

The importance of entrepreneurial networks in the start-up process – the case of entrepreneurial students at a Grande Ecole in France

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Introduction

Arguably, networks are of catalytic importance in entrepreneurial ventures and seem to play a protagonistic role in many aspects of organisational emergence (Aldrich & Zimmer 1986, Birley 1985, Johannisson 2000, Larson & Starr 1993, Nicolaou & Birley 2002). Some authors have indeed claimed that the availability and development of personal networks may explain why some individuals start firms and other do not (Aldrich and Zimmer 1986, Johannisson 1987). Indeed as Hansen & Allen (1992) and Aldrich et al. (1987) argue, the body of entrepreneurial network literature seems to indicate that entrepreneurs who lack extensive interpersonal networks are less likely to survive and if they survive they are more likely to persist as no-growth or low-growth lifestyle or income substitution small businesses. Arguably the information needed to start a business is passed to the small business owner through an existing social network of friends and acquaintances (Johannisson 1987b, Johannisson & Nilson 1989). This seems to suggest that entrepreneurial networks are key to the entrepreneur.

Arguably, there is a link between the life cycle of an enterprise and social network development of an entrepreneur. Early work in the 1980s highlighted a link between changes in the network of an entrepreneur and the different phases of the entrepreneurial venture (Birley & Cromie 1988). However, to date there is little information available as to how and why these networks change when the business grows and why networks evolve. There are only a limited number of studies that have aimed to throw light on the link between network formation and the different stages of entrepreneurial processes, notable exceptions are Birley (1985), Butler & Hansen (1991), Greve & Salaff (2003), Larson & Star (1993), Leung (2003) and Schutjens & Stam (2003). These studies suggest that many emerging entrepreneurial firms rely initially on close, relationally embedded ties with family and friends, in particular in the pre-start-up phase. Later in the second stage of the entrepreneurial venture network ties are formed with bankers, lawyers and government agencies. In short, formal ties are added which are based upon traditional market exchange. Following Hite & Hesterly (2001) we see a change from relationally embedded ties to those of a calculative nature; whose importance is greater than that of relationally embedded ties with close friends and family. In the third phase entrepreneurial firms develop strategic networks which may be inter-organisational in nature (Butler & Hansen 1991).

Brass et al. (2004) identified a number of reasons why networks evolve: First, changes can be explained by rules of attachment that affect subsequent network evolution. Second, entrepreneurs differ in their individual propensity and capability to form networks (Brass et al. 2004, Burt et al. 1998, Hite & Hesterly 2001). Third, given the different nature of the industry in which the entrepreneurial venture was founded resource needs may be higher. Fourth, outside pressures may impact upon the network and force it to change. Fifth, clearly not all ties are created equal. In fact, the compositional quality of a tie, as argued by Borgatti et al. (1998), may influence firm outcomes. Sixth, the tension between the hope of acquiring new capabilities and the fear of losing control over one's own resources may explain network reproduction and change (Burt 1992, Das & Teng 2000, Rond & Bouchikhi 2004). Seventh, Burton et al. (1998) and Hite & Hesterly (2001) suggested that networks evolve as

entrepreneurs leverage prior firm affiliations and previous career experiences to bring broader functional networks to their new venture and influence the emerging firm's success.

This article reports upon a research study with focus on the different phases of entrepreneurial network development of entrepreneurial ventures of Grande Ecole students in France. Focus is upon the implication of different actors, be it family, friends, former colleagues or Higher Education professors or government agencies in the different phases of the entrepreneurial venture.

It is important to point out that the French Higher education system is characterised by a tripartite organisation with universities, Grandes Ecoles (these include both management and engineering schools) and other Higher and Further Education institutions. In fact, the French higher education sector dates back to the late 18th century (Chesnais 1993) and David (1994, p. 205) describes the Grandes Ecoles as 'carriers of history' as "many organisations and institutions have evolved into their present forms from recognisably similar structures that came into existence at some time in the past to satisfy some important social purpose". Indeed French Grandes Ecoles were set up with the social imperative to train the senior managers needed by the state, later by the large state-run conglomerates (David 1994). Given the traditional focus of Grandes Ecoles on large enterprise it is not surprising that 80% of the students strive to work in large enterprises after graduation and only a minority would consider creating their own company (Klapper 2004). Hence research that focuses on entrepreneurial Grande Ecole students has the potential to add considerably to existing knowledge about entrepreneurship, and in particular French entrepreneurship. This research is based at the ESC Rouen which is the second eldest Grande Ecole in France.

Methodology

This is situated in the social constructivist framework. Given that constructivists believe that reality is essentially a product of different contexts, perceptions and sense-making mechanisms the researcher aims to explore and make sense of the social realities of the entrepreneur throughout the different phases of the entrepreneurial venture. She is, in particular, interested in the entrepreneurial perception and interpretation of the different phases of the entrepreneurial venture with its associated activities, as well as the different actors (individuals and organisations) involved with their respective contribution. Clearly, there is an interest in the interaction between the entrepreneur and his environment, his entourage.

The aims of the research are twofold: First, to explore the development of entrepreneurial networks of Grande Ecole students throughout the venture creation process in terms of the entrepreneur's perception of the different phases and associated activities in the entrepreneurial venture. Second, to investigate the importance of the entrepreneurial networks of Grande Ecole students based upon the entrepreneur's perceptions of the different support individuals/organisations give in these different phases (i.e. *Who* contributes *what*, *when* and *how*?)

In detail, the research examines 12 cases, one of which is of a longitudinal nature. The target group has been Grande Ecole students that have started their own business in or around 2003 or are in the process of creating their company. A comprehensive semi-structured questionnaire was developed asking the entrepreneur(s) a series of questions relating to the venture itself, the entrepreneur's background, the process of creation, his/her motivation for creating the business, the entrepreneurial network and possible success factors. Throughout

the interview an empty sheet was presented to the entrepreneur(s) where they had to indicate the different phases of their venture, the activities and the persons involved in the different stages and the nature of their involvement. This information was then complemented by a repertory grid analysis which is based on the Personal Construct theory developed by George Kelly (1959) which aims to illicit concepts defined in the participants' own words. Both interviews and repertory grids are being analysed using appropriate software.

Due to time and space limitations this particular article will, however, only focus on two cases investigated throughout the study. The first case, which is of longitudinal character, is that of two entrepreneurial third year students who are in the process of building a company around a marketing tool that could find application in supermarket chains. This case will be compared and contrasted with an entrepreneurial venture that was set up by two postgraduate students in the field of environmental pollution treatment in 2005. Both creations have taken place within the Grande Ecole context.

Discussion

Although still a work in progress the two cases reviewed in this paper have already revealed a number of interesting aspects. First, they give an in-depth insight into the different phases of the entrepreneurial venture highlighting the different roles of different individuals in the venture creation process, according to the entrepreneurs' perception. In particular the importance of academics that accompany these young creators with their expertise throughout the venture creation process is being highlighted. Second, Grande Ecole students seem to come endowed with a certain social and cultural capital due to their educational background. Indeed being a graduate of a prestigious Grande Ecole Management or Engineering School seems to give added credibility and legitimacy in the venture creation process. Third, the unique networks of Grande Ecole students (both management and engineering) appear to play a major role in the venture creation process. At the French Grande Ecole where the research is taking place, an 'Association des Anciens' (Association of former students) exists which publishes information about the network of former students on a regular basis. This Association and the network of 'anciens' gets called upon when advice and information is needed in the entrepreneurial venture creation process, which seems to highlight the importance of issues such social proximity, social equals and trust. Fourth, both ventures are the result of team creation and the analysis of the interviews has highlighted the importance of the complementarity of competences for the entrepreneurial venture as well as the importance of the seedbed function of the Grande Ecole context for the entrepreneurial venture.

However, these are only initial results of the research and more analysis of interviews and repertory grids is needed. Furthermore at a later stage the findings from these two cases will be compared and contrasted with the remaining cases of entrepreneurial ventures of Grande Ecole students.

Contribution to the literature

Given the social imperative of the French Grandes Ecoles to train senior managers for the state or large companies it is understandable that there is only a limited number of ESC Management students that have, to date, become entrepreneurs or are in the process of setting up a company. Given this background, a research study that investigates the entrepreneurial activities of Grande Ecole students will offer a unique insight into the way these entrepreneurs think and the way they create and manage their entrepreneurial network. Furthermore the literature review has highlighted, that there is virtually no information about entrepreneurial networks of French Grande Ecole students. Hence this research will fill an important gap in

the literature. Third, the research is novel in the way that it combines a case study approach based upon semi-structured interviews with the repertory grid technique in a French entrepreneurial context. Fourth, much entrepreneurial research is based on retrospective accounts, yet as Carter et al. (2003) emphasise there is a need for more prospective research. Arguably, this research study offers both: a retrospective and a prospective dimension of entrepreneurial network research, as it offers case studies from both perspectives. It is suggested that this unique combination of information also adds to the unique character of this research project.