participation in its organizations as a way to contribute to their community where they live. The partial-order correlations also suggest the role of education in formal weak tie networking. Due to the motivation needed to achieve higher levels of education, it makes intuitive sense that educated entrepreneurs would be more goal-oriented. Being educated may make them more aware of the services offered by the Chamber, and in combination with high motivation, they may be more likely to seek out and utilize the services it offers in order to reach their goals.

CHAPTER VI. CONCLUSION

The purpose of the present study was to compare the benefits that entrepreneurs receive from different types of networks based on Granovetter's "strength of weak ties theory" and to gain a better understanding of the factors that affect networking participation by using two models of networking. While some social scientists have acknowledged the social context of entrepreneurship and have studied the resources entrepreneurs receive in their social relationships (Aldrich & Zimmer 1986; Dodd & Anderson 2007), other scholars have deemphasized entrepreneurs' social networking activities, characterizing entrepreneurs as more like autonomous agents than social networkers (Shane 2008). The present study, which found that entrepreneurs received support and resources from various contacts, provides support for the idea that entrepreneurs' social relationships are important, and they do not operate in isolation.

This study identified several factors that affect networking, which will hopefully contribute to future scholarly pursuits. A finding that has potential theoretical contributions is that weak tie value is attributable more to personality and community perceptions than strategy. Entrepreneurs, who have typically been viewed as opportunists, operate within a social milieu and are shaped by the social environment. Indirect forces shape the development and benefits of networks, even weak tie relationships, which have traditionally been viewed as instrumental and motivated by self-interest. Weak ties are not beneficial "just because" they are weak ties; the benefits of weak ties depends upon whether they are organizational or personal relationships. Entrepreneurs' perceptions of the environment and their personality potentially influence their desire to participate in weak ties and their ability to extract resources from these relationships. These findings may warrant a reconsideration of economic models of networking. Also, the models outlined in this study contribute to the sociological understanding of why relationships form, and they may be expanded to understand the networking behaviors and the benefits of social ties among entrepreneurs in other types of communities (i.e. minority business enclaves) as well as the general population.

Practically, this study has implications for assisting entrepreneurs to develop optimal networks. In comparing the resources offered by three types of networks, it found that informal weak ties are most valuable. The fact that psychological factors and community perceptions, but not business factors, affect the perceived value of networks suggests that entrepreneurs do not strategically develop their networks – and perhaps they are not consciously aware of the content of their networks – although they should be. Actively engaging in networking and building instrumental relationships may be important for entrepreneurs seeking access to vital resources. Communities may assist entrepreneurs by establishing an inclusive environment that encourages resource exchanges, and business support organizations can assist entrepreneurs by making them aware of the importance of active engagement in their social relationships and linking them with others in the community who can provide resources.

STUDY LIMITATIONS

One limitation of this study is that it only used quantitative data to measure networks which are essentially qualitative in nature. Including a qualitative component to this study would have provided a more dynamic account of relationships and resource exchanges. While quantitative studies can identify patterns, they do not provide qualitative studies’ depth and richness of information, which is necessary to understand the underlying dynamics of social networking, and ultimately, to developing a comprehensive framework.

In addition, this study's measurement of network value was not entirely objective because it was based on entrepreneurs' self-reports of the resources and support they receive. It is possible that two entrepreneurs who, in reality, receive the same levels of resources and support differ in their reports of having received them. Establishing consistency in responses is difficult, considering that individuals may differ in the expectations they have of their ties, their recall of having received resources, and their interpretation of the survey questions. Also, it should be noted that entrepreneurs' perceptions of the value of the Chamber as providing fewer resources and support may not be an objective indicator of the Chambers' actual efforts or performance in the community, as negative attitudes may be the result of certain events or circumstances occurring in the community at the time of the study. For example, in Nevada, a local informant revealed that business owners in the downtown district have felt that the Chamber neglects their area and favors newer business developments. Despite these limitations, self-report was the most appropriate measurement, because the purpose of the study was to understand the variations among entrepreneurs in the resources they receive from their networks and whether these variations were explained by business factors, personality traits, and community perceptions.

Only one organization was included to measure the value of formal weak ties, the local Chamber of Commerce. Because of this, the results, which found that informal weak ties (both strong and weak) offer entrepreneurs' greater resources and support than do formal weak ties, could simply be attributable to the fact that the Chamber in this particular community was generally ineffective. On the other hand, several studies have similarly suggested that entrepreneurs were not aware of their community's local business support organizations or did not perceive them as being very useful or able to offer resources (Birley 1985; Fortner 2006; Davidsson & Honig 2003). Nevertheless, it might have been useful to include in this study additional local organizations to measure formal weak ties. If other organizations within the community had been included, perhaps the value of formal weak ties would have been higher.

The study's categorizations of the types of networks was limited in that they are based on broad generalizations, and there is likely some overlap between the informal relationships examined (i.e. a business contact may also be a friend). This could explain why strong ties and informal weak ties were both rated as providing high levels of resources and support. Operationalization is a problem potentially confronted in any given study of social networks. Social networking is, by nature, relatively abstract and complex. People are highly interconnected, and relationships seemingly take an infinite array of forms. Current theory, including Granovetter's "strength of weak ties," provides guidance, but does not explicitly define networks and is largely open to interpretation. Research should move towards greater consensus on definitions and measurements of social networks, because without more clarity and agreement on this basic concept, it is difficult to relate past findings to present studies, to design new studies, or to develop a solid theoretical framework to explain social networking.

Also, this study can not definitely verify the economic perspective. It only examined two quantitative business variables, and did not qualitatively explore the process of network formation or ask entrepreneurs about their motives for developing or maintaining relationships, which would have been more appropriate for confirming whether entrepreneurs strategically network.

Finally, only one community was examined in this study, which potentially limits the study's generalizability. Caution should be taken when applying these findings to business owners in other small towns. Nevada is located in close proximity to two urban areas. Because of this, Nevada entrepreneurs may have a greater number of weak ties in their networks and more access to beneficial resources than entrepreneurs in the typical small town. The context of Nevada is also different compared to larger cities. Nevada entrepreneurs have relatively high levels of community attachment and may have more strong tie relationships (or more overlapping relationships) than would entrepreneurs in larger cities. Although not directly addressed, the study hints that other factors like affluence, diversity, and business climate (i.e. competition and innovativeness) may also shape which networks form and the types of resources that personal networks and community support organizations have to offer. These are additional factors that should be considered by scholars before applying these findings to their own studies.

On the other hand, it is believed that the findings can generally be applied to different demographics of entrepreneurs. Wide variations exist among entrepreneurs, even in the same community. Nevada's entrepreneurs, while perhaps generally more established as business owners and less likely to want to expand their business than perhaps in other places, also vary widely. Their businesses represent a variety of industries and ownership arrangements; they differ in their reliance on networks to obtain resources, their perceptions of their businesses and the community, and their residency status in Nevada. As individuals, Nevada entrepreneurs could represent the business owners present in nearly any community.

FUTURE RESEARCH

Qualitative studies are needed in order to capture the evolution of relationships over time and the symbolic interpretations and exchanges between actors. Qualitative research efforts may provide support or direction for developing the two models of networking outlined in this study. It would be interesting to investigate entrepreneurs' motives for networking and how they decide whom to ask for assistance. This type of research would elucidate the economic perspective. A study that explores whether the culture shapes entrepreneurs' perceptions and content of their networks could help to further develop the social psychological perspective.

Relatively little research has investigated why entrepreneurs form networks. This study examined the role of business, psychological, and social factors in explaining entrepreneurs' networking behavior and found that the perceptions of community participatory structure, achievement-motivation, and self-efficacy affect entrepreneurs' weak tie networking. Future studies could examine the role of other psychological and social factors in networking, including extraversion, the ease of making connections, and entrepreneurs' perceptions of whether they are included or excluded in the community.

Entrepreneurs in this study did not seem to believe that their local Chamber of provided them many resources and much support. The fact that the majority of entrepreneurs were members of the Chamber suggests that it is a visible organization within the community; however, it is perhaps not delivering as much value as entrepreneurs expect. Research could examine other local Chambers of Commerce to see whether the findings of this study are simply an outlier or whether entrepreneurs broadly indicate negative experiences in getting support and resources from the Chamber. Locating cases of successful Chambers may provide direction on how to improve the organization in other communities to better address entrepreneurs' needs. Future studies should also examine other community business support organizations that entrepreneurs use, including small business associations, professional organizations, and even community social clubs.

The follow-up analysis found illusory evidence to suggest that the Chamber may be more likely to provide resources to business owners in certain industries. Growth machine theory (Logan & Molotch 2007), which proposes that community players who engage in activities that draw people into the community are favored by community organizations that distribute resources, may be applied to examining unequal distributions of resources provided to no-growth and pro-growth entrepreneurs. Studying whether entrepreneurs in certain industries receive a greater proportion of community resources may be a particularly interesting topic under growth machine theory. Entrepreneurs who own businesses that are deemed important by community leaders, such as those that promote community growth or attract people into the community (i.e. real estate, fast food, hotels, and tourism) may be favored by community leaders and organizations. Traditional network analysis that tracks the interactions between entrepreneurs and other players within the community may be an appropriate method for identifying barriers and power relationships within the community that affect resource distribution.

This study also examined informal networking, which has been given less attention in research on entrepreneurial networking. Future studies should consider informal personal networks, which although often overlooked, were shown in this study to be particularly important in providing resources and support. Weak ties should be distinguished based on whether they are personal connections or organizational connections.

Finally, future studies should compare networks on the types of resources and support they offer. The findings of this study suggest that strong ties provide emotional support and referrals to customers, informal weak ties provide referrals to customers, and formal weak ties, to a weaker extent, provide emotional and practical support and referrals to customers, however, this was not directly measured. Intangible support, emotional and practical, should be considered because it is important to entrepreneurs and may be the only substantial type of assistance that strong ties can provide.

In conclusion, understanding entrepreneurs' networking behavior, the content of strong and weak ties in their networks, and the factors that affect networking are important areas of research. Entrepreneurs do not operate their businesses in isolation. Networking provides entrepreneurs with valuable resources and support. Ultimately, one of the keys to understanding entrepreneurial success and failure may lie in knowing who gives entrepreneurs resources, their relationships with others. That potential, in itself, should direct fervent attention to the significance of entrepreneurial social networks.

APPENDIX A. QUESTIONNAIRE & CORRESPONDENCE

Nevada Business Community Survey

Fall 2009

Please return to:

Iowa State University

Department of Sociology

103 East Hall

Ames, IA 50011

1.) Are you the owner of a business?

_____ Yes (Go to Question 2)
_____ No (Go to Question 16)

Please answer the following questions about your business. If you currently own more than one business, choose the answer that best describes your <u>newest</u> business.

2.) How many years have you owned this business? _____

3.) What is the ownership arrangement of this business? (Check all that apply)
_____ Sole-ownership (I am the owner)
_____ Family-owned
_____ Franchise
_____ Other: ____________________________

4.) How did you get into this business? (Check one)
_____ I purchased it
_____ I inherited it
_____ I started it from scratch
_____ Other: ____

5.) Which statement best characterizes your decision to start this business?
_____ The desire to start a business of my own came to my mind first, and then I searched for business opportunities.
_____ An opportunity arose first, and that prompted my idea to start this business.
_____ Not Applicable

6.) Do you consider your business primarily as a business or as a way of life? (Circle one)

1	2	3
Business	Both	Way of life

7.) Which statement best describes your business growth plans in the next five years? (Check one)
_____ I plan to expand my business.
_____ I plan to downsize my business.
_____ I plan to sell my business.
_____ I plan to close my business.
_____ I do not plan to change the size of my business.

8.) Please rate the following types of support and resources based on how important they are to you in operating and maintaining your business. Please circle your answers.

	Not Important	Slightly Important	Moderately Important	Important	Very Important
a.) Having emotional support, such as encouragement, praise, or recognition.	1	2	3	4	5
b.) Having practical support, such as advice, ideas, or information on how to run my business.	1	2	3	4	5
c.) Having referrals to new customers.	1	2	3	4	5
d.) Having information on potential suppliers.	1	2	3	4	5
e.) Having business resources, such as financing or equipment.	1	2	3	4	5

Networking with Close Friends and Family

9.) Please respond to the following statements regarding the support and resources that ***close friends and family*** provide you for your business. Circle your answers.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.) My close friends and family provide me with emotional support, such as encouragement, praise, or recognition for my business.	1	2	3	4	5
b.) My close friends and family provide me with practical support for my business, such as ideas, information, or advice on how to run my business.	1	2	3	4	5
c.) My close friends and family refer new customers to my business.	1	2	3	4	5

d.) My close friends and family provide me with information on potential suppliers.	1	2	3	4	5
e.) My close friends and family provide me with business resources, such as financing or equipment.	1	2	3	4	5

10.) In general, how often do you rely on your relationships with close friends and family when it comes to getting support and resources for your business?

1	2	3	4	5
Never	Seldom	Occasionally	Often	Very Often

Networking with Business Contacts, Coworkers, and Employees

11.) Please respond to the following statements regarding the support and resources that ***business contacts, coworkers, and employees*** provide you for your business**.** Circle your answers.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.) My business contacts, coworkers, and employees provide me with emotional support, such as encouragement, praise, or recognition for my business.	1	2	3	4	5
b.) My business contacts, coworkers, and employees provide me with practical support for my business, such as ideas, information, or advice on how to run my business.	1	2	3	4	5
c.) My business contacts, coworkers, and employees refer new customers to my business.	1	2	3	4	5
d.) My business contacts, coworkers, and employees provide me with information on potential suppliers.	1	2	3	4	5
e.) My business contacts, coworkers, and employees provide me with business resources, such as financing or equipment.	1	2	3	4	5

12.) In general, how often do you rely on your relationships with business contacts, coworkers, and employees when it comes to getting support and resources for your business?

1	2	3	4	5
Never	Seldom	Occasionally	Often	Very Often

Networking in the Nevada Chamber of Commerce

13.) Are you a member of the Nevada Chamber of Commerce?
______ Yes (Go to Question 14)
______ No (Go to Question 16)

14.) Please respond to the following statements regarding the support and resources that the ***Nevada Chamber of Commerce*** provides you for your business. Circle your answers.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.) The Nevada Chamber of Commerce provides me with emotional support, such as encouragement, praise, or recognition for my business.	1	2	3	4	5
b.) The Nevada Chamber of Commerce provides me with practical support for my business, such as ideas, information, or advice on how to run my business.	1	2	3	4	5
c.) The Nevada Chamber of Commerce refers new customers to my business.	1	2	3	4	5
d.) The Nevada Chamber of Commerce provides me with information on potential suppliers.	1	2	3	4	5
e.) The Nevada Chamber of Commerce provides me with business resources, such as financing or equipment.	1	2	3	4	5

15.) In general, how often do you rely on your relationships with other members of the Nevada Chamber of Commerce when it comes to getting support and resources for your business?

1	2	3	4	5
Never	Seldom	Occasionally	Often	Very Often

Business Activities and Interests

16.) Please indicate whether the following statements generally describe you. Circle your answers.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.) I enjoy challenging tasks.	1	2	3	4	5
b.) I am eager to learn new things.	1	2	3	4	5
c.) I like getting feedback on my performance.	1	2	3	4	5
d.) I set high goals and expectations for myself.	1	2	3	4	5
e.) I put forth the necessary effort to achieve my goals.	1	2	3	4	5
f.) I am proud of my accomplishments.	1	2	3	4	5

17.) Please rate ***your*** ability to perform the following tasks. Circle your answers.

	No Ability	Very Little Ability	Some Ability	Moderate Ability	Much Ability
a.) Solving problems	1	2	3	4	5
b.) Managing money	1	2	3	4	5
c.) Finding capital for my business	1	2	3	4	5
d.) Making decisions	1	2	3	4	5
e.) Being a leader	1	2	3	4	5
f.) Recognizing business opportunities	1	2	3	4	5

Now, some questions about your community involvement

18.) Below are some statements about your community. For each statement, please indicate how much you agree or disagree. Circle your answers.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.) Newcomers are always welcome in Nevada.	1	2	3	4	5
b.) Community leaders in Nevada treat all groups equally when making decisions on allocating community resources.	1	2	3	4	5
c.) Local businesses, organizations, and government agencies work together in Nevada to improve the community.	1	2	3	4	5
d.) All sides of important issues that affect the community are given consideration in making decisions in Nevada.	1	2	3	4	5
e.) In Nevada, I am able to have an input into decisions that affect the community.	1	2	3	4	5
f.) Nevada makes people of all backgrounds feel welcome to participate in community activities.	1	2	3	4	5
g.) In Nevada, people can count on each other when they need help.	1	2	3	4	5
h.) People in Nevada have a strong civic spirit to make it a better place to live.	1	2	3	4	5
i.) Residents of Nevada are not afraid to voice their concerns about community problems.	1	2	3	4	5
j.) People in Nevada enjoy each others' friendship.	1	2	3	4	5

19.) In how many community or local-area clubs, groups, or organizations are you a member? (Number) ______

20.) If you had the opportunity to move your business to another location where it could do better, would you be willing to move?

_____ Yes
_____ No

Why? ____

____

____

21.) How attached are you personally to the Nevada community? (Circle one)

1	2	3	4	5
Not attached	Very Little attached	Somewhat attached	Attached	Very attached

22.) How active are you in working with others to make Nevada a better place to live?

1	2	3	4	5
Not active	Very Little active	Somewhat active	Active	Very active

23.) How much leadership do you provide in efforts to make Nevada a better place to live?

1	2	3	4	5
No leadership	Very Little leadership	Some leadership	Moderate leadership	Much leadership

24.) How often do you donate money, either personally or through your business, to local organizations, projects, or activities to make Nevada a better place to live?

1	2	3	4	5
Never	Seldom	Occasionally	Often	Very Often

25.) How important do you think the following actions are for the future of your community? Please circle the best response for each statement.

	Not Important	Slightly Important	Moderately Important	Important	Very Important
a.) Residents volunteering their time to community activities.	1	2	3	4	5
b.) Assisting people to take over local businesses as current owners retire.	1	2	3	4	5
c.) Getting more residents to take leadership roles in the community.	1	2	3	4	5
d.) Financial contributions by community residents, especially larger donations given in trusts, estates, etc.	1	2	3	4	5
e.) Encouraging residents to shop locally to support the community.	1	2	3	4	5

The Nevada Commmunity Historical Society

26.) Are you aware that Nevada has a local community historical society?
_____ Yes
_____ No (Go to Question 29)

27.) Are you or is your business a current member of the Nevada Community Historical Society?
_____ Yes, I have a personal or family membership
_____ Yes, I have a business membership
_____ No

28.) How much do you know about the Nevada Community Historical Society's programs and activities?

1	2	3	4
Nothing at all	Very little	Some	Quite a bit

29.) In the past three years, which of the following Nevada historical properties have you toured?
_____ Briggs Terrace/Evergreen Lane
_____ Dyer-Dowell Victorian House
_____ Halley Schoolhouse
_____ George Child Log House

30.) Please let us know how much you agree or disagree with the following statements about Nevada's history and the historical society. Circle your answers.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.) It is important for Nevada to preserve its history.	1	2	3	4	5
b.) Preserving Nevada's past contributes to the community vitality of Nevada.	1	2	3	4	5
c.) It is important for Nevada to have an active historical society.	1	2	3	4	5
d.) Having a historical society contributes to the community vitality of Nevada.	1	2	3	4	5
e.) Historical Society activities are an important part of Nevada's cultural assets.	1	2	3	4	5
f.) Historical Society activities make Nevada a more appealing place to live.	1	2	3	4	5

31.) Below is a list of potential activities and projects for the Nevada Community Historical Society. Rate each activity or project on its importance in contributing to Nevada's vitality.

	Not Important	Slightly Important	Moderately Important	Important	Very Important
a.) Offer temporary displays or exhibits about Nevada's history.	1	2	3	4	5
b.) Develop a museum for permanent displays and exhibits about Nevada's history.	1	2	3	4	5
c.) Document and share Nevada's history through books, newspaper articles, videos, and other media.	1	2	3	4	5
d.) Have regularly scheduled public tours of historical buildings or properties.	1	2	3	4	5

e.) Assist people interested in finding family members or ancestors (genealogy).	1	2	3	4	5
f.) Sponsor or host special community events or activities on Society properties.	1	2	3	4	5
g.) Sponsor programs to educate residents about Nevada's history.	1	2	3	4	5
h.) Preserve historical buildings or properties.	1	2	3	4	5

Circle the letters of the *three* activities above that you believe should receive top priority in future work of the Historical Society.

32.) In the next 5 years, what should the historical society do to improve its service to the community?

____

____

____

33.) What could the Historical Society do to make Nevadans and others more interested in visiting Nevada's historical properties?

____

____

____

34.) How could the Historical Society attract more volunteers to help with activities, such as care and maintenance of properties, providing tours, and hosting special events?

____

____

____

Please Turn the Page and Answer the Final Questions on the Survey…….

The Historical Society's ability to sponsor events and maintain historical properties mainly depends on the membership fees and donations it gets from residents and local businesses.

35.) What could the Historical Society do to attract and retain members?

____

____

36.) What could the Historical Society do to obtain more financial donations?

____

____

<u>Finally, a few questions about yourself</u>

37.) What is your gender?
_____ Male
_____ Female

38.) How many businesses do you currently own? ______

39.) How many businesses that you have owned in the past are now closed? _____

40.) What is the highest level of education you have completed? ______ (Years)

41.) How old were you on your last birthday? ______

42.) Do you consider yourself a resident of Nevada?
_____ Yes, If yes, how many years have you lived in Nevada? _____
_____ No

Thank you for participating in this study! Please fold your completed survey in half, place it in the enclosed postage-paid envelope, and return it to us by mail.

Additional comments: ____

____

____

____

Cover Letter: Initial Mailing

IOWA STATE UNIVERSITY
OF SCIENCE AND TECHNOLOGY

Department of Sociology
103 East Hall
Ames, IA 50011

Dear Nevada Business Owner:

We are writing to ask for your help in a study of Nevada business owners by Iowa State University and the Nevada Community Historical Society. Businesses and their owners are vital to the community and local economy. We are conducting this study to learn about Nevada business owners' community involvement and the benefits resulting from this involvement for their businesses and the community.

We are interested in business owners' opinions of Nevada, their participation in community activities and organizations, and their sources of business support. We are contacting all Nevada businesses to participate in this survey. As a business owner, your insight is very important. The information that you provide can help local decision-makers in developing support programs for business owners, and also give guidance to the Historical Society to better serve the community.

The questionnaire should take about 20 minutes to complete. Your answers are completely confidential. Neither your name nor the name of your business will be associated with any results. No one in Nevada or the Historical Society will know who participated in the survey or how they answered. The identification number on the questionnaire is for mailing purposes only, so that we may check your name off the mailing list when your questionnaire is returned. Also, your participation is completely voluntary, and you may skip any questions you feel uncomfortable answering.

Please return the completed questionnaire in the enclosed envelope. If you own more than one business in Nevada, you may receive this questionnaire more than once. <u>You only need to return the questionnaire one time</u>. When answering the questions, please think of your newest business. If any comments come to mind when answering the questions, please make a note at the side of the question or on the final page of the survey.

Your response is very important to the usefulness of the study, and we appreciate your cooperation. If you have any questions or comments about this study please call me at 515-294-8322 or send me an email at pkorsch@iastate.edu. Thank you in advance for helping with this important study.

Sincerely,

Peter Korsching
Professor of Sociology
Iowa State University

Postcard Follow-up

Recently, you received a questionnaire about your experiences as a business owner in Nevada. The questionnaire is part of a survey being conducted by Iowa State University and the Nevada Community Historical Society.

We need your help on this important study. It is only by asking people like you that we can understand how business owners get resources and how the community can best support businesses and business owners in the future.

We hope that you will participate in this voluntary study. If you have already completed and returned the questionnaire, please accept our sincere thanks. If not, we ask that you please do so today.

Cover Letter: Final Mailing

IOWA STATE UNIVERSITY
OF SCIENCE AND TECHNOLOGY

Department of Sociology
103 East Hall
Ames, IA 50011

Dear Nevada Business Owner:

Earlier this month, you received a questionnaire about your experiences as a business owner in Nevada. As of today we have not received your completed questionnaire.

Businesses and their owners are a vital part of the community and the local economy. Iowa State University and the Nevada Community Historical Society are conducting this study to learn about Nevada business owners' community involvement and the benefits resulting from this involvement for their businesses and the community.

We are interested in learning about business owners' opinions of Nevada, their participation in community activities and organizations, and their sources of support and business resources. The information that you provide can help local decision-makers in developing support programs for business owners and also give guidance to the Historical Society to better serve the community.

We are writing you again because the return of each questionnaire is essential to the usefulness of the study. We are contacting all Nevada businesses to participate in this survey, and as a business owner, your insight is very important. Participation is voluntary, and you may skip any questions you feel uncomfortable answering. In the event your questionnaire has been misplaced a replacement is enclosed. If you have already returned your completed questionnaire we thank you for your cooperation.

If you have any questions or comments about this study please call me at 515-294-8322 or send me an email at pkorsch@iastate.edu. Thank you for help.

Sincerely,

Peter Korsching
Professor of Sociology
Iowa State University

APPENDIX B. OPERATIONALIZATION OF VARIABLES

Survey Indicators for Types of Networks and Network Value

Types of Networks	**Indicator**
Strong ties	Close friends and family
Informal weak ties	Business contacts, coworkers, and employees
Formal weak ties	Local Chamber of Commerce
Network Value Indicators	
"Respond to the following statements regarding the support and resources that [contacts] provide you for your business." (Strongly Disagree to Strongly Agree)	
Emotional support, such as encouragement, praise, or recognition for my business	
Practical support, such as ideas, information, or advice on how to run my business	
Refers new customers to my business	
Provides Information on potential suppliers	
Business resources, such as financing or equipment	

Survey Indicators for Achievement-Motivation and Descriptive Statistics

	N	Mean (x)	Median (M)	Min	Max	Range
Achievement-Motivation: defined as the act of striving for high personal performance						
"Indicate whether the statements generally describe you." (Strongly Disagree to Strongly Agree)						
I enjoy challenging tasks	78	4.18	4	2	5	3
I am eager to learn new things	78	4.26	4	3	5	2
I like getting feedback on my performance	78	4.09	4	2	5	3
I set high goals and expectations for myself	78	4.33	4	3	5	2
I put forth the necessary effort to achieve my goals	78	4.32	4	3	5	2
I am proud of my accomplishments	78	4.40	4	2	5	3

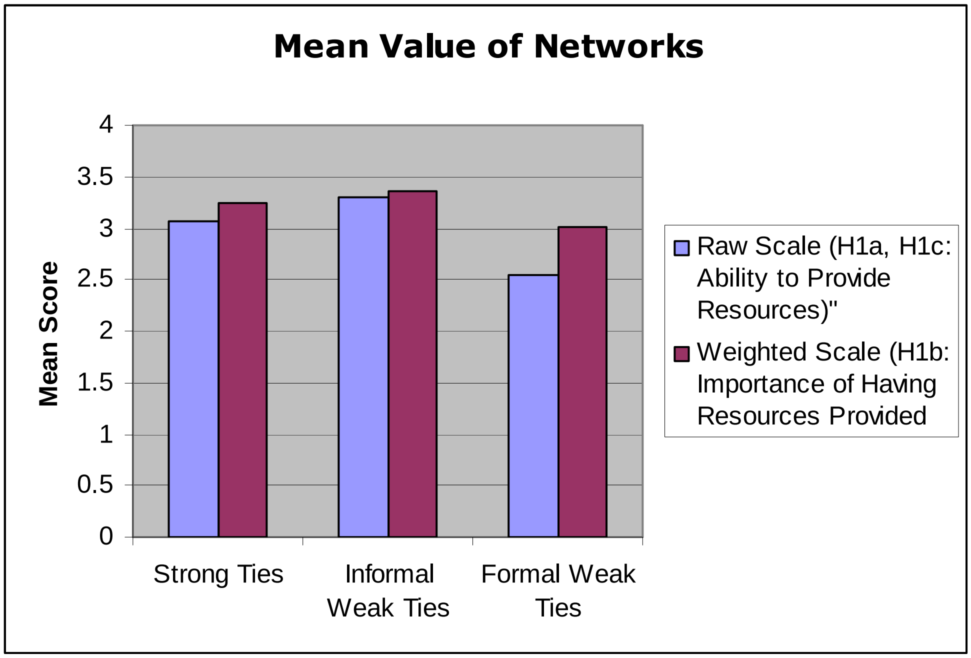
Survey Indicators for Entrepreneurial Self-Efficacy and Descriptive Statistics

	N	Mean (x)	Median (*M*)	Min	Max	Range
Entrepreneurial Self-Efficacy: defined as the belief in personal ability to complete tasks related to operating and maintaining a business						
"Rate your ability to perform the following tasks." (Strongly Disagree to Strongly Agree)						
Solving problems	78	4.50	5	3	5	2
Making decisions	78	4.45	5	2	5	3
Being a leader	78	4.23	4	1	5	4
Recognizing business opportunities	78	4.09	4	3	5	2

Survey Indicators for Community Participatory Structure and Descriptive Statistics

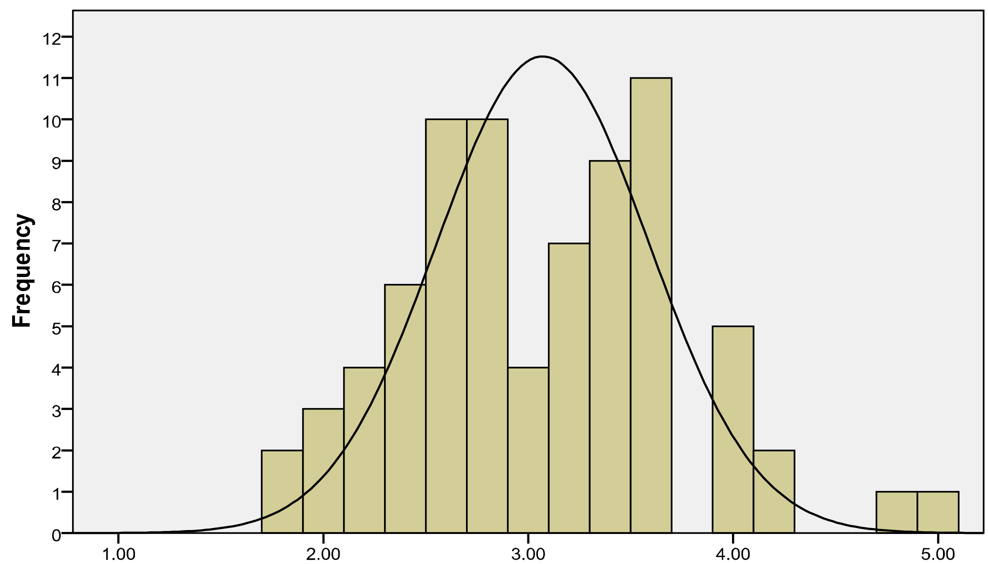
	N	Mean (x)	Median (*M*)	Min	Max	Range
Community Participatory Structure: defined as the perception of the community as being welcoming of citizen involvement						
"Below are some statements about your community. Indicate how much you agree or disagree." (Strongly Disagree to Strongly Agree)						
Distributive Justice						
All sides of important issues that affect the community are given consideration in making decisions	77	2.82	3	1	5	4
Community leaders treat all groups equally when making decisions on allocating community resources	76	2.68	3	1	5	4
Tolerance						
Newcomers are always welcome	78	3.42	4	1	5	4
People of all backgrounds feel welcome to participate in community activities	77	3.12	3	1	5	4
Collective Action						
Local businesses, organizations, and government agencies work together to improve the community	77	3.03	3	1	5	4
People have a strong civic spirit to make the community a better place to live	76	3.38	4	1	5	4
Open Communication						
I am able to have an input into decisions that affect the community	77	3.05	3	1	5	4
Residents are not afraid to voice their concerns about community problems	77	3.69	4	1	5	4
Communion						
People enjoy each other's friendships	78	3.58	4	1	5	4
People can count on each other when they need help	76	3.30	3	1	5	4

APPENDIX C. MEAN NETWORK VALUE FOR RAW AND WEIGHTED SCALES

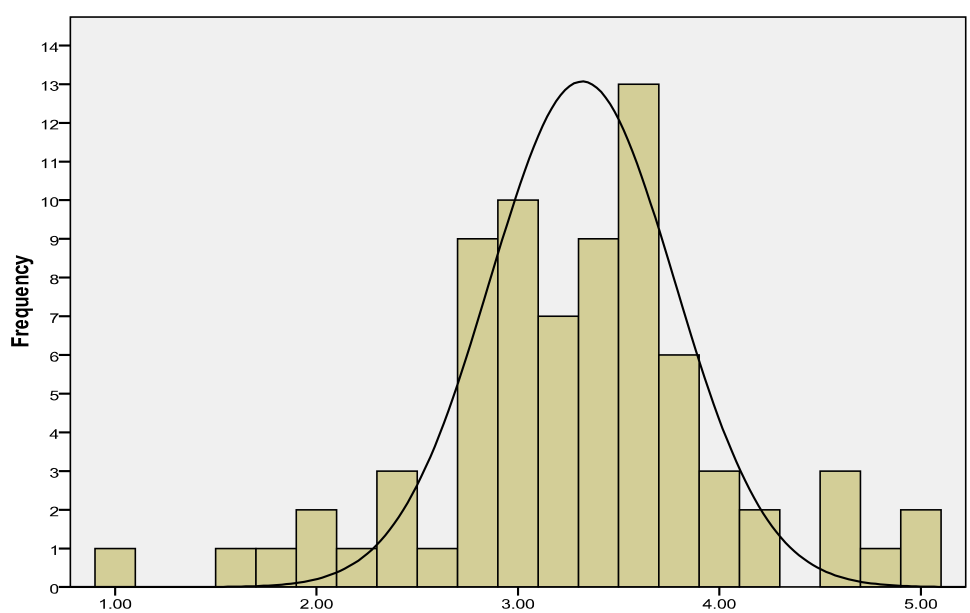


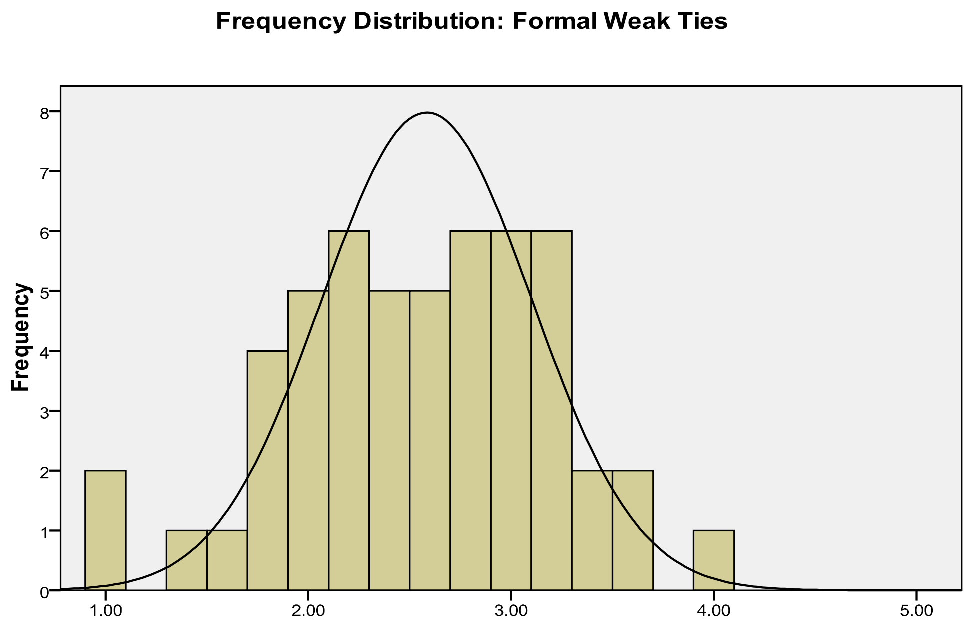
APPENDIX D. FREQUENCY DISTRIBUTIONS FOR MEAN NETWORK VALUE

Frequency Distribution: Strong Ties



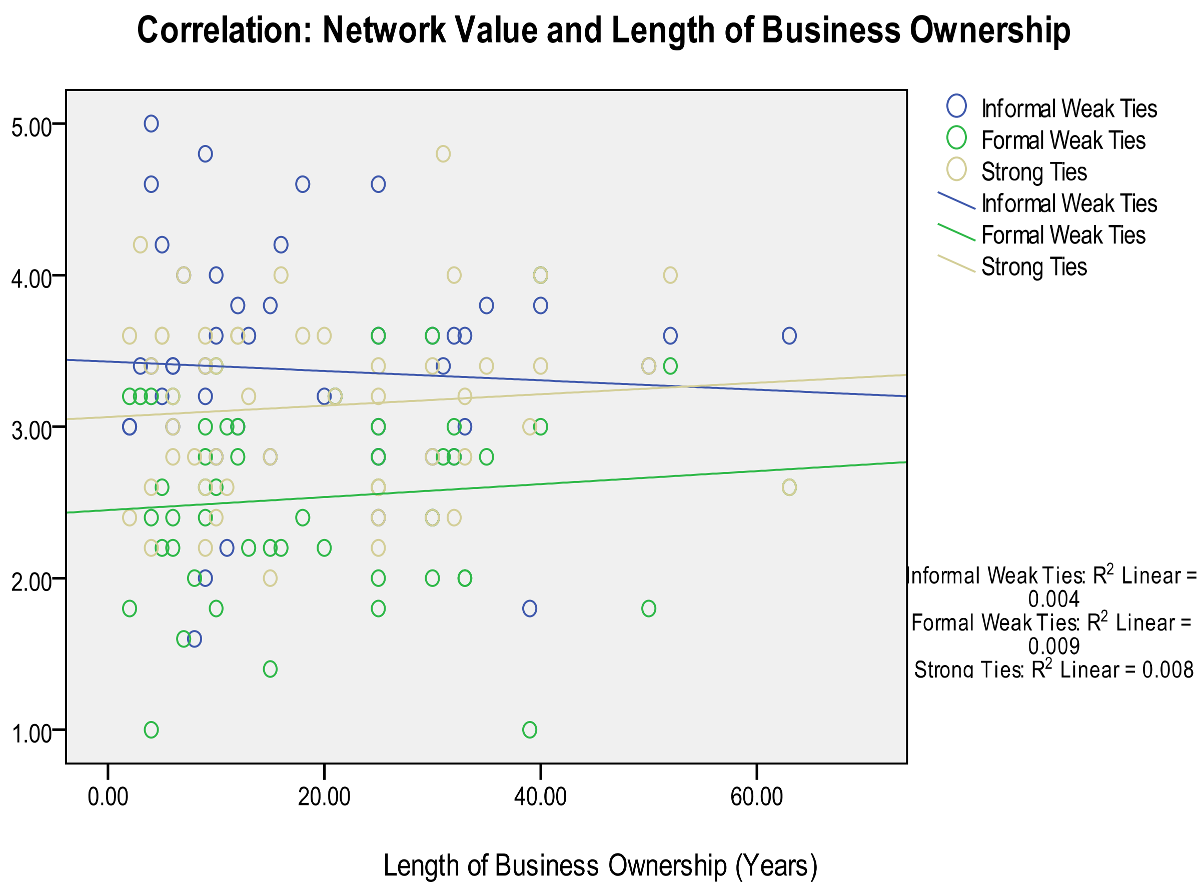
Frequency Distribution: Informal Weak Ties



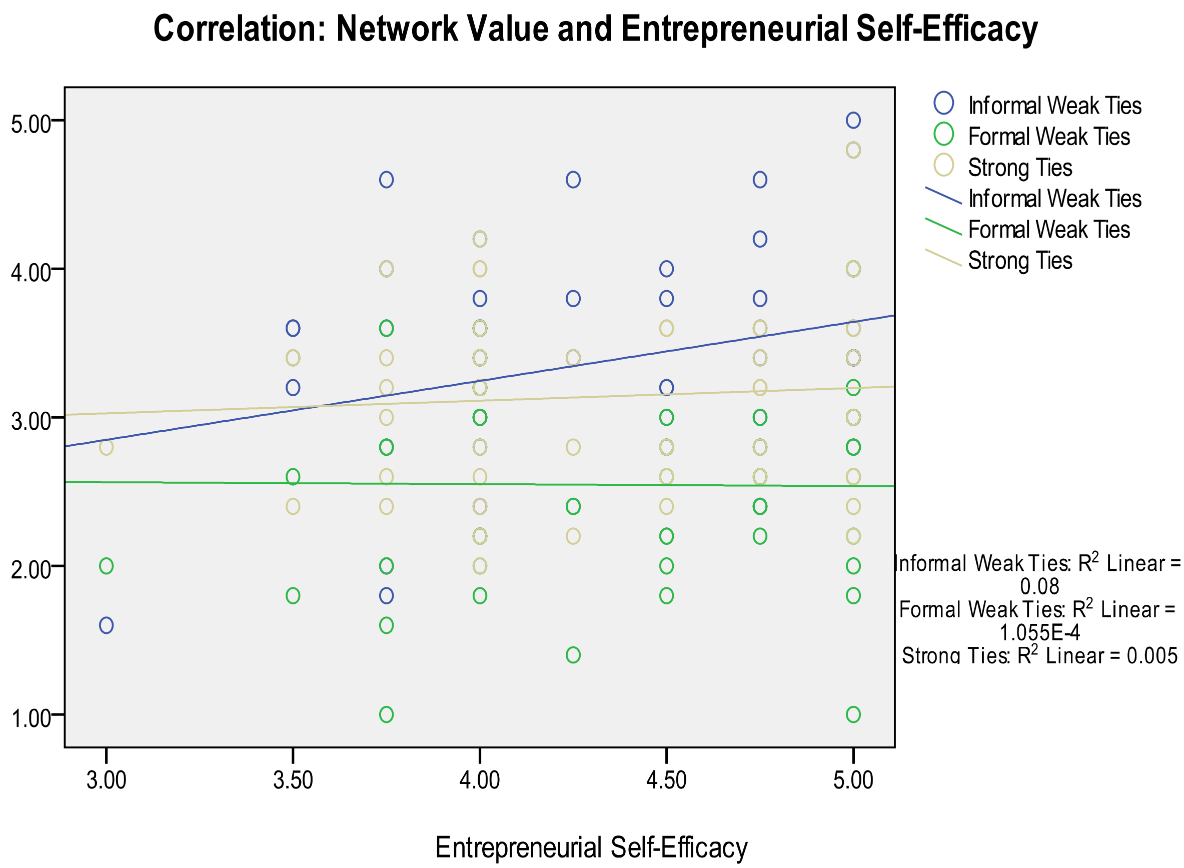

Frequency Distribution: Formal Weak Ties
Frequency
0
1
2
3
4
5
6
7
8
1.00
2.00
3.00
4.00
5.00

APPENDIX E. CORRELATIONS BETWEEN NETWORK VALUES AND SOCIAL, PSYCHOLOGICAL, AND BUSINESS VARIABLES

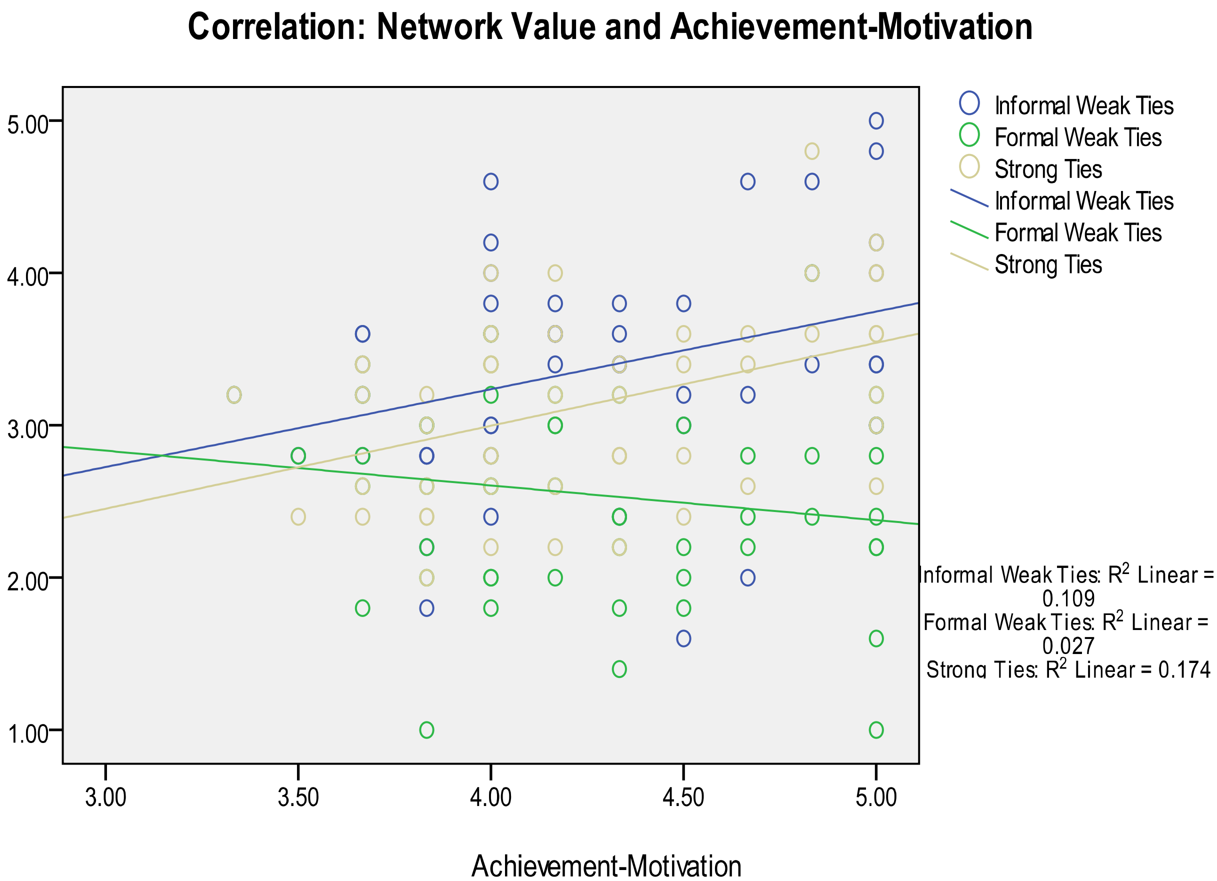
Best Fit Line



Best Fit Line

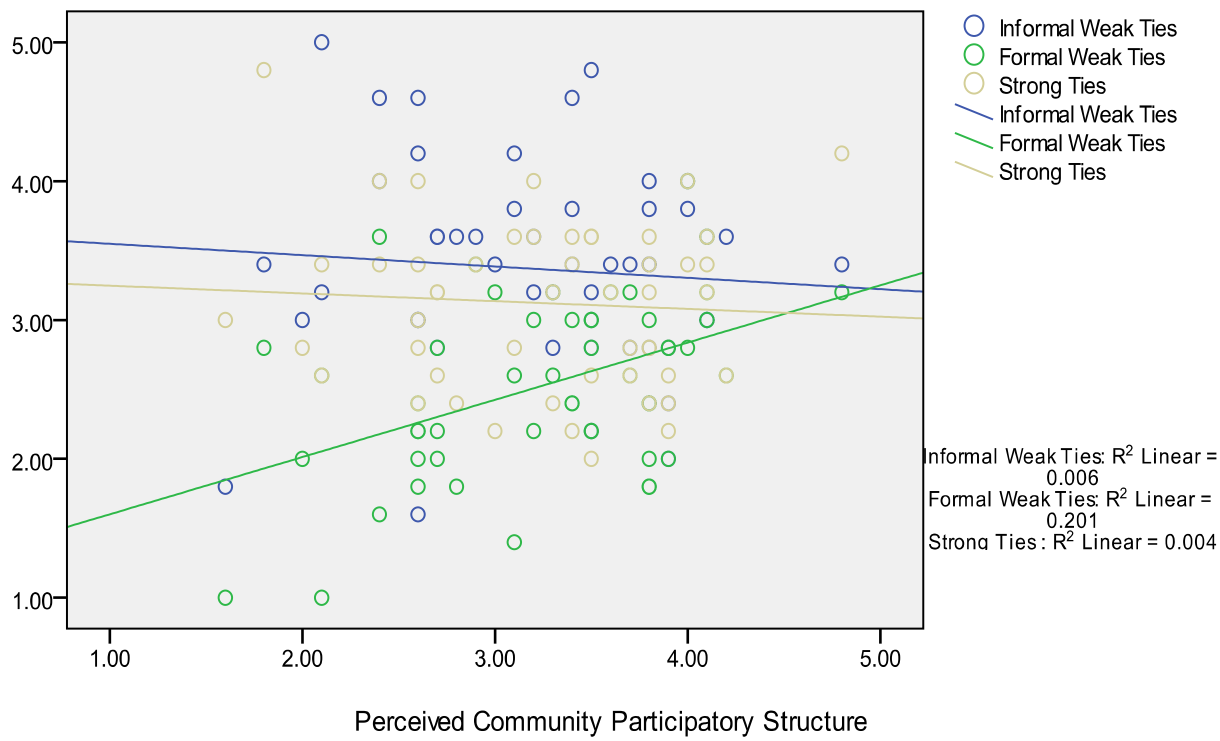


Best Fit Line



Best Fit Line

Correlation: Network Value and Perceived Community Participatory Structure



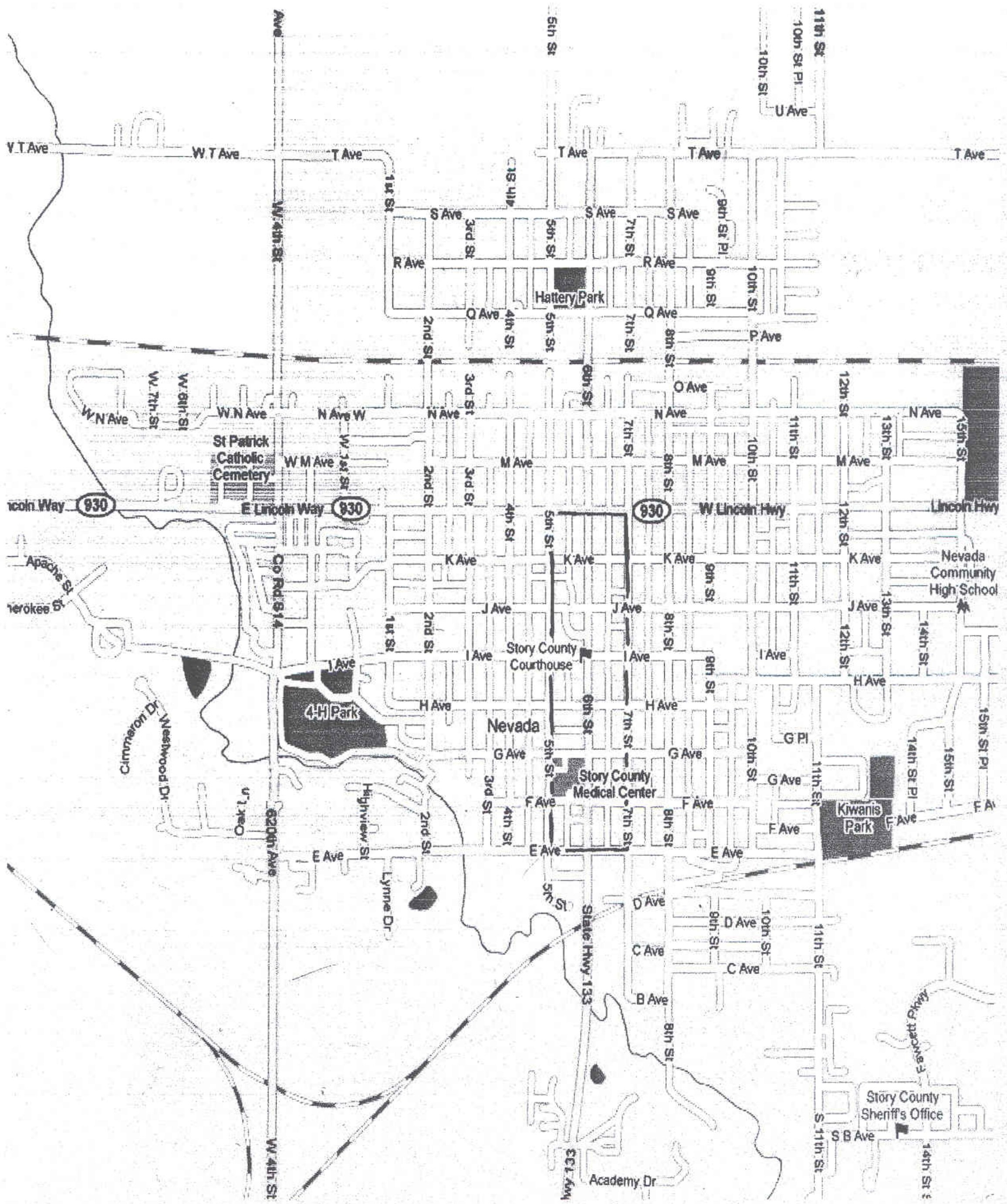
APPENDIX F. FOLLOW-UP ANALYSIS

Zero-Order Correlations between the Value of Each Network and Community Variables

	Formal Weak Ties		Informal Weak Ties		Strong Ties	
	r	***p***	***r***	***p***	***r***	***p***
Number of local organizations in which entrepreneur is a member	0.095	0.504	0.223	0.054	0.090	0.443
Personal attachment to community	0.245	0.079	0.093	0.428	0.082	0.487
Years lived in Nevada	0.186	0.256	0.077	0.579	0.254	0.064
Resident Activities						
Importance of getting residents to take leadership roles in community	0.251	0.076	0.380	0.001***	0.051	0.668
Importance of assisting people to take over local businesses when business owner retires	0.194	0.171	0.343	0.003**	0.310	0.008**
Importance of financial contributions by residents in trusts and estates	0.301	0.032*	0.436	0.000***	0.153	0.196
Importance of residents shopping locally	0.315	0.024*	0.347	0.003**	0.297	0.011*
Importance of residents volunteering in community	0.359	0.010**	0.369	0.001***	0.306	0.008**
Entrepreneur Activities						
How active are you in working with others to make the community a better place?	0.309	0.027*	0.144	0.220	0.091	0.439
How much leadership do you provide in making the community a better place?	0.365	0.009**	0.175	0.136	0.125	0.287
How often do you donate money to community?	0.173	0.224	0.346	0.003**	0.326	0.005**

* $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$

Map of Nevada, Iowa and Downtown Street Boundaries



maps.google.com

Downtown vs. Surrounding Area Chamber Frequencies and Percentages (Membership Rate and Levels of Agreement that Chamber offers Resources and Support)

	Chamber Membership		**Chamber Value**	
		Low	*Moderate*	*High*
Downtown Entrepreneur	n=22; 73%	n=16	n=6	n=0
Surrounding Area Entrepreneur	n=30; 64%	n=19	n=10	n=1

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